

SECOND DIVISION

[G.R. NO. 159467, December 09, 2005]

**SPOUSES NORA SAGUID AND ROLANDO P. SAGUID,
PETITIONERS, VS. SECURITY FINANCE, INC., RESPONDENT.**

DECISION

CHICO-NAZARIO, J.:

Assailed in a Petition for Review on *Certiorari* under Rule 45 of the 1997 Rules of Civil Procedure are the decision^[1] of the Court of Appeals in CA-G.R. CV No. 68129 dated 31 January 2003 reversing the decision of the Regional Trial Court (RTC) of Makati City, Branch 135, in Civil Case No. 98-1803, dated 07 July 2000, ordering respondent Security Finance, Inc. to pay petitioner Spouses Nora and Rolando Saguid the daily earnings of the seized motor vehicle as well as damages, attorney's fees and costs of suit, and its Resolution^[2] dated 10 June 2003 denying petitioners' motion for reconsideration.

On 30 July 1998, respondent filed a case for Recovery of Possession with Replevin with Alternative Prayer for Sum of Money and Damages against petitioners and one John Doe in whose possession and custody the mortgaged property may be found.^[3] It alleged that petitioners, for value, jointly and severally executed in its favor a Promissory Note^[4] in the amount of P508,248.00, payable in monthly installments per schedule indicated therein. To secure payment of the Promissory Note, petitioners executed a Chattel Mortgage^[5] over a motor vehicle particularly described as follows:

MAKE	:	TOYOTA COROLLA XL
MODEL	:	1996
ENGINE NO.	:	2E-2895512
SERIAL NO.	:	EE100-9555787

Respondent alleged that petitioners defaulted in complying with the terms and conditions of the Promissory Note and Chattel Mortgage by failing to pay several monthly installments on the Promissory Note. As provided for in the Promissory Note and Chattel Mortgage, the failure of the petitioners to pay any installment when due shall make the entire balance of the obligation immediately due and payable. The total obligation of petitioners amounted to P756,634.64 as of 15 May 1998.^[6]

Despite demand^[7] for payment or the surrender, if in good order and condition, of the mortgaged motor vehicle, petitioners failed and refused to comply with the demand. Thus, respondent was constrained to file the instant case praying that (1) a Writ of Replevin be issued ordering the seizure of the afore-described vehicle, complete with all its accessories, and that same be delivered to it; or (2) in the

event that manual delivery thereof cannot be effected, order the petitioners to pay the amount of P756,634.64 exclusive of accruing interest and penalty charges thereon at the rate of five percent (5%) per month until fully paid. In either case, to order petitioners to pay respondent the amount of P189,158.66 as and for attorney's fees, replevin bond premium and other expenses incurred in the seizure of the motor vehicle, and costs of suit.

On 03 August 1998, the Hon. Francisco B. Ibay, Presiding Judge, Branch 135, RTC, Makati City, issued an Order directing the branch sheriff to seize the aforementioned vehicle upon filing of a bond in the amount of P1,513,270.00 which is double the value of the property to be seized, and to take it into his custody upon further orders from the court.^[8]

Upon being informed by respondent in a Motion for Clarification^[9] that the reasonable estimated value of the vehicle involved is P150,000.00, the RTC lowered the Replevin Bond to be filed to P300,000.00^[10] which respondent filed on 12 August 1998.

On 12 October 1998, the RTC issued a Writ of Seizure ordering the Branch Sheriff to seize the vehicle, to keep it in his possession for five (5) days, and then to deliver it to respondent.^[11]

On 13 October 1998, after service upon petitioners of the copy of the summons with the complaint and annexes, affidavit, writ of seizure and bond, the vehicle subject of this case was repossessed by the sheriff upon issuance of the corresponding receipt. On 20 October 1998, the vehicle was delivered to respondent.^[12]

In their Answer with Compulsory Counterclaim,^[13] petitioners specifically denied the allegations in the Complaint. They maintained they, whether individually or as spouses, did not and never executed a Promissory Note and Chattel Mortgage in favor of respondent. They claimed they bought the car subject of the case in cash as evidenced by the Vehicle Sales Invoice^[14] of Toyota Balintawak, Inc. dated 15 March 1996. Petitioner Nora Saguid alleged that she could not have physically executed the Promissory Note on 23 April 1996 as she was in Australia when the same was supposedly executed. On the part of petitioner Rolando Saguid, he admitted that he signed the promissory note in preparation for an application for loan upon the request of one Sonny Quijano who promised to facilitate the same for the purchase of another motor vehicle to be converted into a taxicab, but not with respondent. As compulsory counterclaim, they ask that respondent be ordered to pay moral, exemplary and actual damages, as well as attorney's fees and costs of suit.

After pre-trial, the RTC issued a Pre-Trial Order containing the following stipulation of facts:

1. The personal and corporate personalities of the parties;
2. That the promissory note dated April 23, 1996 in the amount of P508,248.00 in favor of plaintiff was signed by defendant Rolando Saguid; and

3. That the chattel mortgage was signed by defendant Rolando Saguid; . . . [15]

Trial ensued. The respective evidence of the parties are substantially summarized in the decision of the RTC.

Evidence of the Petitioners:

The plaintiff presented two (2) witnesses: 1] Rosauro G. Maghirang, Jr., 43 years of age, married, Assistant Vice-President for Marketing of the plaintiff, and a resident of No. 140 J. Molina Street, Marikina City; and 2] Antonio B. Placido, 37 years of age, married, an employee of the plaintiff, and a resident of 263 Santo Cristo Street, Angat, Bulacan.

It can be culled from plaintiff's evidence that an application [Exhibit A] for a loan to finance the purchases [of] a new car was filed with the plaintiff. The application was not signed by any of the defendants. The signature appearing on the application [Exhibit A] belongs to one David Garcia, a Marketing Assistant of the plaintiff. The application was evaluated and investigated and was approved. The Promissory Note No. 96-01447 dated April 23, 1996 [Exhibit B] and the Chattel Mortgage Contract dated September 3, 1996 [Exhibit D] were signed. Submitted to the plaintiff were postdated checks [Exhibits E, E-1 to E-12]. When deposited these checks were dishonored for the reason that the account was already closed. The dishonored checks were replaced with P27,137.67 cash for which O.R. No. 12467 dated June 27, 1996 [Exhibit F]. After the payment made on June 27, 1996, the checks that subsequently bounced were not replaced. The case was referred to counsel for collection. A demand letter was delivered by witness Placido to the residence of the defendants. There being no response from the defendants this case was filed against them. Placido conducted a surveillance of the place where the vehicle could possibly be found. He accompanied the sheriff in implementing the writ of seizure. After seizure of the vehicle it was stowed at the warehouse of plaintiff in Las Pinas.

On cross-examination of Rosauro G. Maghirang, Jr., Assistant Vice-President for Marketing of the plaintiff, it was established that the mortgage of subject motor vehicle was not registered with the LTO because the dealer did not submit to plaintiff the certificate of registration. In transactions of this nature, loan applicants are required to submit the original certificate of registration and the official receipt. The dealer, Toyota Balintawak, did not send to the plaintiff these documents.

[16]

Evidence of the Respondent:

Defendants testified for and in their behalf. Zenaida Marquez Maralit, 33 years of age, single, a resident of Orton Street, Litex Village, San Jose, Rodriguez, Rizal, and the Credit and Collection Head of Toyota Balintawak testified for the defendants. Defendant Rolando bought in cash the subject motor vehicle from Toyota Balintawak. He was issued Vehicle Delivery Invoice No. 7104 [Exhibit 1] and Vehicle Delivery Note No. 7104 [Exhibit 2]. The same vehicle was registered [Exhibit 3]. He identified his

signatures in the promissory note [Exhibit B] and in the chattel mortgage [Exhibit D]. He was asked by one Sonny Quijano to sign these documents in blank on the representation of the latter that he will help him secure additional capital to enable him to purchase another taxi.

Rolando met for the first time Sonny Quijano sometime in January 1996 at Toyota Quezon Avenue. Rolando was then planning to purchase two units of taxi colored white. But at that time there was only one available unit at Toyota Quezon Avenue. Quijano approached Rolando informing him that there are units colored white available at Toyota Balintawak and that he will help him secure one. Rolando was able to secure one. In the month of May, Quijano went to the house of defendants and asked Rolando if he is still interested in getting additional capital to purchase a taxi. Rolando was asked to sign documents in blank. The name of the plaintiff does not appear in these documents. When Rolando asked Quijano why the documents are in blank, Quijano told him just to sign and that he will take care of everything. Nora did not sign the documents because at that time she was in Australia. Rolando do (sic) not know what happened to the documents he signed. He read from the papers that Quijano was shot. He denied the issuance of the checks [Exhibits E, E-1 to E-12]. Defendants received a letter [Exhibit 8] dated February 21, 1997 from De Castro Law Office. Rolando went to this Law Office and presented his documents evidencing payment of the subject motor vehicle. He was told by Atty. De Castro that everything is okay and that he will take care of everything.

On October 28, 1998 at about 7:00 in the morning two [2] units of taxi including subject motor vehicle were seized by the sheriff assisted by three [3] SWAT members. The boundary of the subject motor vehicle, which is a taxi, is P750.00 for every 24 hours. From October 28, 1998 to October 1999 defendants lost P180,000 in income. Defendants retained the services of counsel for P100,000 plus P1,500 per appearance. With this incident on October 28, 1998, Rolando was embarrassed in front of his neighbors. For his sufferings Rolando is praying for P1 Million in damages plus P3 Million in exemplary damages.

Witness Maralit corroborated that testimony of Rolando that the subject motor vehicle was purchased in cash and not through financing. Had subject vehicle been purchased through financing the original Certificate of Registration and Certificate of Registration would have been transmitted to the financing company marked by the LTO $\frac{1}{2}$ encumbered $\frac{1}{2}$. This did not happen in this case. Security Finance, the plaintiff in this case was not accredited by Toyota Balintawak not even in one transaction. The appearance in both Exhibits 1 and 2 of "SPQ Center/Nora Saguid" as purchaser of the subject motor vehicle was satisfactorily explained by witness Maralit. The subject motor vehicle was initially reserved by SPQ Center but later on it waived its right in favor of Nora. It is for this reason that "SPQ Center/Nora Saguid" appears as the purchaser of the vehicle.^[17]

In its decision^[18] dated 07 July 2000, the RTC ruled in favor of petitioners, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered ordering plaintiff SECURITY FINANCE, INCORPORATED to pay defendant-spouses ROLANDO and NORA SAGUID:

1. The total amount of the daily earnings of the seized motor vehicle computed from the date of its seizure on October 28, 1998 up to its return to the defendants, at the rate of P750.00 daily;
2. The amount of P500,000 for moral damages;
3. The amount of P1,000,000 for exemplary damages;
4. The amount P200,000 for and as attorney's fees; and
5. The Costs.

In reaching its verdict, the RTC ruled that the promissory note and the deed of mortgage were not valid contracts and were not binding on petitioners. It explained that respondent failed to show with convincing evidence that it loaned to petitioners the money used in the purchase of the subject motor vehicle. On the contrary, it found that there was preponderance of evidence showing that the motor vehicle was purchased in cash by petitioners from Toyota Balintawak, Inc.

Respondent appealed the decision to the Court of Appeals *via* a Notice of Appeal.^[19]

On 31 January 2003, the Court of Appeals rendered the assailed decision. It reversed and set aside the decision of the RTC and ruled in favor of respondent. It disposed of the case as follows:

WHEREFORE, premises considered, the assailed decision of the trial court is hereby REVERSED and SET ASIDE, and another one is rendered in favor of the plaintiff-appellant. Costs against the defendants-appellees.

^[20]

The Court of Appeals found the ruling of the trial court that there was no valid contract entered into between the parties on the ground there was no cause or consideration when they executed the same, and that respondent failed to show with convincing evidence that it loaned the money to petitioners which was used to purchase the subject motor vehicle, to be bereft of factual and legal basis. It relied heavily on the admission of petitioner Rolando Saguid during pre-trial and during his direct-examination that he signed the promissory note dated 23 April 1996 and the chattel mortgage dated 03 September 1996. It did not give weight to petitioners' bare denial that they never transacted with respondent for the subject loan and that they never executed the promissory note and the deed of chattel mortgage because it belied the admission made by petitioner Rolando Saguid.

Petitioners filed a Motion for Reconsideration^[21] dated 24 February 2003 while respondent filed a Motion for Clarificatory Judgment^[22] dated 17 February 2003.

In a resolution dated 10 June 2003, the Court of Appeals denied the Motion for Reconsideration and granted the Motion for Clarificatory Judgment. It amended the dispositive portion of its 31 January 2003 decision as follows: