



REPUBLIC OF THE PHILIPPINES  
SUPREME COURT  
Manila

SECOND DIVISION

**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **December 7, 2022** which reads as follows:*

*“G.R. No. 261512 (Chevrolet Carmona Branch, petitioner v. Department of Trade and Industry (DTI) and Corazon L. Reyes, respondents). – This Petition for Review on Certiorari<sup>1</sup> assails the following dispositions of the Court of Appeals in CA-G.R. SP No. 156395 entitled Chevrolet Carmona Branch, petitioner, versus Department of Trade and Industry and Corazon L. Reyes, respondents:*

1. **Decision**<sup>2</sup> dated July 22, 2021 ruling that the Department of Trade and Industry Secretary’s judgment ordering petitioner Chevrolet Carmona Branch to refund the cost of the defective car or to replace it with the same kind, mark, or model at the option of the customer was not tainted with grave abuse of discretion amounting to lack or excess of jurisdiction; and
2. **Resolution**<sup>3</sup> dated June 7, 2022 denying petitioner’s Motion for Reconsideration.

**Antecedents**

In June 2013, private respondent Corazon L. Reyes (*Reyes*) purchased a brand-new Chevy LS Cruze with five-year warranty from petitioner Chevrolet Carmona Branch.<sup>4</sup>

On November 5, 2014, Reyes brought the car to petitioner for inspection due to sudden down-shifting of gears. Since petitioner’s mechanic found nothing wrong with the vehicle, it was released to Reyes the following day. A few days later, on November 11, 2014, while Reyes was driving along South Luzon Expressway, the car suddenly shifted to low gear again. Thus, she took the car back to petitioner for another round of inspection. Reyes was

<sup>1</sup> *Rollo*, pp. 3–20.

<sup>2</sup> Penned by Associate Justice Ramon A. Cruz and concurred in by Associate Justices Ruben Reynaldo G. Roxas and Bonifacio S. Pascua, *id.* at 93–103.

<sup>3</sup> *Id.* at 90–91.

<sup>4</sup> *Id.* at 47.

informed that the problem was on the transmission control module. Subsequently, petitioner told Reyes that the transmission control module was already replaced, hence, the car got released to her again.<sup>5</sup>

But on December 12, 2014, Reyes encountered the same problem, so one more time, she brought the car back to petitioner. After another round of repair, petitioner released the car to Reyes on December 23, 2014. Thereafter, on December 27, 2014, while Reyes was driving to Nueva Vizcaya, she still experienced the same problem. Consequently, she called petitioner, which sent a towing service to her location, and had the car brought to Chevrolet Nueva Ecija branch for yet another round of repair. Forty days later, or on February 9, 2015, the car finally got released to Reyes.<sup>6</sup> But the problem simply repeated itself.

Due to this recurring problem and petitioner's failure to fix the same despite repeated repairs, Reyes filed a complaint before the Department of Trade and Industry Laguna Provincial Office pursuant to Republic Act No. 10642<sup>7</sup> or the Philippine Lemon Law (*Lemon Law*), since her car had been repaired four times already and had remained with petitioner for a total of 80 days. She likewise prayed for actual, moral, and exemplary damages.<sup>8</sup>

#### **Proceedings before the Department of Trade and Industry**

During the mediation proceedings before the Department of Trade and Industry Adjudication Officer, petitioner admitted that it did not replace the defective transmission control module when the car was brought for repairs in November 2014, and that it only replaced the transmission control module in January 2015.<sup>9</sup>

On the other hand, Reyes averred that apart from the malfunctioning transmission control module, the car also had a nonfunctioning CD player, fading black paint of the side mirrors, and broken charging outlet.<sup>10</sup>

By Decision<sup>11</sup> dated August 27, 2015, the Department of Trade and Industry Adjudication Officer ruled in favor of Reyes, thus:

WHEREFORE, decision is hereby rendered ordering the following:

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<sup>5</sup> Id.

<sup>6</sup> Id. at 47-48.

<sup>7</sup> REPUBLIC ACT NO. 10642, AN ACT STRENGTHENING CONSUMER PROTECTION IN THE PURCHASE OF BRAND NEW MOTOR VEHICLES, APPROVED ON JULY 15 2014.

<sup>8</sup> Id. at 48.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Id. at 47-55.

Respondents are hereby ordered to repair the motor vehicle of the complainant within a reasonable time and if the motor vehicle will continue to encounter the same problem or defect, complainant can now exercise her right to have the motor vehicle be replaced with a similar or comparable motor vehicle in terms of specifications and values.

Complainant is also directed to submit original official receipts showing the amount she incurred as transportation expenses from her place of residence to his (sic) regular workplace or destination and vice versa. After evaluating the reasonableness of this amount as well as the documents submitted, respondents are hereby ordered to jointly and severally pay the amount as will be contained in the order that will be issued after complainant's submission of the required documents.

SO ORDERED.<sup>12</sup>

The Department of Trade and Industry Adjudication Officer held that Reyes cannot avail of the remedies under the Lemon Law since the requisites under Sections 5,<sup>13</sup> 6,<sup>14</sup> and 7<sup>15</sup> had not been complied with.<sup>16</sup> Nonetheless, she

<sup>12</sup> Id.

<sup>13</sup> SECTION 5. Repair Attempts. — At any time within the Lemon Law rights period, and after at least four (4) separate repair attempts by the same manufacturer, distributor, authorized dealer or retailer for the same complaint, and the nonconformity issue remains unresolved, the consumer may invoke his or her rights under this Act.

The repair may include replacement of parts, components, or assemblies.

<sup>14</sup> SECTION 6. Notice of Availment of Lemon Law Rights. — Before availing of any remedy under this Act and subject to compliance with the provisions of Section 5 hereof, the consumer shall, in writing, notify the manufacturer, distributor, authorized dealer or retailer of the unresolved complaint, and the consumer's intention to invoke his or her rights under this Act within the Lemon Law rights period.

The warranty booklet issued by the manufacturer, distributor, authorized dealer or retailer shall clearly state the manner and form of such notice to constitute a valid and legal notice to the manufacturer, distributor, authorized dealer or retailer. It shall also clearly state the responsibility of the consumer under this section."

<sup>15</sup> SECTION 7. Availment of Lemon Law Rights. — Subsequent to filing the notice of availment referred to in the preceding section, the consumer shall bring the vehicle to the manufacturer, distributor, authorized dealer or retailer from where the vehicle was purchased for a final attempt to address the complaint of the consumer to his or her satisfaction.

It shall be the duty of the manufacturer, distributor, authorized dealer or retailer, upon receipt of the motor vehicle and the notice of nonconformity required under Section 6 hereof, to attend to the complaints of the consumer including, as may be necessary, making the repairs and undertaking such actions to make the vehicle conform to the standards or specifications of the manufacturer, distributor, authorized dealer or retailer for such vehicle.

In case the nonconformity issue remains unresolved despite the manufacturer, distributor, authorized dealer or retailer's efforts to repair the vehicle, pursuant to the consumer's availment of his or her Lemon Law rights, the consumer may file a complaint before the DTI as provided for under this Act: Provided, however, That if the vehicle is not returned for repair, based on the same complaint, within thirty (30) calendar days from the date of notice of release of the motor vehicle to the consumer following this repair attempt within the Lemon Law rights period, the repair is deemed successful: Provided, finally, That, in the event that the nonconformity issue still exists or persists after the thirty (30)-day period but still within the Lemon Law rights period, the consumer may be allowed to avail of the same remedies under Sections 5 and 6 hereof.

To compensate for the non-usage of the vehicle while under repair and during the period of availment of the Lemon Law rights, the consumer shall be provided a reasonable daily transportation allowance, an amount which covers the transportation of the consumer from his or her residence to his or her regular workplace or destination and vice versa, equivalent to air-conditioned taxi fare, as evidenced by official receipt, or in such amount to be agreed upon by the parties, or a service vehicle at the option of the manufacturer, distributor, authorized dealer or retailer. Any disagreement on this matter shall be resolved by the DTI.

Nothing herein shall be construed to limit or impair the rights and remedies of a consumer under any other law.

<sup>16</sup> *Rollo*, p. 51.

can avail of the remedies provided under Republic Act No. 7394<sup>17</sup> or the Consumer Act of the Philippines (*Consumer Act*). Based on Section 68<sup>18</sup> thereof, petitioner will be given a final opportunity to remedy the defect but if it still cannot rectify the problem, a replacement of the car, without charge to Reyes, is in order.<sup>19</sup> Too, the Department of Trade and Industry Adjudication Officer awarded actual damages to Reyes in view of the expenses she incurred in hiring a service vehicle while the car was under repair.<sup>20</sup>

Petitioner thereafter appealed to the Department of Trade and Industry Secretary. In its Memorandum of Appeal<sup>21</sup> dated September 19, 2015, petitioner riposted that Reyes had no cause of action against it. It repaired the defects under warranty and without cost to Reyes. As such, it insisted that the car was in good running condition when the same was released to Reyes in February 2015. After a few months, the car met an accident which severely damaged its right front bumper. Petitioner also averred that there was no basis for the award of damages.

By Decision<sup>22</sup> dated November 28, 2017, the Department of Trade and Industry Secretary, through Undersecretary Rowel S. Barba, affirmed with modification, viz.:

**WHEREFORE**, premises considered, the instant appeal is hereby **PARTIALLY GRANTED** and the Decision of the Adjudication Officer dated August 27, 2015 is hereby **AFFIRMED WITH MODIFICATION** as follows:

Respondent-Appellant is ordered to REPLACE the subject vehicle of same kind, mark or model; if not possible, replace by another of a different kind, mark or model with no additional cost to Complainant-Appellee.

SO ORDERED.<sup>23</sup>

<sup>17</sup> Republic Act No. 7394, Consumer Act of the Philippines, Approved on April 13, 1992.

<sup>18</sup> ARTICLE 68. *Additional Provisions on Warranties*. — In addition to the Civil Code provisions on sale with warranties, the following provisions shall govern the sale of consumer products with warranty:

x x x x

d) Minimum standards for warranties. —

For the warrantor of a consumer product to meet the minimum standards for warranty, he shall:

**remedy such consumer product within a reasonable time and without charge** in case of a defect, malfunction or failure to conform to such written warranty;

**permit the consumer to elect whether to ask for a refund or replacement without charge of such product or part, as the case may be, where after reasonable number of attempts to remedy the defect or malfunction, the product continues to have the defect or to malfunction.**

<sup>19</sup> *Rollo*, p. 53.

<sup>20</sup> *Id.* at 54.

<sup>21</sup> *Id.* at 56–67.

<sup>22</sup> *Id.* at 68–75.

<sup>23</sup> *Id.* at 74.

The Department of Trade and Industry Secretary held that petitioner's failure to properly address and correct the defects of the car permits Reyes to elect for a refund or replacement without charge. Accordingly, Reyes' prayer for replacement of the vehicle was granted. The award of actual damages was, however, deleted for lack of basis.<sup>24</sup>

Petitioner's Motion for Reconsideration<sup>25</sup> was subsequently denied under Order<sup>26</sup> dated April 17, 2018 for being an improper remedy per Section 2, Rule XV of Department Administrative Order No. 7, Series of 2006.<sup>27</sup>

### **Ruling of the Court of Appeals**

Undaunted, petitioner filed before the Court of Appeals a Petition for *Certiorari* assailing the foregoing dispositions of the Department of Trade and Industry Secretary. By its assailed Decision<sup>28</sup> dated July 22, 2021, the Court of Appeals dismissed the petition for failure to show that the Department of Trade and Industry acted with grave abuse of discretion amounting to lack or excess of jurisdiction in ordering the replacement of Reyes' car without charge.

The Court of Appeals decreed that the Department of Trade and Industry correctly held that under Article 68 of the Consumer Act, Reyes had the right to ask for a refund or replacement of the car if the defect or malfunction thereof continued despite reasonable attempts to remedy the same. Considering the fact that Reyes had to return the vehicle at least four times because of the same problem, the required "reasonable attempts" contemplated under Article 6(d)(2) of the Consumer Act were deemed complied with. Hence, petitioner's failure to remedy the defect gave Reyes the option to ask either for a refund or replacement of the car without charge.<sup>29</sup>

By Resolution<sup>30</sup> dated June 7, 2022, the Court of Appeals denied petitioner's Motion for Reconsideration.

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<sup>24</sup> Id. at 72.

<sup>25</sup> Id. at 76–86.

<sup>26</sup> Id. at 87–88.

<sup>27</sup> Section 2. Decision on Appeal. - The Secretary shall decide the said appeal within thirty (30) days from receipt thereof. His decision on the appeal shall become final and executory if no further appeal is made within the reglementary period provided by law, as follows:

a. If the case falls under the Consumer Act (where the complainant is a consumer), the further appeal shall be by way of *certiorari* to the Court of Appeals, pursuant to Section 4, Rule 65 of the Revised Rules of Court, which must be filed by the appellant within sixty (60) days from receipt of the decision to be assailed in the Court of Appeals. x x x x

<sup>28</sup> *Rollo*, pp. 93–102.

<sup>29</sup> Id. at 100–102.

<sup>30</sup> Id. at 90–91.



### The Present Petition

Petitioner now seeks to reverse the foregoing dispositions of the Court of Appeals on the following grounds:

**First.** It had dutifully repaired the car under warranty and addressed all the concerns of Reyes. The car was released to Reyes in good condition in February 2015 until the car met an accident which severely damaged its right front bumper.<sup>31</sup>

**Second.** It would be unfair, *nay*, would constitute unjust enrichment to require the car to be repaired or replaced considering the severe damage caused to it due to the accident without petitioner's fault.<sup>32</sup>

**Lastly.** The Complaint should be dismissed for lack of cause of action and for insufficiency of evidence.<sup>33</sup>

### Our Ruling

The Petition is devoid of merit.

In finding petitioner liable for failure to rectify the defective transmission control module of the car, the Court of Appeals, the Department of Trade and Industry Secretary, and the Department of Trade and Industry Adjudication Officer all applied Section 68 of the Consumer Act, *viz.*:

ARTICLE 68. *Additional Provisions on Warranties.* — In addition to the Civil Code provisions on sale with warranties, the following provisions shall govern the sale of consumer products with warranty:

x x x x

d) Minimum standards for warranties. —

For the warrantor of a consumer product to meet the minimum standards for warranty, he shall:

- 1) **remedy such consumer product within a reasonable time and without charge** in case of a defect, malfunction or failure to conform to such written warranty;
- 2) **permit the consumer to elect whether to ask for a refund or replacement without charge of such product or part, as the case may be, where after reasonable number of attempts to remedy the defect or malfunction, the product continues to have the defect or to malfunction.**

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<sup>31</sup> Id. at 10–11; 14.

<sup>32</sup> Id. at 12–13.

<sup>33</sup> Id. at 19.

The warrantor will not be required to perform the above duties if he can show that the defect, malfunction or failure to conform to a written warranty was caused by damage due to unreasonable use thereof. (Emphases supplied)

x x x x

Related to this provision is Section 100 of the Consumer Act, viz.:

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 [or her] option:**

- a) the replacement of the product by another of the same kind, in a perfect state of use;
- b) the immediate reimbursement of the amount paid, with monetary updating, without prejudice to any losses and damages;
- c) a proportionate price reduction.

The parties may agree to reduce or increase the term specified in the immediately preceding paragraph; but such shall not be less than seven (7) nor more than one hundred and eighty (180) days.

The consumer may make immediate use of the alternatives under the second paragraph of this Article when by virtue of the extent of the imperfection, the replacement of the imperfect parts may jeopardize the product quality or characteristics, thus decreasing its value.

If the consumer opts for the alternative under sub-paragraph (a) of the second paragraph of this Article, and replacement of the product is not possible, it may be replaced by another of a different kind, mark or model: *Provided*, that any difference in price may result thereof shall be supplemented or reimbursed by the party which caused the damage, without prejudice to the provisions of the second, third and fourth paragraphs of this Article. (Emphasis supplied)

***Product imperfection*** is defined under Department Administrative Order No. 2, series of 1993, or the Implementing Rules and Regulations of the Consumer Act, Chapter V, Rule III, Section 2, Paragraph 2.1, as:

**CHAPTER V**  
*Liability for Products and Services*

x x x x

**RULE III**  
*Liability for Product Quality Imperfection*

x x x x

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[.]**  
(Emphases supplied)

On the correct application of Section 100 of the Consumer Act, *Mazda Quezon Avenue v. Caruncho (Mazda)*<sup>34</sup> is instructive. There, the Court upheld the findings of the Department of Trade and Industry Appeals Committee that the defective rack and pinion mechanism of the subject vehicle therein was a product imperfection. The rack and pinion mechanism is an integral part of the vehicle and is used for maneuvering; its defect affected the vehicle's roadworthiness, making it unfit for its intended use. Mazda Quezon Avenue replaced said part five times, but the problem remained unsolved. The five replacements would have resolved the problem had it not been a product imperfection.<sup>35</sup>

Here, the subject car was repaired by petitioner four times due to defective transmission control module, but the problem persisted and remained unsolved. As in *Mazda*, the Court finds that this defect affected the vehicle's roadworthiness, making it unfit for its intended use. Accordingly, the defective transmission control module of Reyes' car constitutes a product imperfection. Consequently, petitioner cannot escape liability by arguing that the car was already in good running condition when it figured in an accident which damaged its right front bumper. More accurately, the car figured in the accident precisely because of its imperfection.

As cited, Section 100 of the Consumer Act allows the consumer the remedy of replacement of the product or full reimbursement. This remedy is echoed under the Implementing Rules and Regulations of the Consumer Act, Chapter V, Rule III, Section 3:

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<sup>34</sup> G.R. No. 232688, April 26, 2021.

<sup>35</sup> *Id.*



SECTION 3. *Remedies of the Consumer.* — Should the supplier fail to correct the imperfection of a consumer product within the period or time provided in these Rules, the consumer may alternatively demand for any of the following remedies:

3.1. The replacement of the product by another of the same kind and which shall be in a similar state of use. Such “similar state of use” shall be deemed to mean the status of use of the product when the same was first purchased by the consumer, whether brand-new, second-hand or deteriorated or scrap;

3.2. The immediate reimbursement of the amount paid, with monetary updating and without prejudice to any losses and damages:

3.2.1. The consumer shall allege and prove the actual loss and damage caused to him by the failure of the supplier to comply with his obligation as stated under this Rule;

3.2.2. The supplier may deduct any amount reflective of the depreciation value of the product as has been used from the amount paid by the consumer. The depreciation value of the product shall be reasonable and with the agreement of the consumer.

3.3. A proportionate reduction in the price of the product in which case, the consumer shall retain ownership and possession of the product.

x x x x

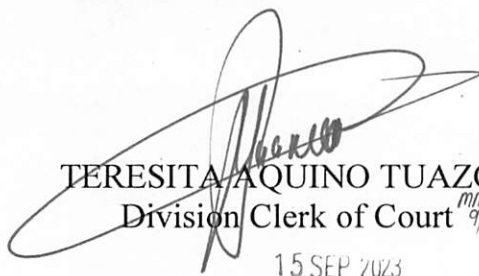
Considering the vehicle’s imperfection, Reyes was rightfully entitled to demand the replacement of the car pursuant to the provisions of the Consumer Act. Accordingly, the Department of Trade and Industry Secretary correctly ordered petitioner to replace the subject vehicle. Too, the Court of Appeals aptly found that the judgment of the Department of Trade and Industry Secretary was not tainted with grave abuse of discretion amounting to lack and excess of jurisdiction.

All told, we find that the Court of Appeals committed no reversible error in rendering its assailed dispositions.

**FOR THESE REASONS**, the Petition is **DENIED**. The assailed Decision dated July 22, 2021 and Resolution dated June 7, 2022 of the Court of Appeals in CA-G.R. SP No. 156395 are **AFFIRMED**. Petitioner Chevrolet Carmona Branch is ordered to **REPLACE** the subject vehicle of same kind, mark, or model; if not possible, replace by another of a different kind, mark, or model with no additional cost to private respondent Corazon L. Reyes.

**SO ORDERED.”**

By authority of the Court:

  
TERESITA AQUINO TUAZON  
Division Clerk of Court *mm*  
15 SEP 2023

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(ADM. Case No. A-15-02-006)

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