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SECOND DIVISION

[G.R. No. 201417, January 13, 2016]

ORIX METRO LEASING AND FINANCE CORPORATION, PETITIONER, VS. CARDLINE INC., MARY C. CALUBAD, SONY N. CALUBAD, AND NG BENG SHENG, RESPONDENTS.

D E C I S I O N

BRION, J.:

We resolve the petition for review on *certiorari* challenging the **January 6, 2012** decision[1] and **April 16, 2012** resolution[2] of the Court of Appeals (*CA*) in CA-GR SP No. 118226. The CA annulled the Regional Trial Court's (*RTC*) order to execute the judgment against the respondents. The CA ruled that Cardline Inc. (*Cardline*) had fully satisfied its outstanding obligation by returning the leased properties to Orix Metro Leasing and Finance Corporation (*Orix*).

THE ANTECEDENTS

Cardline leased four machines (*machines*) from Orix as evidenced by three similarly-worded lease agreements. Cardlirte's principal stockholders and officers - Mary C. Calubad, Sony N. Calubad, and Ng Beng Sheng (*individual respondents*) - signed the suretyship agreements in their personal capacities to guarantee Cardline's obligations under each lease agreement.

Cardline defaulted in paying the rent: the unpaid obligations amounted to P9,369,657.00 as of July 12, 2007. Orix formally demanded payment from Cardline but the latter refused to pay.

Orix filed a **complaint** for replevin, sum of money, and damages with an application for a writ of seizure against Cardline and the individual respondents (collectively, *the respondents*) before the RTC. The case was docketed as Civil Case No. 07-855.

The RTC issued a writ of seizure allowing Orix to recover the machines from Cardline.

Thereafter, the RTC declared the respondents in default for failing to file an answer, and allowed Orix to present evidence *ex parte*. The respondents filed a motion to set aside the order of default, but the RTC denied their motion. On May 6, 2008, the RTC rendered judgment in Orix's favor and ordered the respondents to pay Orix, as follows:

> 1. **The sum of P9,369,657.00 or whatever may be the balance of defendants' outstanding obligation still owing the plaintiff *after the recovery or sale* of the [machines]** as and by way of

actual damages (Section 9, Rule 60), in either case, with interest and penalty charges as stipulated, from 12 July 2007 until fully paid;
2. As stipulated in the Continuing Surety, thirty (30%) percent of the total amount due as Attorney's fees;
3. As stipulated in the Continuing Surety, twenty-five (25%) percent of the total amount due as liquidated damages; and
4. Expenses incurred in securing the leased properties through manual delivery, (emphasis supplied)

On appeal, the respondents argued that the RTC erred in declaring them in default. The CA,[3] and subsequently this Court,[4] denied the respondents' appeal. Our denial in G.R. No. 189877 became final and executory.

Ng Beng Sheng filed a petition for annulment of judgment.[5] He argued that the RTC had no jurisdiction over his person since the summons was not properly served on him. The CA denied the petition on the grounds of forum shopping and *res judicata*. The CA explained that this issue had been addressed by the RTC in the order denying the motion to set aside the order of default, and by the CA and the Supreme Court on appeal.

In the main case, Orix filed a motion for the issuance of a writ of execution which the RTC granted in its **December 1, 2010 order**. Thereafter, the RTC clerk of court issued a writ of execution commanding the sheriff to enforce the May 8, 2009 judgment. The respondents filed a motion for a *status quo ante* order but the RTC denied the motion.

Thereafter, the respondents filed a **petition for prohibition**[6] under Rule 65 of the Rules of Court before the CA.[7] They assailed the issuance of the December 1, 2010 order, arguing that their rental obligations were offset by the market value of the returned machines and by the guaranty deposit.

THE CA RULING

The CA granted the petition, annulled the RTC's order dated December 1, 2010, and prohibited the sheriff from executing the judgment dated May 6, 2008.

The CA based its decision on Sections 19.2(d)[8] in relation with Section 19.3[9] of the lease agreements. The CA ruled that the respondents' debt amounting to P9,369,657.00 had been satisfied when Orix recovered the machines valued at P14,481,500.00 and received the security deposit amounting to P1,635,638.89. Considering that the judgment had been satisfied in full, the RTC's issuance of a writ of execution was no longer necessary.

The CA denied Orix's motion for reconsideration; hence, this petition.

THE PARTIES' ARGUMENTS

In its petition, Orix argues that: (1) the market value of the returned machines and the guaranty deposit do not offset the outstanding obligations; (2) the individual

respondents are solidarity liable to Orix and are not entitled to the benefit of excussion; and (3) the respondents and their counsel engaged in willful and deliberate forum shopping.

After the petition was filed, Atty. Efren C. Lizardo withdrew his appearance and Atty. David A. Domingo entered his appearance as the respondents' counsel.

In their comment, the respondents argue that: (1) the RTC's judgment should be interpreted as follows: if Orix recovers the properties, their market values should be deducted from the respondents' outstanding obligations; (2) the individual respondents merely acted as guarantors, not as sureties; and (3) the respondents committed no forum shopping because no cases were pending before the courts when they filed the petition for prohibition.

OUR RULING

We find the petition **partly meritorious.**

We note at the outset that the RTC's May 6, 2008 judgment has attained finality and can no longer be altered. Once a judgment becomes final and executory, all that remains is the execution of the decision. Thus, the RTC issued the December 1, 2010 order of execution. An order of execution is not appealable;[10] otherwise, a case would never end.[11]

As a rule, parties are not allowed to object to the execution of a final judgment.[12] One exception is when the terms of the judgment are not clear enough and there remains room for its interpretation.[13] If the exception applies, the respondents may seek the stay of execution or the quashal of the writ of execution.[14] Although an order of execution is not appealable, an aggrieved party may challenge the order of execution via an appropriate special civil action under Rule 65 of the Rules of Court.[15] The special civil action of prohibition is an available remedy against a tribunal exercising judicial, quasi-judicial or ministerial powers if it acted without or in excess of its jurisdiction and there is no other plain, speedy, and adequate remedy in the ordinary course of law.[16]

In the present case, the respondents effectively argued that the terms of the RTC's May 6, 2008 judgment are not clear enough such that the parties' agreement must be examined to arrive at the proper interpretation. The respondents, however, did not give the RTC an opportunity to clarify its judgment. The respondents filed a special civil action for prohibition before the CA without first filing a motion to stay or quash the writ of execution before the RTC. Hence, the petition for prohibition obviously lacked the requirement that no "other plain, speedy, and adequate remedy" is available. Thus, the petition should have been dismissed.

However, the CA gave due course to the petition. In granting the petition, the CA ruled that the judgment had been satisfied; thus, there was no more judgment to execute. To stress, the CA erred in granting the petition despite the availability of a "plain, speedy, and adequate remedy."

Orix comes before us for a review of the CA's decision. The issues for resolution are:

(1) whether the CA correctly prohibited the RTC from enforcing the writ of execution; (2) whether the individual respondents can invoke the benefit of excussion; and (3) whether the respondents committed forum shopping.

I. Propriety of the CA's decision

The core issue presented in this case is **whether the CA correctly prohibited the RTC from enforcing the writ of execution**. To resolve this issue, we must determine whether the CA correctly interpreted this portion of the RTC's May 6, 2008 judgment:

> The sum of P9,369,657.00 or **whatever may be the balance of defendants' outstanding obligation still owing the plaintiff <u>after the recovery</u> or sale of the [machines]** as and by way,of actual damages xxx. (emphasis supplied)

The CA cited Sections 19.2(d) and 19.3 of the lease agreements in interpreting the above-quoted judgment. The CA ruled that the balance of Cardline's debt was F9,369,657.00, less the machines' market value and the guaranty deposit. After applying this formula, the CA concluded that Cardline no longer owed Orix any indebtedness so that no judgment needed to be executed.

We disagree with the CA's conclusion.

A review of these agreements shows that the CA erroneously relied on Sections 19.2(d) and 19.3 of the lease agreements. The CA also erred in deducting the guaranty deposit from the outstanding debt, contrary to the provisions of the lease agreements.

We review the lease agreements on two points: ***first***, on whether the market values of the returned machines were intended to reduce Cardline's debt; and ***second***, on whether the parties intended to deduct the guaranty deposit from the unpaid obligation.

On the **first point,** the machines' market values were not intended to reduce, much less offset, Cardline's debt.

The lease agreements' default provisions are instructive. Section 19[17] of the agreements provides that if Cardline fails to pay rent, Orix may cancel the agreements and may avail of the following remedies under Section 19.2:

> a) LESSOR may require LESSEE to **surrender possession** of the property x x x;
>
> x x x
>
> d) Subject to the provisions of Section 19.3, after repossessing the property, the LESSOR may re-lease or sell the PROPERTY to any third person, in such manner and upon such terms as the LESSOR may solely

deem proper;

e) **Recovery of all accrued and unpaid rental**, including rentals **up to the time the PROPERTY is actually returned** to the LESSOR xxx;" (emphasis supplied)

Should Orix choose to re-lease or sell the machines after repossessing them pursuant to Section 19.2(d), Section 19.3 shall apply, to wit:

19.3 The **proceeds** derived from the sale or re-leasing of the PROPERTY, shall x xx be applied first to the expenses incurred by the LESSOR in connection with the repossession, sale, or releasing of the PROPERTY, a reasonable compensation for undertaking such sale or re-lease, all legal costs and fees, OTHER AMOUNTS, and the balance, if any, to the RENTAL due from the LESSEE, xxx. (emphasis supplied)

Applying these provisions, when Cardline defaulted in paying rent, Orix was authorized to: (a) re-possess the machines; and (b) recover all unpaid rent. Considering that Orix neither re-leased nor sold the machines, Sections 19.2(d) and 19.3 are not applicable. Thus, the CA erred in applying these provisions to the present case.

Even assuming that these provisions apply, Section 19.3 states that the net "proceeds" derived from the sale, not the machines' market values, shall be applied to the unpaid rent. **Therefore, these contractual provisions do not support the CA's stance that the machines' market values must be reduced from Cardline's unpaid rent.**

As Orix correctly argued, the CA's decision leads to an absurd situation where Cardline pays for its liabilities to Orix using Orix's own properties. The Court cannot affirm this unreasonable and inequitable interpretation.

On the second point, Sections 6.1 and 19.2(b) of the lease agreements discuss the use of the guaranty deposit, to wit:

6.1 The LESSEE shall pay to the LESSOR simultaneously with the execution of this Agreement, an amount by way of deposit (the "GUARANTY DEPOSIT") as specified in the Lease Schedule, which deposit shall be held as security for the faithful and timely performance by the LESSEE of its obligations hereunder, as well as its compliance with all the provisions of this Agreement, or of any extension or renewals thereof. **Should the PROPERTY be returned to the LESSOR for any reason whatsoever including LESSEE'S default under Section 19 hereof before the expiration of this Agreement,** then the GUARANTY DEPOSIT shall be **forfeited automatically** in favor of the LESSOR **as additional penalty over and above** those stipulated in Section 3.5 [on interest and penalty], **without prejudice to** the right of the LESSOR to **recover any unpaid RENTAL** as well as the OTHER AMOUNTS for which the LESSEE may be liable under this agreement, (emphasis supplied)