

SECOND DIVISION

[G.R. No. 171741, November 27, 2009]

**METRO, INC. AND SPOUSES FREDERICK JUAN AND LIZA JUAN,
PETITIONERS, VS. LARA'S GIFTS AND DECORS, INC., LUIS
VILLAFUERTE, JR. AND LARA MARIA R. VILLAFUERTE,
RESPONDENTS.**

D E C I S I O N

CARPIO, J.:

The Case

This is a petition for review^[1] of the 29 September 2004 Decision^[2] and 2 March 2006 Resolution^[3] of the Court of Appeals in CA-G.R. SP No. 79475. In its 29 September 2004 Decision, the Court of Appeals granted the petition for certiorari of respondents Lara's Gifts and Decors, Inc., Luis Villafuerte, Jr., and Lara Maria R. Villafuerte (respondents). In its 2 March 2006 Resolution, the Court of Appeals denied the motion for reconsideration of petitioners Metro, Inc., Frederick Juan and Liza Juan (petitioners).

The Facts

Lara's Gifts and Decors Inc. (LGD) and Metro, Inc. are corporations engaged in the business of manufacturing, producing, selling and exporting handicrafts. Luis Villafuerte, Jr. and Lara Maria R. Villafuerte are the president and vice-president of LGD respectively. Frederick Juan and Liza Juan are the principal officers of Metro, Inc.

Sometime in 2001, petitioners and respondents agreed that respondents would endorse to petitioners purchase orders received by respondents from their buyers in the United States of America in exchange for a 15% commission, to be shared equally by respondents and James R. Paddon (JRP), LGD's agent. The terms of the agreement were later embodied in an e-mail labeled as the "2001 Agreement."^[4]

In May 2003, respondents filed with the Regional Trial Court, Branch 197, Las Piñas City (trial court) a complaint against petitioners for sum of money and damages with a prayer for the issuance of a writ of preliminary attachment. Subsequently, respondents filed an amended complaint^[5] and alleged that, as of July 2002, petitioners defrauded them in the amount of \$521,841.62. Respondents also prayed for P1,000,000 as moral damages, P1,000,000 as exemplary damages and 10% of the judgment award as attorney's fees. Respondents also prayed for the issuance of a writ of preliminary attachment.

In its 23 June 2003 Order,^[6] the trial court granted respondents' prayer and issued the writ of attachment against the properties and assets of petitioners. The 23 June 2003 Order provides:

WHEREFORE, let a Writ of Preliminary Attachment issue against the properties and assets of Defendant METRO, INC. and against the properties and assets of Defendant SPOUSES FREDERICK AND LIZA JUAN not exempt from execution, as may be sufficient to satisfy the applicants' demand of US\$521,841.62 US Dollars or its equivalent in Pesos upon actual attachment, which is about P27 Million, unless such Defendants make a deposit or give a bond in an amount equal to P27 Million to satisfy the applicants' demand exclusive of costs, upon posting by the Plaintiffs of a Bond for Preliminary Attachment in the amount of twenty five million pesos (P25,000,000.00), subject to the approval of this Court.

SO ORDERED.^[7]

On 26 June 2003, petitioners filed a motion to discharge the writ of attachment. Petitioners argued that the writ of attachment should be discharged on the following grounds: (1) that the 2001 agreement was not a valid contract because it did not show that there was a meeting of the minds between the parties; (2) assuming that the 2001 agreement was a valid contract, the same was inadmissible because respondents failed to authenticate it in accordance with the Rules on Electronic Evidence; (3) that respondents failed to substantiate their allegations of fraud with specific acts or deeds showing how petitioners defrauded them; and (4) that respondents failed to establish that the unpaid commissions were already due and demandable.

After considering the arguments of the parties, the trial court granted petitioners' motion and lifted the writ of attachment. The 12 August 2003 Order^[8] of the trial court provides:

Premises considered, after having taken a second hard look at the Order dated June 23, 2003 granting plaintiff's application for the issuance of a writ of preliminary attachment, the Court holds that the issuance of a writ of preliminary attachment in this case is not justified.

WHEREFORE, the writ of preliminary attachment issued in the instant case is hereby ordered immediately discharged and/or lifted.

SO ORDERED.^[9]

Respondents filed a motion for reconsideration. In its 10 September 2003 Order, the trial court denied the motion.

Respondents filed a petition for certiorari before the Court of Appeals. Respondents alleged that the trial court gravely abused its discretion when it ordered the

discharge of the writ of attachment without requiring petitioners to post a counter-bond.

In its 29 September 2004 Decision, the Court of Appeals granted respondents' petition. The 29 September 2004 Decision provides:

WHEREFORE, finding merit in the petition, We GRANT the same. The assailed Orders are hereby ANNULLED and SET ASIDE. However, the issued Writ of Preliminary Attachment may be ordered discharged upon the filing by the private respondents of the proper counter-bond pursuant to Section 12, Rule 57 of the Rules of Civil Procedure.

SO ORDERED.^[10]

Petitioners filed a motion for reconsideration. In its 2 March 2006 Resolution, the Court of Appeals denied the motion.

Hence, this petition.

The 12 August 2003 Order of the Trial Court

According to the trial court, respondents failed to sufficiently show that petitioners were guilty of fraud either in incurring the obligation upon which the action was brought, or in the performance thereof. The trial court found no proof that petitioners were motivated by malice in entering into the 2001 agreement. The trial court also declared that petitioners' failure to fully comply with their obligation, absent other facts or circumstances to indicate evil intent, does not automatically amount to fraud. Consequently, the trial court ordered the discharge of the writ of attachment for lack of evidence of fraud.

The 29 September 2004 Decision of the Court of Appeals

According to the Court Appeals, the trial court gravely abused its discretion when it ordered the discharge of the writ of attachment without requiring petitioners to post a counter-bond. The Court of Appeals said that when the writ of attachment is issued upon a ground which is at the same time also the applicant's cause of action, courts are precluded from hearing the motion for dissolution of the writ when such hearing would necessarily force a trial on the merits of a case on a mere motion.^[11] The Court of Appeals pointed out that, in this case, fraud was not only alleged as the ground for the issuance of the writ of attachment, but was actually the core of respondents' complaint. The Court of Appeals declared that the only way that the writ of attachment can be discharged is by posting a counter-bond in accordance with Section 12,^[12] Rule 57 of the Rules of Court.

The Issue

Petitioners raise the question of whether the writ of attachment issued by the trial

court was improperly issued such that it may be discharged without the filing of a counter-bond.

The Ruling of the Court

The petition has no merit.

Petitioners contend that the writ of attachment was improperly issued because respondents' amended complaint failed to allege specific acts or circumstances constitutive of fraud. Petitioners insist that the improperly issued writ of attachment may be discharged without the necessity of filing a counter-bond. Petitioners also argue that respondents failed to show that the writ of attachment was issued upon a ground which is at the same time also respondents' cause of action. Petitioners maintain that respondents' amended complaint was not an action based on fraud but was a simple case for collection of sum of money plus damages.

On the other hand, respondents argue that the Court of Appeals did not err in ruling that the writ of attachment can only be discharged by filing a counter-bond. According to respondents, petitioners cannot avail of Section 13,^[13] Rule 57 of the Rules of Court to have the attachment set aside because the ground for the issuance of the writ of attachment is also the basis of respondents' amended complaint. Respondents assert that the amended complaint is a complaint for damages for the breach of obligation and acts of fraud committed by petitioners.

In this case, the basis of respondents' application for the issuance of a writ of preliminary attachment is Section 1(d), Rule 57 of the Rules of Court which provides:

SEC. 1. *Grounds upon which attachment may issue.* -- At the commencement of the action or at any time before entry of judgment, a plaintiff or any proper party may have the property of the adverse party attached as security for the satisfaction of any judgment that maybe recovered in the following cases: x x x

(d) In an action against a party who has been guilty of fraud in contracting the debt or incurring the obligation upon which the action is brought, or in the performance thereof; x x x

In *Liberty Insurance Corporation v. Court of Appeals*,^[14] we explained:

To sustain an attachment on this ground, it must be shown that the debtor in contracting the debt or incurring the obligation intended to defraud the creditor. The fraud must relate to the execution of the agreement and must have been the reason which induced the other party into giving consent which he would not have otherwise given. To constitute a ground for attachment in Section 1(d), Rule 57 of the Rules of Court, fraud should be committed upon contracting the obligation sued upon. A debt is fraudulently contracted if at the time of contracting it the