

FIRST DIVISION

[G.R. No. 181387, September 05, 2016]

**CAMERON GRANVILLE 3 ASSET MANAGEMENT, INC.,
PETITIONER, VS. UE MONTHLY ASSOCIATES, UEAMI WORKERS
UNION NFL AND ALFREDO BASI, RESPONDENTS.**

D E C I S I O N

SERENO, C.J.:

In this Petition for Review on Certiorari,^[1] Cameron Granville 3 Asset Management, Inc. (Cameron) assails the Court of Appeals (CA) Decision^[2] and Resolution^[3] in CA-G.R. SP No. 88049, which affirmed the levy and sale of certain personal properties allegedly mortgaged to Metropolitan Bank and Trust Company (Metrobank), petitioner's predecessor-in-interest. These properties were sold by the Sheriff of the National Labor Relations Commission (NLRC) after Labor Arbiter Joselito Cruz Villarosa (LA) denied Metrobank's third-party claim on the ground of insufficiency of evidence. Both the NLRC and the CA affirmed this ruling.

FACTUAL ANTECEDENTS

The dispute in this case stemmed from the levy and execution sale made by NLRC Sheriff Manolito G. Manuel.^[4] The subject of the execution were certain machinery, equipment, tools and implements owned by UE Automotive Manufacturing, Inc. (UEAMI), and located at its manufacturing plant at General Mascardo St., Caloocan City.^[5] The levy was made pursuant to a final and executory NLRC judgment against UEAMI in an illegal dismissal case, in which it was ordered to pay P53,729,534 to complainants UEAMI Monthly Associates and UE Automotive Workers Union-NFL.^[6]

On 6 September 2002, Metrobank filed an Affidavit of Third-Party Claim^[7] with the LA. Through its Senior Manager Ramon S. Miranda, the bank claimed that the machines and equipment levied upon by Sheriff Manuel were covered by three mortgage documents executed in favor of the bank by UEAMI, i.e., a Mortgage Trust Indenture,^[8] an Amended Mortgage Trust Indenture,^[9] and a Second Amended Mortgage Trust Indenture.^[10]

As expected, respondents opposed Metrobank's third-party claim.^[11] They asserted that they were not bound by the mortgage agreements cited by the bank, because the instruments were not registered and consequently had no effect on third parties.^[12]

On 3 October 2002, Metrobank filed with the LA a Reply to Comment to Third-party Claim with Motion to Set Hearing.^[13] Aside from emphasizing the superiority of its

claim over the property, the bank also manifested its intention to present evidence of its mortgage lien over the chattels. Consequently, it requested that the third-party claim be set for hearing.^[14] It appears from the records that this motion was not acted upon by the LA.

THE RULING OF THE LA

In an Order dated 5 December 2002,^[15] the LA denied Metrobank's third-party claim:

After a careful perusal of the records of the case and contending positions of the protagonists, this Office denies all the third-party claims filed by claimants for failure to [establish] proof of their actual ownership of the contested properties owned by respondent UE Automotive Manufacturing, Inc.

At most, what can be easily discerned from the attachment of the third-party claims are all instruments which [have] been long overdue, and belatedly raised now, when the same has been levied by the Sheriff of this Office.

After reviewing the entire records of the case, this Office finds and so holds that there is no more compelling reasons not to proceed with the sale of the levied properties because this will unlawfully [deprive] complainants, the prevailing party, of the fruits of the execution.^[16]

However, in the interest of justice, the LA directed Metrobank and other third-party claimants to post a bond to defer the execution sale. The bank complied with the Order by posting a surety bond.^[17] Thereafter, it filed a Notice of Appeal and a Memorandum of Appeal with the NLRC to challenge the ruling of the LA.

Despite the pending appeal, the auction sale of the properties was carried out on 27 January 2003 following the submission of an indemnity bond by respondents.^[18] The properties were sold to Alfredo B. Basi as the highest bidder with a bid price of P53,729,534, and a Sheriff's Certificate of Sale^[19] was later issued in his favor.

THE RULING OF THE NLRC

In a Resolution dated 19 May 2004,^[20] the NLRC affirmed the Order of the LA denying Metrobank's third-party claim. In addition to the grounds cited by the LA, the NLRC rejected the claim for the following reasons: (a) the bank's failure to attach a board resolution showing that Ramon S. Miranda was authorized by the board of directors to prepare and file its Affidavit of Third-party Claim;^[21] (b) absence of substantial evidence in support of the assertion that the mortgage documents were duly registered with the Register of Deeds of Kalookan City, and that the proper documentary stamp taxes were paid;^[22] and (c) failure to establish its right over the properties as against respondents. On this third ground, the NLRC explained:

Furthermore, Metrobank failed to incorporate in its Third-party Claim and in its mortgage documents a schedule, enumeration and/or description of

the chattels supposedly covered by the same.

Besides, Metrobank was not able to prove with any substantial documents that the chattels allegedly covered by the mortgage documents are the very same properties attached and sold at public auction. Indeed, how could it possibly do so, when it could not even incorporate in its mortgage documents the required schedule, enumeration and or description they supposedly cover?

Lastly but most significantly, Metrobank was not able to allege and prove with any substantial evidence that it had already foreclosed the chattels by reason of the default of UEAMI, the mortgagor in the mortgage documents, of its obligations in favor of Metrobank and the other creditors - beneficiaries in such documents. Correspondingly, still bereft of the right to possess such chattels, Metrobank has likewise no right to claim the same by way of a third-party claim.^[23]

Metrobank sought reconsideration of the foregoing ruling.^[24] It asserted that the grounds cited by the NLRC to deny the claim were never raised by the parties.^[25] The bank also contended that it was deprived of due process because the LA resolved the third-party claim without acting upon its motion to set the case for hearing. This lack of due process allegedly resulted in its inability to adduce the evidence necessary to prove its allegations. In its Motion for Reconsideration, Metrobank declared:

If the third-party claim was set for hearing, Metrobank would have adduced evidence to prove:

- a) The authority of Atty. Ramon S. Miranda to represent Metrobank, as shown by the Secretary's Certificate dated August 2, 2002, machine copy of which is hereto attached as **Annex "G"**;
- b) Metropolitan Bank and Trust Company is the successor-in-interest of Philippine banking Corporation
- c) The genuineness and due execution of the Chattel Mortgage, Amendment of Chattel Mortgage, Mortgage Trust Indenture, Amended Mortgage Trust Indenture and the Second Amended Trust Indenture, with the respective annexes thereto, and that **said documents were duly registered with the proper Registry of Deeds**. It bears stressing that the Registry of Deeds will not allow registration unless the **documentary stamp taxes have been paid**. Machine copies of the Chattel Mortgage, Amendment of Chattel Mortgage, Mortgage Trust Indenture, Amended Mortgage Trust Indenture and the Second Amended Trust Indenture are hereto attached as **Annexes "H", "I", "J", "K" and "L"**, respectively.
- d) The **chattels levied upon and sold at public auction by NLRC Sheriff Manolito G. Manuel are included in the list of chattels annexed to the Chattel Mortgage and Amendment to Chattel Mortgage** and are properly described therein, Annexes "H" and "I".
- e) The genuineness and due execution of the Certificate of Sale dated January 12, 1999, showing that the **chattels were**

already foreclosed and sold at public auction by Metrobank, machine copy of which is hereto attached as Annex "M".

Aside from the foregoing, Metrobank was prevented from presenting evidence to prove that the levy made by NLRC Sheriff Manuel over the chattels belonging to/owned by Metrobank was null and void.^[26] (Emphases in the original)

The NLRC denied the motion notwithstanding the documentary evidence submitted by Metrobank. In its Resolution,^[27] the former maintained that the Secretary's Certificates and other documents presented by Metrobank did not sufficiently prove Miranda's authority to represent the bank or the bank's right to claim the properties. The NLRC likewise noted that all the pieces of evidence Metrobank intended to present before the LA had already been passed upon on appeal; hence, the issue of denial of due process had been rendered moot:

Thirdly, Metrobank has not, up to now, shown with substantial evidence that the properties allegedly covered by the mortgage documents are the very same chattels levied and sold at public auction by Sheriff Manolito G. Manuel. Although it resubmitted, in its Motion for Reconsideration, copies of its mortgage documents, such documents are nevertheless merely photocopies, not originals or certified true copies, and therefore probatively valueless for being unauthenticated. Besides, they do not show similarity between the aforementioned two (2) sets of chattels.^[28]

x x x x

Our sight is not lost of the fact that Metrobank asserts in its reconsideration motion that it was deprived of due process because its Third-party Claim was resolved without its motion to set such claim for hearing (incorporated in its Reply to Comment to Third-party Claim dated October 3, 2002) having been passed upon, resulting in its failure to submit all its shreds (sic) of documentary evidence in support of its claim.

x x x x

[T]his claim of due process deprivation is now academically moot, since all the documentary proofs of Metrobank have already been passed upon by the Labor Arbiters below in the rendition of their Orders and by Us in the rendition of Our Resolutions including this Resolution.^[29]

The denial of its Motion for Reconsideration prompted Metrobank to elevate the matter to the CA via a Petition for Certiorari under Rule 65 of the Rules of Civil Procedure. It argued that the NLRC committed grave abuse of discretion in (a) disregarding the fact that the third-party claim of petitioner was denied by the LA without the benefit of a hearing;^[30] and (b) resolving matters that had not been raised as issues by the parties.^[31]

Metrobank subsequently filed a Motion to Substitute/Join Cameron Granville 3 Asset

Management, Inc., as plaintiff.^[32] The former cited petitioner's right as the transferee of the bank's assignee Asia Recovery Corporation. The CA granted the motion^[33] and allowed Cameron to join the suit as a plaintiff.

THE RULING OF THE CA

In a Decision^[34] dated 1 October 2007, the CA dismissed the Petition for Certiorari and ruled that the NLRC did not act with grave abuse of discretion in affirming the LA's denial of the third-party claim filed by Metrobank.^[35] The appellate court declared that under the Rules of Procedure of the NLRC, the LA was not obligated to conduct a hearing before deciding the claim:

Petitioner anchored its claim on the provision of Section 2, Rule VI of the NLRC Manual on the Execution of Judgment, promulgated on February 24, 1993, which reads, to wit:

xxx Upon receipt of the third-party claim, all proceedings with respect to the execution of the property subject of the third-party claim shall automatically be suspended and the **Commission or Labor Arbiter who issued the writ shall conduct a hearing with due notice to all parties concerned and resolve the validity of the claim within ten (10) working days from receipt thereof.** Where the decision is rendered by the Labor Arbiter, it is appealable to the Commission within ten (10) working days from notice. The Commission shall resolve the appeal within the same period." (Emphasis and underlining supplied)

x x x x

The foregoing provision was, however, superseded by Section 9, Rule VIII of the Rules of Procedure of the National Labor Relation Commission, as amended by Resolution No. 01-02, Series of 2002, which provides, viz.:

Section 9. RESOLUTION OF THIRD-PARTY CLAIM. - Should a third-party claim be filed during execution of the judgment award, **the third-party claimant shall execute an affidavit stating his title to property or possession thereof with supporting evidence and shall file the same with the sheriff and copies thereof served upon the Labor Arbiter or proper officer issuing the writ.** Upon receipt of the third-party claim, all proceedings, with respect to the execution of the property subject of the third-party claim, shall automatically be suspended. **The Labor Arbiter who issued the writ may require the third-party claimant to adduce additional evidence in support of his third-party claim** and to post a cash or surety bond equivalent to the amount of his claim, as provided for in Section 6, Rule VI, without prejudice to the posting by the