

# FIRST DIVISION

[ G.R. No. 212674, March 25, 2019 ]

**CENTRAL VISAYAS FINANCE CORPORATION, PETITIONER, VS.  
SPOUSES ELIEZER\* S. ADLAWAN AND LEILA ADLAWAN, AND  
SPOUSES ELIEZER\* ADLAWAN, SR. AND ELENA ADLAWAN,  
RESPONDENTS.**

## DECISION

**DEL CASTILLO, J.:**

This Petition for Review on *Certiorari*<sup>[1]</sup> assails the February 15, 2013 Decision<sup>[2]</sup> and April 24, 2014 Resolution<sup>[3]</sup> of the Court of Appeals (CA) which denied the appeal in CA-G.R. CEB-C.V. No. 02899 and affirmed the July 31, 2008 Order<sup>[4]</sup> of the Regional Trial Court of Cebu City, Branch 8 (RTC), in Civil Case No. CEB-24841.

### ***Factual Antecedents***

In 1996, respondents Eliezer and Leila Adlawan obtained a Php3,669,685.00 loan from petitioner Central Visayas Finance Corporation covered by a Promissory Note,<sup>[5]</sup> Chattel Mortgage<sup>[6]</sup> over a Komatsu Highway Dump Truck, and a Continuing Guaranty<sup>[7]</sup> executed by respondents Eliezer, Sr. and Elena Adlawan.

Eliezer and Leila Adlawan failed to pay the loan, prompting petitioner to file an action against respondents for replevin before Branch 58 of the Cebu Regional Trial Court, docketed as Civil Case No. CEB-22294.

In a June 22, 1999 decision, the trial court ruled in petitioner's favor, and respondents were ordered to deliver possession of the dump truck to petitioner. Petitioner then foreclosed on the chattel mortgage and caused the sale at public auction of the dump truck, which was then sold to it as the highest bidder for Php500,000.00.<sup>[8]</sup>

### ***Ruling of the Regional Trial Court***

In 2000, petitioner commenced a second case before the RTC - Civil Case No. CEB-24841 - this time for collection of sum of money and/or deficiency judgment relative to respondents' supposed unpaid balance on their loan, which petitioner claimed to be at Php2,104,604.97 - less the value of dump truck - with damages. This time, petitioner in its Amended Complaint<sup>[9]</sup> sought to hold respondents Eliezer, Sr. and Elena Adlawan liable on their continuing guaranty.

On July 31, 2008, the RTC issued an Order, decreeing as follows:

This resolves the affirmative defenses of (a) *res judicata*; (b) violation of the rule against forum shopping; and (c) estoppel, pleaded by the defendants in their answer<sup>[10]</sup> and for which they were preliminarily heard as if a motion to dismiss had been filed.

x x x x

Contending that defendants Eliezer and Leila still have a balance of P2,104,604.97 as of July 12, 1999, exclusive of interest, penalty, attorney's fees, cost of the suit and collection expenses, it filed the instant case, to which the defendants pleaded the subject affirmative defenses.

The Court agrees with the defendants that the instant complaint is barred by *res judicata* under Section 47(b), Rule 39 of the Rules of Court.

The judgment of the 58<sup>th</sup> Branch of this Court in Civil Case No. CEB-22294, which involves, as in this case, the same parties, subject matter and cause of action, i.e., non-payment of the loan, secured by a mortgage over the above vehicle, obtained by defendants Eliezer and Leila from the plaintiff, was one on the merits, rendered by a court that had jurisdiction over the subject matter thereof and the parties therein, and had become final.

The plaintiffs remedy should have been to appeal from the above judgment for its alleged failure to consider defendants Eliezer and Leila's whole obligation. If, for the sake of argument, the amount of said defendants' whole obligation to the plaintiff was not actually raised in said case, hence, the failure of the 58<sup>th</sup> Branch of this Court to consider it, it is still covered and barred by *res judicata* under the above-cited Rule because it is one that could have been raised therein.

WHEREFORE, the plaintiffs complaint having been barred by *res judicata*, this case is hereby ordered DISMISSED.

SO ORDERED.<sup>[11]</sup>

Petitioner moved to reconsider, but was rebuffed.

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

Petitioner appealed the above Order of the trial court before the CA, claiming that the trial court erred in ruling that *res judicata* applied, in that there is no identity of cause of action between Civil Case No. CEB-22294 and Civil Case No. CEB-24841, as the first was one for the recovery of personal property used as collateral in the loan, while the latter case was one for deficiency judgment and based on the continuing guaranty executed by Eliezer, Sr. and Elena Adlawan.

On February 15, 2013, the CA issued the assailed Decision, which contains the following pronouncement:

Under the doctrine of *res judicata*, a complaint may be dismissed when, upon the comparison of the two actions, there is (1) an identity between the parties or at least such as representing the same interest in both actions; (2) a similarity of rights asserted and relief prayed for (that is, the relief is founded on the same facts); and (3) identity in the two actions is such that any judgment which may be rendered in the other action will, regardless of which party is successful, fully adjudicate or settle the issues raised in the action under consideration.

x x x x

A reading of the reliefs prayed for in Civil Case No. 22294 would show that the principal relief was for the recovery of the possession of the dump truck, which was used as a collateral in the mortgage contract between the parties. In the event that delivery thereof cannot be effected, plaintiff stated an alternative prayer, that is, for the defendants to pay the amount of Php2,604,604.97 which represented the outstanding obligation of the defendants. Since the first relief was granted by the trial court, which is the delivery of the dump truck, was it necessary for the trial court to pronounce the full monetary liability of the defendants in the said action? Moreover, may the plaintiff still recover the deficiency of the monetary obligation incurred by the defendants?

The issue presented in this case is not novel. The instant case has similar facts and circumstances with that of the case of *PCI Leasing v. Dai*.<sup>[12]</sup> In this case, the Supreme Court ruled that an action for replevin, which is both an action *in personam* and *in rem*, bars the deficiency suit because the deficiency could well be raised in the replevin case. x x x

x x x x

Plaintiff also asserts that there is no identity of parties because Elena Adlawan was not sued in the first case. It is based on the *Continuing [Guaranty]* executed by Elena Adlawan for which she was sued. Hence, it is plaintiffs postulate that had the proceeds of the first action been sufficient, there would have been no need to file the second case against Elena Adlawan to enforce her guaranty.

However, it should be stressed that only substantial identity is necessary to warrant the application of *res judicata* and the addition or elimination of some parties would not even alter the situation. There is substantial identity of parties when there is a community of interest between the party in the first case and a party in the second case albeit the latter was not impleaded in the first case. In this case, there is no question that Elena Adlawan, acting as a guarantor, has the same interest and defenses as that of the principal debtors Spouses Eliezar and Leilani Adlawan. Her exclusion in the first case is therefore of no moment, *res judicata* still applies.

As to the damages and other fees being claimed by the defendants, We are inclined to deny it. It is the plaintiff-appellant's belief that it has a right to institute a deficiency judgment against the defendants and there

should be no premium on its right to litigate however erroneous such presumption can be. Moreover, bad faith was not raised as an issue and none is evident in this case.

There being no reversible error committed by the trial court, We find no cogent reason to reverse its findings, thus, warranting the dismissal of this appeal.

WHEREFORE, this appeal is DENIED. The *Order* dated July 31, 2008 rendered by the Regional Trial Court, Branch 8, Cebu City dismissing Civil Case No. CEB-24841 is AFFIRMED. Costs against the plaintiff-appellant.

SO ORDERED.<sup>[13]</sup>

Petitioner moved to reconsider, but in its April 24, 2014 Resolution, the CA stood its ground. Thus, the instant Petition.

### **Issues**

In an August 24, 2015 Resolution,<sup>[14]</sup> this Court resolved to give due course to the Petition, which contains the following assignment of errors:

#### **I.**

THE COURT OF APPEALS GRAVELY ERRED IN APPLYING THE DOCTRINE OF RES JUDICATA TO THE AMENDED COMPLAINT OF PETITIONER FOR DEFICIENCY JUDGMENT UNDER CIVIL CASE NO. 24841 CONSIDERING THE ABSENCE OF IDENTITY OF PARTIES AND SIMILARITY OF CAUSES OF ACTION IN THE EARLIER COMPLAINT FOR REPLEVIN IN CIVIL CASE NO. 22294.

#### **II.**

THE COURT OF APPEALS GRAVELY ERRED IN APPLYING THE DECISION OF THIS HONORABLE COURT IN PCI LEASING VS. DAI, G.R. NO. 148980, SEPTEMBER 21, 2007 TO THE CASE OF HEREIN PETITIONER.<sup>[15]</sup>

### ***Petitioner's Arguments***

In praying that the assailed CA dispositions be set aside and that, instead, respondents be adjudged solidarity liable for its monetary claims in Civil Case No. CEB-24841, petitioner pleads in its Petition and Reply<sup>[16]</sup> that the CA erred in ruling that *res judicata* applies to the subsequent case for collection of deficiency against Eliezer, Sr. and Elena Adlawan as guarantors in the loan agreement between petitioner and respondents Eliezer and Leila Adlawan; that the causes of action, parties, and reliefs prayed for in Civil Case No. CEB-22294 - the case for replevin - are not identical or similar to the causes of action, parties, and reliefs prayed for in Civil Case No. CEB-24841 - which is a collection case founded on the liability on the continuing guaranty executed by respondents Eliezer, Sr. and Elena Adlawan; that the cause of action in Civil Case No. CEB-24841 arose only after the foreclosure sale of the dump truck recovered in the replevin case, when it became apparent that the proceeds from the auction sale were not enough to satisfy the outstanding

obligation on the loan; and that the cited case of *PCI Leasing and Finance, Inc. v. Dai* does not apply to the instant case because there is no identity of causes of action and parties in the two cases - Civil Case No. CEB-22294 and Civil Case No. CEB-24841 - since petitioner in the latter case was seeking to hold respondents liable on the continuing guaranty executed by Eliezer, Sr. and Elena Adlawan, who were not parties to the replevin case.

### ***Respondents' Arguments***

Respondents, on the other hand, counter in their Comment<sup>[17]</sup> that the Petition is a mere rehash of the arguments presented in the trial and appellate courts; that the CA is correct in finding that *res judicata* applies in the subsequent case - Civil Case No. CEB-24841 - filed by petitioner; that the pronouncement in the *PCI Leasing* case applies, in that an action for replevin - which is both an action *in personam* and *in rem* - bars a deficiency suit because the deficiency could have been raised in the replevin case; and that it was erroneous for petitioner to have filed a collection/deficiency case, as it should have appealed the trial court's decision instead.

### **Our Ruling**

The Court denies the Petition.

For reference and emphasis, we reproduce petitioner's prayer in Civil Case No. CEB-22294, or the case for replevin which is the first action filed by petitioner, *viz.*;

a. to forthwith issue a writ of replevin ordering the seizure of the motor vehicle, with all its accessories and equipment, together with the registration certificate thereof, and direct the delivery thereof to plaintiff in accordance with law, and after due hearing, declare that plaintiff is entitled to the possession of the motor vehicle and confirm its seizure and delivery to plaintiff;

b. or, in the event that manual delivery of the motor vehicle cannot be effected, to render judgment in favor of the plaintiff and against the defendants ordering them to pay to plaintiff, the sum of Php2,604,604.97 plus interest and penalty thereon from June 3, 1998 until fully paid as provided in the promissory note;

c. In either case, to order defendant to pay jointly and severally:

1. The sum of Php651,151.24 as attorney's fees and liquidated damages, plus bonding fees and other expenses incurred in the seizure of the said motor vehicle; and

2. costs of suit.<sup>[18]</sup>

Clearly, petitioner's prayer for relief in its complaint in Civil Case No. CEB-22294 was in the alternative, and not cumulative or successive, to wit: recover possession of the dump truck, or, if recovery is no longer feasible, a money judgment for the outstanding loan amount. Petitioner did not pray for both reliefs cumulatively or successively. "The rule is that a party is entitled only to such relief consistent with