

SECOND DIVISION

[G.R. No. 183018, August 03, 2011]

**ADVENT CAPITAL AND FINANCE CORPORATION, PETITIONER,
VS. ROLAND YOUNG, RESPONDENT.**

D E C I S I O N

CARPIO, J.:

The Case

This petition for review^[1] assails the 28 December 2007 Decision^[2] and 15 May 2008 Resolution^[3] of the Court of Appeals in CA-G.R. SP No. 96266. The Court of Appeals set aside the 24 March 2006 and 5 July 2006 Orders^[4] of the Regional Trial Court of Makati City, Branch 147, and directed petitioner Advent Capital and Finance Corporation to return the seized vehicle to respondent Roland Young. The Court of Appeals denied the motion for reconsideration.

The Antecedents

The present controversy stemmed from a replevin suit instituted by petitioner Advent Capital and Finance Corporation (Advent) against respondent Roland Young (Young) to recover the possession of a 1996 Mercedes Benz E230 with plate number UMN-168, which is registered in Advent's name.^[5]

Prior to the replevin case, or on 16 July 2001, Advent filed for corporate rehabilitation with the Regional Trial Court of Makati City, Branch 142 (rehabilitation court).^[6]

On 27 August 2001, the rehabilitation court issued an Order (stay order) which states that "the enforcement of all claims whether for money or otherwise, and whether such enforcement is by court action or otherwise, against the petitioner (Advent), its guarantors and sureties not solidarily liable with it, is stayed."^[7]

On 5 November 2001, Young filed his Comment to the Petition for Rehabilitation, claiming, among others, several employee benefits allegedly due him as Advent's former president and chief executive officer.

On 6 November 2002, the rehabilitation court approved the rehabilitation plan submitted by Advent. Included in the inventory of Advent's assets was the subject car which remained in Young's possession at the time.

Young's obstinate refusal to return the subject car, after repeated demands, prompted Advent to file the replevin case on 8 July 2003. The complaint, docketed as Civil Case No. 03-776, was raffled to the Regional Trial Court of Makati City,

Branch 147 (trial court).

After Advent's posting of P3,000,000 replevin bond, which was double the value of the subject car at the time, through Stronghold Insurance Company, Incorporated (Stronghold), the trial court issued a Writ of Seizure^[8] directing the Sheriff to seize the subject car from Young. Upon receipt of the Writ of Seizure, Young turned over the car to Advent,^[9] which delivered the same to the rehabilitation receiver.^[10]

Thereafter, Young filed an Answer alleging that as a former employee of Advent, he had the option to purchase the subject car at book value pursuant to the company car plan and to offset the value of the car with the proceeds of his retirement pay and stock option plan. Young sought the (1) execution of a deed of sale over the subject car; and (2) determination and payment of the net amount due him as retirement benefits under the stock option plan.

Advent filed a Reply with a motion to dismiss Young's counterclaim, alleging that the counterclaim did not arise from or has no logical relationship with the issue of ownership of the subject car.

After issues have been joined, the parties entered into pre-trial on 2 April 2004, which resulted in the issuance of a pre-trial order of even date reciting the facts and the issues to be resolved during the trial.

On 28 April 2005, the trial court issued an Order dismissing the replevin case without prejudice for Advent's failure to prosecute. In the same order, the trial court dismissed Young's counterclaim against Advent for lack of jurisdiction. The order pertinently reads:

It appears that as of July 28, 2003, subject motor vehicle has been turned over to the plaintiff, thru its authorized representative, and acknowledged by the parties' respective counsels in separate Manifestations filed. To date, no action had been taken by the plaintiff in the further prosecution of this case. Accordingly, this case is ordered dismissed without prejudice on the ground of failure to prosecute.

Anent plaintiff's Motion to Dismiss defendant Young's counterclaim for benefits under the retirement and stock purchase plan, the Court rules as follows: The only issue in this case is who is entitled to the possession of the subject motor vehicle. This issue may have a connection, but not a necessary connection with defendant's rights under the retirement plan and stock purchase plan as to be considered a compulsory counterclaim.

x x x

Notably, defendant's claim is basically one for benefits under and by virtue of his employment with the plaintiff, and the subject vehicle is merely an incident in that claim. Said claim is properly ventilated, as it is resolvable by, the Rehabilitation Court which has jurisdiction and has acquired jurisdiction, to the exclusion of this Court. Accordingly, plaintiff's Motion To Dismiss defendant Young's counterclaim is granted.^[11]

On 10 June 2005, Young filed a motion for partial reconsideration of the dismissal order with respect to his counterclaim.

On 8 July 2005, Young filed an omnibus motion, praying that Advent return the subject car and pay him P1.2 million in damages "(f)or the improper and irregular seizure" of the subject car, to be charged against the replevin bond posted by Advent through Stronghold.

On 24 March 2006, the trial court issued an Order denying Young's motion for partial reconsideration, *viz*:

In the instant case, defendant, in his counterclaim anchored her [sic] right of possession to the subject vehicle on his alleged right to purchase the same under the company car plan. However, considering that the Court has already declared that it no longer has jurisdiction to try defendant's counterclaim as it is now part of the rehabilitation proceedings before the corporate court concerned, the assertions in the Motion for Reconsiderations (sic) will no longer stand.

On the other hand, the plaintiff did not file a Motion for Reconsideration of the same Order, dismissing the complaint for failure to prosecute, within the reglementary period. Hence, the same has attained finality.

Defendant alleged that the dismissal of the case resulted in the dissolution of the writ. Nonetheless, the Court deems it proper to suspend the resolution of the return of the subject vehicle. In this case, the subject vehicle was turned over to plaintiff by virtue of a writ of replevin validly issued, the latter having sufficiently shown that it is the absolute/registered owner thereof. This was not denied by the defendant. Plaintiff's ownership includes its right of possession. The case has been dismissed without a decision on the merits having been rendered. Thus, to order the return of the vehicle to one who is yet to prove his right of possession would not be proper.

Accordingly, the Motion for Partial Reconsideration is denied.^[12]

On 8 June 2006, Young filed a motion to resolve his omnibus motion.

In an Order dated 5 July 2006, the trial court denied the motion to resolve, to wit:

In the instant case, the Court suspended the resolution of the return of the vehicle to defendant Roland Young. It should be noted that the writ of replevin was validly issued in favor of the plaintiff and that it has sufficiently established ownership over the subject vehicle which includes its right to possess. On the other hand, the case (Olympia International vs. Court of Appeals) cited by defendant finds no application to this case, inasmuch as in the former the Court has not rendered judgment affirming plaintiff's (Olympia) right of possession on the property seized.

Moreover, the Court, in the Order dated April 28, 2005, has already denied defendant's counterclaim upon which he based his right of possession on the ground of lack of jurisdiction. Accordingly, the Court reiterates its previous ruling that to order the return of the subject vehicle to defendant Young, who is yet to prove his right of possession before the Rehabilitation Court would not be proper.

WHEREFORE, there being no new and substantial arguments raised, the Motion to Resolve is denied.^[13]

Young filed a petition for certiorari and mandamus with the Court of Appeals seeking to annul the trial court's Orders of 24 March 2006 and 5 July 2006.

The Court of Appeals' Ruling

In his petition before the Court of Appeals, Young argued mainly that the trial court committed grave abuse of discretion amounting to lack or excess of jurisdiction in (1) not directing the return of the subject vehicle to him; (2) refusing to hold a hearing to determine the damages to be recovered against the replevin bond; and (3) dismissing his counterclaim.

The Court of Appeals ruled in favor of Young and annulled the assailed rulings of the trial court. The Court of Appeals held:

It is noteworthy that the case was dismissed by the court *a quo* for failure of Advent to prosecute the same. Upon dismissal of the case, the writ of seizure issued as an incident of the main action (for replevin) became *functus officio* and should have been recalled or lifted. Since there was no adjudication on the merits of the case, the issue of who between Advent and petitioner has the better right to possess the subject car was not determined. As such, the parties should be restored to their status immediately before the institution of the case.

The Supreme Court's ruling in *Olympia International, Inc. vs. Court of Appeals (supra)* squarely applies to the present controversy, to wit:

"Indeed, logic and equity demand that the writ of replevin be cancelled. Being provisional and ancillary in character, its existence and efficacy depended on the outcome of the case. The case having been dismissed, so must the writ's existence and efficacy be dissolved. To let the writ stand even after the dismissal of the case would be adjudging Olympia as the prevailing party, when precisely, no decision on the merits had been rendered. The case having been dismissed, it is as if no case was filed at all and the parties must revert to their status before the litigation."

Indeed, as an eminent commentator on Remedial Law expounds:

"The plaintiff who obtains possession of the personal property by a writ of replevin does not acquire absolute title thereto, nor does the defendant acquire such title by rebonding the property, as they only hold the property subject to the final judgment in the action." (I Regalado, Remedial Law Compendium, Eighth Revised Edition, p. 686)

Reversion of the parties to the *status quo ante* is the consequence *ex proprio vigore* of the dismissal of the case. Thus, in *Laureano vs. Court of Appeals* (324 SCRA 414), it was held:

"(A)lthough the commencement of a civil action stops the running of the statute of prescription or limitations, its dismissal or voluntary abandonment by plaintiff leaves the parties in exactly the same position as though no action had been commenced at all."

By the same token, return of the subject car to petitioner pending rehabilitation of Advent does not constitute enforcement of claims against it, much more adjudication on the merits of petitioner's counterclaim. In other words, an order for such return is not a violation of the stay order, which was issued by the rehabilitation court on August 27, 2001. x x x

Corollarily, petitioner's claim against the replevin bond has no connection at all with the rehabilitation proceedings. The claim is not against the insolvent debtor (Advent) but against bondsman, Stronghold. Such claim is expressly authorized by Sec. 10, Rule 60, in relation to Sec. 20, Rule 57, *id.*, x x x^[14]

The dispositive portion of the Court of Appeals' decision reads:

WHEREFORE, premises considered, the instant petition is PARTLY GRANTED. The orders of the Regional Trial Court dated March 24, 2006 and July 5, 2006 are ANNULLED and SET ASIDE in so far as they suspended resolution of petitioner's motion for, and/or disallowed, the return of the subject car to petitioner. Accordingly, respondent Advent Capital and Finance Corporation is directed to return the subject car to petitioner.

The Regional Trial Court of Makati City (Branch 147) is directed to conduct a hearing on, and determine, petitioner's claim for damages against the replevin bond posted by Stronghold Insurance Co.

SO ORDERED.^[15]

Advent filed a motion for reconsideration, which was denied by the Court of Appeals