

THIRD DIVISION

[G.R. No. 178899, November 15, 2010]

**PHILIPPINE BUSINESS BANK, PETITIONER, VS. FELIPE CHUA,
RESPONDENT.**

DECISION

BRION, J.:

We resolve the petition for review on *certiorari*^[1] filed by Philippine Business Bank (PBB) challenging the decision of the Court of Appeals (CA) in CA-G.R. SP No. 94883 dated February 8, 2007,^[2] insofar as it overturned the Regional Trial Court's (RTC's) order dated December 16, 2005 declaring the finality of its Partial Summary Judgment and granting the issuance of a writ of execution against respondent Felipe Chua (*respondent Chua*). PBB also seeks to overturn the resolution of the CA dated July 18, 2007, which denied its motion for reconsideration.

FACTUAL ANTECEDENTS

From the records, the following facts are not in dispute.

On March 22, 2002, Tomas Tan (*Tan*), a stockholder and director/Treasurer of CST Enterprises, Inc. (CST), filed a derivative suit for the Declaration of Unenforceability of Promissory Notes and Mortgage, Nullity of Secretary's Certificate, Injunction, Damages with Prayer for the Issuance of Temporary Restraining Order/Writ of Preliminary Injunction against PBB, Francis Lee, Alfredo Yao, Rodolfo Besinga, Stephen Taala, Rose Robles, Henry Ramos, Yu Heng, Mabuhay Sugar Central, Inc., Nancy Chan, Henry Chan, John Dennis Chua, Jaime Soriano, Voltaire Uychutin, Peter Salud, Edgar Lo, respondent Felipe Chua, and John Does before the Makati City Regional Trial Court.^[3]

In Tan's amended complaint dated January 9, 2003, he alleged that sometime in February 2001, before he went abroad for medical treatment, he turned over to respondent Chua, a director and the President of CST, the original copies of Transfer Certificate of Title Nos. 124275 and 157581, titles to lands owned by, and registered in the name of, CST. In January 2002, the respondent informed him that CST's properties had been fraudulently used as collateral for loans allegedly taken out in CST's name, but without proper authority from CST stockholders and/or the Board of Directors.^[4]

From his investigation, Tan discovered that **a certain Atty. Jaime Soriano had issued a Secretary's certificate, which stated that John Dennis Chua was authorized during a duly constituted CST board meeting to open a bank account and obtain credit facilities under the name of CST with PBB. This Secretary's Certificate also authorized John Dennis Chua to use CST's**

properties as security for these loans.^[5] Using this Secretary's Certificate, John Dennis Chua took out loans with PBB in the total amount of Ninety-One Million One Hundred Thousand Pesos (P91,100,000.00),^[6] and used CST properties as collateral.^[7] **Respondent Chua signed as co-maker with John Dennis Chua, who signed both as the representative of CST, as well as in his personal capacity, on six promissory notes to PBB to evidence parts of this loan.**^[8]

When PBB threatened to foreclose the mortgage on these properties after CST defaulted,^[9] Tan filed the present complaint, essentially arguing that the loans/promissory notes and mortgage made out in CST's name are unenforceable against it, since they were entered into by persons who were unauthorized to bind the company.^[10]

In its Amended Answer,^[11] PBB claimed that the loans to CST, as well as the corresponding mortgage over CST properties, were all valid and binding since the loan applications and documents accomplished by John Dennis Chua were supported by the duly accomplished secretary's certificate, which authorized him to obtain credit facilities in behalf of CST. In addition, the original copies of the titles to the properties were offered to PBB as collaterals.

PBB's Amended Answer also included a cross-claim against respondent Chua, demanding payment of the promissory notes he signed as co-maker with John Dennis Chua.^[12]

In respondent Chua's Answer to the Cross-Claim of PBB,^[13] he claimed that he never applied for a loan with the PBB. He further denied authorizing John Dennis Chua to apply for any loans in CST's name, or to use CST properties as security for any loans.^[14] **Nevertheless, he admitted that he signed, as co-maker, six promissory notes covering the loans obtained by John Dennis Chua with PBB.** According to respondent Chua, he executed these promissory notes after the loans had already been consummated, "in a sincere effort to persuade John Dennis Chua to pay off the unauthorized loan and retrieve from cross-claimant PBB the CST titles."^[15]

PBB subsequently filed a Motion for Partial Summary Judgment based on Section 1, Rule 35 of the 1997 Rules of Civil Procedure (*Rules*), claiming that since respondent Chua already admitted the execution of the promissory notes in favor of PBB amounting to Seventy Five Million Pesos (P75,000,000.00),^[16] insofar as its cross-claim against him was concerned, there was no genuine issue on any material fact on the issue of his liability to PBB. PBB argued that although respondent Chua claimed that he signed the promissory notes merely to persuade John Dennis Chua to pay off his loan to PBB, he was still liable as an accommodation party under Section 29 of the Negotiable Instruments Law.^[17]

THE RTC'S PARTIAL SUMMARY JUDGMENT

Acting on PBB's motion, the RTC issued a partial summary judgment on PBB's cross-claim on July 27, 2005, finding respondent Chua liable as a signatory to the promissory notes amounting to Seventy-Five Million Pesos (P75,000,000.00). The

RTC reasoned that by signing as a co-maker, he obligated himself to pay the amount indicated in the promissory notes, even if he received no consideration in return. Thus, the RTC ordered him to pay PBB the amount of P75,000,000.00, plus interests and costs.^[18]

In its order dated December 16, 2005, the RTC resolved respondent Chua's Notice of Appeal, as well as PBB's Motion to Disallow Appeal and to Issue Execution. Citing Section 1, Rule 41 of the Rules, the RTC ruled that respondent Chua could not file a notice of appeal. Instead, he should have filed a special civil action for *certiorari* under Rule 65 of the Rules. However, since the period for filing a *certiorari* petition had already lapsed without respondent filing any petition, the partial summary judgment had become final and executory. Thus, it ordered the issuance of a writ of execution for the satisfaction of the partial summary judgment in favor of PBB.^[19]

On December 21, 2005, the RTC issued an order appointing Renato Flora as the special sheriff to implement the writ of execution. In line with this order, Renato Flora, on December 23, 2005, issued a Notice of Levy and Sale on Execution of Personal Properties, addressed to respondent Chua. He proceeded with the execution sale, and on December 28, 2005, he issued a certificate of sale over respondent Chua's 900 shares of stock in CST in favor of PBB. He also posted a notice of sheriff's sale on January 10, 2006 over respondent Chua's five parcels of land located in Las Pinas, Pasay City, and Muntinlupa.^[20]

THE COURT OF APPEALS DECISION

Respondent Chua filed a petition for *certiorari* and mandamus with the CA to challenge: (a) the December 16, 2005 order, granting PBB's motion to disallow his appeal; (b) the December 21, 2005 order, granting PBB's motion to appoint Renato Flora as special sheriff to implement the writ of execution; and (c) the February 16, 2006 order denying his motion for reconsideration and to suspend execution. In essence, respondent Chua alleged that the RTC acted with grave abuse of discretion in disallowing his appeal of the partial summary judgment, and in issuing a writ of execution. Significantly, respondent Chua did not question the propriety of the partial summary judgment.

On February 8, 2007, the CA issued the assailed decision, partly affirming the RTC order dated December 16, 2005 on the matter of the disallowance of respondent Chua's appeal. The CA held that respondent Chua could not appeal the partial summary judgment while the main case remained pending, in keeping with Section 1(g), Rule 41 of the Rules.

However, the CA held that the RTC committed grave abuse of discretion when it issued the writ of execution against respondent Chua. As found by the CA, the RTC grievously erred when it held that the partial judgment had become final and executory when respondent Chua failed to avail of the proper remedy of *certiorari* within the 60 day reglementary period under Rule 65. Since a partial summary judgment does not finally dispose of the action, it is merely an interlocutory, not a final, order. Thus, it could not attain finality.

The CA further noted that *certiorari* is an independent action and not part of the appeal proceedings, and failure to file a *certiorari* petition would **not** result in the

finality of the judgment or final order. The RTC, thus, committed grave abuse of discretion amounting to lack of jurisdiction when it granted the issuance of a writ of execution, and the corresponding writ of execution issued by the court *a quo*, as well as the subsequent implementing proceedings, were void.

THE PETITION

PBB submits two issues for our resolution:

I.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR IN APPLYING JURISPRUDENCE NOT ON ALL FOURS [WITH] THE FACTUAL BACKDROP OF THE CASE.

II.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR IN RECALLING AND SETTING ASIDE THE WRIT OF EXECUTION AND ALL THE PROCEEDINGS TAKEN FOR ITS IMPLEMENTATION ON THE WRONG NOTION THAT THE PARTIAL SUMMARY JUDGMENT HAS NOT BECOME FINAL AND EXECUTORY.

THE RULING

We **DENY** the petition for being unmeritorious.

Nature of Partial Summary Judgment

PBB's motion for partial summary judgment against respondent Chua was based on Section 1, Rule 35 of the Rules, which provides:

Section 1. *Summary Judgment for claimant.* - A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory relief may, at any time after the pleading in answer thereto has been served, move with supporting affidavits, depositions or admissions for a summary judgment in his favor upon all or any part thereof.

A summary judgment, or accelerated judgment, is a procedural technique to promptly dispose of cases where the facts appear undisputed and certain from the pleadings, depositions, admissions and affidavits on record, or for weeding out sham claims or defenses at an early stage of the litigation to avoid the expense and loss of time involved in a trial.^[21] When the pleadings on file show that there are no genuine issues of fact to be tried, the Rules allow a party to obtain immediate relief by way of summary judgment, that is, when the facts are not in dispute, the court is allowed to decide the case summarily by applying the law to the material facts.^[22]

The rendition by the court of a summary judgment does not always result in the full adjudication of all the issues raised in a case. For these instances, Section 4, Rule

35 of the Rules provides:

Section 4. *Case not fully adjudicated on motion.* - If on motion under this Rule, **judgment is not rendered upon the whole case or for all the reliefs sought and a trial is necessary**, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel shall ascertain what material facts exist without substantial controversy and what are actually and in good faith controverted. It shall thereupon make an **order specifying the facts that appear without substantial controversy**, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. **The facts so specified shall be deemed established, and the trial shall be conducted on the controverted facts accordingly.**

This is what is referred to as a partial summary judgment. A careful reading of this section reveals that a partial summary judgment was never intended to be considered a "final judgment," as it does not "[put] an end to an action at law by declaring that the plaintiff either has or has not entitled himself to recover the remedy he sues for."^[23] The Rules provide for a partial summary judgment as a means to *simplify* the trial process by allowing the court to focus the trial only on the assailed facts, considering as established those facts which are not in dispute.

After this sifting process, the court is instructed to issue an order, the partial summary judgment, which specifies the disputed facts that have to be settled in the course of trial. In this way, the partial summary judgment is more akin to a record of pre-trial,^[24] an interlocutory order, rather than a final judgment.

The differences between a "final judgment" and an "interlocutory order" are well-established. We said in *Denso (Phils.) Inc. v. Intermediate Appellate Court*^[25] that:

[A] final judgment or order is one that finally disposes of a case, leaving nothing more to be done by the Court in respect thereto, *e.g.*, an adjudication on the merits which, on the basis of the evidence presented at the trial, declares categorically what the rights and obligations of the parties are and which party is in the right; or a judgment or order that dismisses an action on the ground, for instance, of *res judicata* or prescription. Once rendered, the task of the Court is ended, as far as deciding the controversy or determining the rights and liabilities of the litigants is concerned. Nothing more remains to be done by the Court except to await the parties' next move . . . and ultimately, of course, to cause the execution of the judgment once it becomes "*final*" or, to use the established and more distinctive term, "*final and executory*."

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Conversely, an order that does not finally dispose of the case, and does not end the Court's task of adjudicating the parties' contentions and determining their rights and liabilities as regards each other, but