



Republic of the Philippines  
 Supreme Court  
 Manila

SUPREME COURT OF THE PHILIPPINES  
 PUBLIC INFORMATION OFFICE

RECORDED  
 APR 13 2022  
 BY: [Signature]  
 TIME: [Signature]

THIRD DIVISION

TOYOTA MOTORS  
 PHILIPPINES CORPORATION,  
 Petitioner,

G.R. No. 257084

Present:

LEONEN, J.,  
*Chairperson,*  
 CARANDANG,  
 ZALAMEDA,  
 ROSARIO, and  
 DIMAAMPAO,\* JJ.

- versus -

ESMERALDA M. AGUILAR and  
 TOYOTA FAIRVIEW, INC.,  
 Respondents.

Promulgated:

November 15, 2021

*Mis-DCB*

X-----X

DECISION

CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court (Rules) assailing the Decision<sup>2</sup> dated December 7, 2020 and Resolution<sup>3</sup> dated June 29, 2021 of the Court of Appeals (CA) in CA G.R. SP No. 155872.

Antecedents

Esmeralda Aguilar (Aguilar) purchased on an installment basis a Toyota Wigo with Conduction Sticker No. VB4772 from Toyota Fairview, Inc. (TFI). Barely two weeks after it was released to her, the car acted erratically as the steering wheel malfunctioned and it became difficult to

\* Designated as additional Member per Special Order No. 2839 dated September 16, 2021.

<sup>1</sup> *Rollo*, pp. 3-34.

<sup>2</sup> Penned by Associate Justice Carlito B. Calpatura, with the concurrence of Associate Justices Mariflor P. Punzalan Castillo and Maria Elisa Sempio Diy; *id.* at 42-55.

<sup>3</sup> *Id.* at 56-58.

9

turn. Aguilar complained of a loud and annoying noise coming from underneath the brake and accelerator pads. On May 23, 2016, the vehicle underwent the 1,000-km maintenance check and Aguilar caused the installation of the car's alarm system at the accessories department of TFI. From then on, the subject car underwent several repairs for the same problem (*i.e.*, on June 2 and 27, 2016; July 4 and 7, 2016; August 20 and 25, 2016; and September 2, 2016). Aguilar alleged that for all the repairs done on the dates mentioned, TFI never issued any "repair order". Hence, Aguilar filed a complaint with the Department of Trade and Industry (DTI) Adjudication Division for Product and Service Imperfections under the Consumer Act.<sup>4</sup>

On October 24, 2016, the DTI Adjudication Division issued an Order,<sup>5</sup> declaring that Toyota Motors Philippines (TMP) was deemed to have waived its opportunity to file its position paper after failing to comply with the directive provided in the Notice of Adjudication.<sup>6</sup>

### **Ruling of the DTI Adjudication Division**

On October 25, 2016, the DTI Adjudication Division rendered its Decision,<sup>7</sup> the dispositive portion of which states:

**WHEREFORE**, in view of the foregoing, this Office rules in favor of the Complainant. Respondent **TOYOTA MOTORS PHILS., INC.** is hereby ordered:

- I. To **REPLACE** the subject product by another of the same kind, in a perfect state of use.
- II. To pay an administrative fine of Two Hundred Forty Thousand Pesos (**Php240,000.00**), pursuant to the stipulated table of fines under DAO 6: 2007 in relation to E.O. 913, within fifteen days from receipt of this Decision payable at 1<sup>st</sup> Floor, UPRC Bldg., 315 Sen. Gil Puyat Ave., Makati City.

**SO ORDERED.**<sup>8</sup> (Emphases in the original)

The DTI Adjudication Division noted that TMP had not submitted substantial evidence to disprove or rebut the allegations made by Aguilar. It was also observed that though the vehicle was subjected to a series of repairs, no service report or repair order was issued to her. The DTI Adjudication Division ruled that the case involved an issue of product imperfection, as defined under the Consumer Act. It pointed out that the issue of the vehicle's steering wheel being difficult to turn or rotate amounted to a genuine safety concern which should have been properly addressed by TMP during the time it had undergone repair. This problem

<sup>4</sup> Id. at 43.

<sup>5</sup> Penned by Adjudication Officer Mildred F. San Pedro; id. at 139-140.

<sup>6</sup> Id. at 139.

<sup>7</sup> Penned by Adjudication Officer Mildred F. San Pedro and Approved by Adjudication Division Chief Genaro C. Jacob; id. at 144-150.

<sup>8</sup> Id. at 149.

9

persisted despite repair.<sup>9</sup> It was held that in cases of imperfect products, the law imposes the liability on the supplier, TMP.<sup>10</sup>

The DTI Adjudication Division denied Aguilar's claim for the refund of the purchase price but instead granted the replacement of the subject vehicle. It was explained that the imperfection of the vehicle was discovered barely two months from the date of the purchase which was within the period covered by the warranty.<sup>11</sup>

The DTI Adjudication Division also ruled that Aguilar cannot invoke the rights under the Republic Act No. (R.A.) 10642, otherwise known as the "Philippine Lemon Law" because she failed to offer any proof of the written notice requirement mandated under Section 6 of the law.<sup>12</sup>

### **Ruling of the DTI Secretary**

On February 24, 2018, the DTI Secretary rendered a Decision,<sup>13</sup> the dispositive portion of which states:

**WHEREFORE**, the Decision dated 25 October 2016 is set aside and Respondent – Appellant, Toyota Motors Philippines and Respondent – Appellant, Toyota Fairview Inc. are hereby ordered:

1. To replace the subject vehicle by another of the same kind, in a perfect state of use, and
2. To pay, jointly and severally, the amount of TWO HUNDRED FORTY THOUSAND (P240,000.00) PESOS pursuant to law with (sic) fifteen (15) days from receipt of this Decision at 1<sup>st</sup> Floor, UPRC Bldg. 315 Sen. Gil Puyat Avenue, Makati City.

**SO ORDERED.**<sup>14</sup> (Emphasis in the original)

The DTI Secretary ruled that the Adjudication Division did not commit grave abuse of discretion though it decided the case without the position paper of TMP and that the provisions of the Rules of Court cannot be suppletorily applied. The DTI Secretary was convinced that TMP was liable as the imperfection persisted beyond the 30 days afforded by law.<sup>15</sup>

As for TFI, the DTI Secretary determined that bad faith may have been committed by TFI as it allowed the installation of the alarm system by a concessionaire of its own despite its knowledge that it would do harm to the vehicle. TFI did not inform Aguilar about this and opted to gain instead

---

<sup>9</sup> Id. at 147.

<sup>10</sup> Id. at 148.

<sup>11</sup> Id.

<sup>12</sup> Id. at 149.

<sup>13</sup> Id. at 169-172.

<sup>14</sup> Id. at 172.

<sup>15</sup> Id. at 171.

of fulfilling its duty to its customer.<sup>16</sup>

Aggrieved, TMP filed a petition for *certiorari* with the CA.

### Ruling of the Court of Appeals

In a Decision<sup>17</sup> dated December 7, 2020, the CA dismissed the consolidated petitions for lack of merit.<sup>18</sup> The CA found the contention that the Secretary of DTI gravely abused his discretion when he affirmed the DTI Adjudication Division's decision knowing that it was hastily done bereft of merit.<sup>19</sup> The CA explained that TMP was not denied of its right to due process, even if the DTI Adjudication Division did not wait for the position paper of TMP, because the parties were given equal opportunity to present their sides in an amicable settlement proceeding.<sup>20</sup> Besides, in administrative proceedings, technical rules of procedure and evidence are not strictly applied and administrative due process cannot be fully equated with due process in its strict judicial sense.<sup>21</sup>

With regard to the substantive aspect, the CA agreed with the DTI Adjudication Division and the DTI Secretary's ruling that TMP and TFI were liable under Article 100(a) of the Consumer Act. The CA held that since the repairs of the subject car were completed more than 30 days from the time the defects were complained of by Aguilar, she could demand at her option the replacement of the product by another of the same kind, in a perfect state of use.<sup>22</sup> The CA added that TFI could not escape from liability by claiming that it was merely a distributor/dealer, and not the manufacturer of the car. The CA declared TFI solidarily liable for the imperfections in quality that rendered the product unfit or inadequate for the use intended.<sup>23</sup>

In a Resolution<sup>24</sup> dated June 29, 2021, the CA denied the Motions for Reconsideration of TMP and TFI.<sup>25</sup>

In the present petition,<sup>26</sup> TMP insists that the CA erroneously equated a mediation conference with the filing of a position paper.<sup>27</sup> TMP also maintains that since DAO No. 07-06 does not provide the manner by which pleadings are to be filed in the DTI Adjudication Division and served upon the other parties, a suppletory application of the Rules of Court fills this void. As such, registered mail is an acceptable mode of filing a position paper in the Adjudication Division, and the date of mailing, as shown by the

---

<sup>16</sup> Id. at 171-172.

<sup>17</sup> Supra note 2.

<sup>18</sup> *Rollo*, p. 54.

<sup>19</sup> Id. at 49.

<sup>20</sup> Id. at 49-50.

<sup>21</sup> Id. at 51.

<sup>22</sup> Id. at 52-53.

<sup>23</sup> Id. at 53.

<sup>24</sup> Supra note 3.

<sup>25</sup> *Rollo*, p. 58.

<sup>26</sup> Id. at 3-34.

<sup>27</sup> Id. at 15-19.

9

post office stamp on the envelope or the registry receipt, is considered the date of its filing.<sup>28</sup> TMP points out that its position paper was filed by registered mail on October 21, 2016, the fifth working day from its receipt of summons, and that the belated receipt by the DTI Adjudication Division cannot be taken against TMP. TMP posits that it was incumbent upon the DTI Adjudication Division to hold in abeyance its rendition of decision on the complaint to allow the lapse of reasonable time for the position paper to arrive.<sup>29</sup> TMP also submits that there is no substantial evidence that supports the conclusion that the imperfections in the vehicle still persist because the difficulty in maneuvering the steering wheel did not remain uncorrected and was successfully repaired on September 28, 2016. TMP argues that between the self-serving statements of Aguilar and the sworn testimony of TMP's technical personnel and photographs submitted, its evidence outweighs Aguilar's testimony.<sup>30</sup> TMP insists that the vehicle did not suffer any quality imperfection when it was released to Aguilar on April 23, 2016. The problem with the steering wheel arose only on May 23, 2016, when Aguilar caused the installation of an unauthorized additional alarm system. TMP avers that had Aguilar not tampered with the electrical system, its engine control units (ECU) would not have malfunctioned and ceased supplying the electricity from the electric power steering system (EPS) to operate its "power-steering" feature. As such, whatever defect that the vehicle suffered because of the difficulty in maneuvering the steering wheel is not a quality imperfection but was instead caused by the installation of an unauthorized after-market accessory.<sup>31</sup>

### Issues

The issues to be resolved are the following:

- (1) Whether TMP was denied its right to due process when the DTI Adjudication Division did not wait for its position paper before rendering its decision; and
- (2) Whether TMP and TFI are liable for violation of the Consumer Act.

### Ruling of the Court

After a judicious study of the case, the Court resolves to deny the instant Petition for Review on *Certiorari*<sup>32</sup> for failure to sufficiently show that the CA committed any reversible error in the assailed Decision and Resolution as to warrant the exercise of the Court's appellate jurisdiction.

As aptly explained by the CA, TMP was not denied its right to due process, even if the DTI Adjudication Division did not wait for its position

---

<sup>28</sup> Id. at 21-22.

<sup>29</sup> Id. at 23-25.

<sup>30</sup> Id. at 26-29.

<sup>31</sup> Id. at 30-33.

<sup>32</sup> Id. at 3-34.

paper, because the parties were given equal opportunity to present their respective sides in an amicable settlement proceeding.<sup>33</sup> Besides, in administrative proceedings, technical rules of procedure and evidence are not strictly applied and administrative due process cannot be fully equated with due process in its strict judicial sense.<sup>34</sup>

TMP and TFI are solidarily liable under Article 100(a) of the Consumer Act. It is settled that by reason of the special knowledge and expertise of the DTI over matters falling under its jurisdiction, it is in a better position to pass judgment on the issues; and its findings of fact in that regard, especially when affirmed by the CA, are generally accorded respect, if not finality, by this Court.<sup>35</sup>

As correctly determined by the CA, TMP and TFI are liable under Article 100(a) of the Consumer Act, which states:

Article 100. Liability for Product and Service Imperfection.

– The suppliers of durable or non-durable consumer products are jointly liable for imperfections in quality that render the products unfit or inadequate for consumption for which they are designed or decrease their value, and for those resulting from inconsistency with the information provided on the container, packaging, labels or publicity messages/advertisement, with due regard to the variations resulting from their nature, the consumer being able to demand replacement to the imperfect parts.

**If the imperfection is not corrected within thirty (30) days**, the consumer may alternatively demand at his option:

a) the replacement of the product by another of the same kind, in a perfect state of use;

x x x x

The imperfection referred to is defined in Section 2, Rule III, Chapter V of Department of Trade and Industry (DTI) Administrative Order No. 2, series of 1993 (Implementing Rules and Regulations of R.A. 7394), which provides:

Section 2. When is There Product Imperfection. – With due regard to variations resulting from their nature, the following shall constitute product imperfection:

2.1. Those that **render the products unfit or inadequate for the purpose, use or consumption for which they are designed or intended**;

2.2. Those that shall jeopardize the quality and characteristics of the product resulting to a decrease in its value.

<sup>33</sup> Id. at 49-50.

<sup>34</sup> Id. at 51.

<sup>35</sup> *Autozentrum Alabang, Inc. v. Spouses Bernardo*, 786 Phil. 851, 863 (2016).

9

Here, the steering wheel issue that remained unresolved for more than 30 days rendered the vehicle unfit or inadequate for the purpose intended. Since the repairs of the subject car were completed more than 30 days from the time Aguilar complained about the defective vehicle, she can demand, at her option, the replacement of the product by another of the same kind, in a perfect state of use.

TFI cannot escape from liability by claiming that it is merely a distributor/dealer, and not the manufacturer of the car. TFI is solidarily liable with TMP for the imperfections in quality that rendered the product unfit or inadequate for the use intended. The claim of TMP that Aguilar, through TFI's concessionaire, installed an unauthorized after-market accessory that caused the steering wheel to malfunction had already been passed upon by the CA. TMP's technical personnel expectedly reasoned that the vehicle's ECU would not have malfunctioned and ceased supplying the electricity from the EPS to operate its "power-steering" feature because of the unauthorized installation of the accessory. This is a self-serving statement and does not deserve credence. It remains undisputed that Aguilar availed the service of the concessionaire introduced to her by TFI and installed the accessory at the dealer's place of business, giving the impression that this accessory is authorized by TMP and will not aggravate the steering wheel issue of the vehicle.

**WHEREFORE**, premises considered, the petition is **DENIED**. Accordingly, the Decision dated February 24, 2018 of the Department of Trade and Industry Secretary is hereby **AFFIRMED**, to wit:

**WHEREFORE**, the Decision dated 25 October 2016 is set aside and Respondent – Appellant, Toyota Motors Philippines and Respondent – Appellant, Toyota Fairview Inc. are hereby ordered:

1. To replace the subject vehicle by another of the same kind, in a perfect state of use, and
2. To pay, jointly and severally, the amount of TWO HUNDRED FORTY THOUSAND (P240,000.00) PESOS pursuant to law with (sic) fifteen (15) days from receipt of this Decision at 1<sup>st</sup> Floor, UPRC Bldg. 315 Sen. Gil Puyat Avenue, Makati City.

**SO ORDERED.**<sup>36</sup> (Emphasis in the original)

**SO ORDERED.**


  
**ROSMARI D. CARANDANG**  
Associate Justice


<sup>36</sup>

Rollo, pp. 172.

**WE CONCUR:**

  
**MARVIC MARIO VICTOR F. LEONEN**  
*Associate Justice*

  
**RODIL V. ZALAMEDA**  
*Associate Justice*

  
**RICARDO R. ROSARIO**  
*Associate Justice*

  
**JAPAR B. DIMAAMPAO**  
*Associate Justice*

**A T T E S T A T I O N**

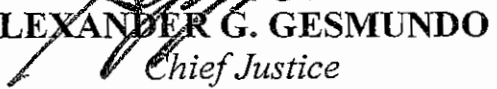
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**MARVIC MARIO VICTOR F. LEONEN**  
*Associate Justice*



**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALEXANDER G. GESMUNDO  
*Chief Justice*

