

THIRD DIVISION

[G.R. No. 136423, August 20, 2002]

**SPOUSES EFREN N. RIGOR AND ZOSIMA D. RIGOR, FOR
THEMSELVES AND AS OWNERS OF CHIARA CONSTRUCTION,
PETITIONERS, VS. CONSOLIDATED ORIX LEASING AND FINANCE
CORPORATION, RESPONDENT.**

DECISION

CARPIO, J.:

This is a petition for review of the decision^[1] of the Court of Appeals in CA-G.R. SP No. 48415 affirming the orders^[2] dated June 3, 1998 and July 15, 1998 of the Regional Trial Court of Dagupan City, Branch 41. These orders denied for lack of merit the motion to dismiss filed by petitioner Chiara Construction, owned by the spouses Efren and Zosima Rigor ("Petitioners" for brevity), in Civil Case No. 98-02067 of the same Regional Trial Court.

The Facts

Petitioners obtained a loan from private respondent Consolidated Orix Leasing and Finance Corporation^[3] ("Private Respondent" for brevity) in the amount of P1,630,320.00. Petitioners executed a promissory note on July 31, 1996 promising to pay the loan in 24 equal monthly installments of P67,930.00 every fifth day of the month commencing on September 5, 1996.^[4] The promissory note also provides that default in paying any installment renders the entire unpaid amount due and payable. To secure payment of the loan, petitioners executed in favor of private respondent a deed of chattel mortgage over two dump trucks.^[5]

Petitioners failed to pay several installments despite demand from private respondent. On January 5, 1998, private respondent sought to foreclose the chattel mortgage by filing a complaint for *Replevin with Damages* against petitioners before the Regional Trial Court of Dagupan City ("Dagupan trial court" for brevity). After service of summons, petitioners moved to dismiss the complaint on the ground of improper venue based on a provision in the promissory note which states that, "x x x all legal actions arising out of this note or in connection with the chattels subject hereof *shall only be brought in or submitted to the proper court in Makati City, Philippines.*"

Private respondent opposed the motion to dismiss and argued that venue was properly laid in Dagupan City where it has a branch office based on a provision in the deed of chattel mortgage which states that, "x x x in case of litigation arising out of the transaction that gave rise to this contract, *complete jurisdiction is given the proper court of the city of Makati or any proper court within the province of Rizal, or any court in the city, or province where the holder/mortgagee has a branch office, waiving for this purpose any proper venue.*"

After a further exchange of pleadings, the Dagupan trial court denied petitioners' motion to dismiss in an Order dated June 3, 1998.^[6] On July 15, 1998, the Dagupan trial court denied their motion to reconsider the Order of June 3, 1998.^[7]

Not satisfied with the orders, petitioners filed a petition for certiorari before the Court of Appeals imputing grave abuse of discretion by the Dagupan trial court in denying the motion to dismiss. On October 19, 1998, the Court of Appeals rendered the decision denying due course and dismissing the petition. On November 27, 1998, the Court of Appeals issued a resolution denying the motion for reconsideration.

Hence, the instant petition.

The Ruling of the Court of Appeals

In dismissing the petition, the Court of Appeals ruled as follows:

"Records reveal that Chiara executed the Promissory Note in favor of Consolidated secured by a Chattel Mortgage over two (2) motor vehicles. Conformably, failure to comply with the obligations under the Promissory Note entitles Consolidated to the possession of the mortgaged chattels or motor vehicles for purposes of foreclosure to satisfy the loan obligation. It is for this reason that the action commenced by Consolidated is for Replevin and damages with an alternative prayer for the defendants to pay the outstanding amount in the event manual delivery of the motor vehicles involved cannot be effected. In plain language, the action commenced before the respondent court is principally based both on the Promissory Note and the Chattel Mortgage, so much so, that it becomes essentially imperative to interpret and give effect to all the provisions of the two actionable documents.

In this wise, both the Promissory Note and the Chattel Mortgage should be treated as a singular contract with one complementing the other. Appropriately, Article 1374 provides:

'Art. 1374. The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.'

And in giving meaning to the contract, an interpretation of all its provisions must be adopted as will give effect to all. The stipulations of the contract shall be interpreted together attributing to the doubtful ones that sense which may result from all of them taken jointly [Layug vs. Intermediate Appellate Court, 167 SCRA 627 (1988)]. Tolentino, in his Civil Code of the Philippines, Vol. 4, 1995 Reprint, pp. 563-564 said:

'xxx The whole contract must be interpreted or read together in order to arrive at its true meaning. Certain stipulations cannot be segregated and then made to control; neither do particular words or phrases necessarily determine the character of a contract. The legal effect of the contract is not to be determined alone by any particular provision disconnected from all others, but in the ruling intention of the parties as gathered from all the language they have used; and from their contemporaneous and subsequent acts.

Provisions of a contract are to be given a reasonable and practical interpretation so as to be efficacious. Titles given to sections of a contract may be resorted to in interpreting its scope. An interpretation that gives effect to the contract as a whole should be adopted.'

By and large, it was therefore not an error or grave abuse of discretion when the controversial Motion to Dismiss was denied by the respondent court. Indeed, venue is properly laid in the case at bar under the provisions of the Chattel Mortgage in issue."^[8]

The Issue

In petitioners' memorandum, the sole issue posed is:

"WHETHER VENUE WAS PROPERLY LAID UNDER THE PROVISIONS OF THE CHATTEL MORTGAGE CONTRACT IN THE LIGHT OF ARTICLE 1374 OF THE CIVIL CODE."

The controversy stems from the conflicting provisions on venue in the promissory note and the deed of chattel mortgage. Consequently, the decisive issue is the correct interpretation of the venue provisions in the two contracts. The venue provision in the promissory note reads as follows:

"It expressly (sic) agreed that all legal actions arising out of this note or in connection with the chattels subject hereof **shall only be brought in or submitted to the proper court in Makati City, Philippines.**"

On the other hand, the venue provision in the deed of chattel mortgage reads:

"VENUE. The payment herein mentioned whether covered by notes or not, are payable at the office address of the MORTGAGEE or its assignee and **in case of litigation arising out of the transaction that gave rise to this contract, complete jurisdiction is given the proper court of the city of Makati or any proper court within the province of Rizal, or any court in the city, or province where the holder/mortgagee has a branch office, waiving for this purpose any proper venue.**"

Petitioners argue that the promissory note should prevail over the deed of chattel mortgage because this is the principal contract being sued upon while the deed of chattel mortgage "merely accompanies" the promissory note. According to petitioners, the words "shall only" in the promissory note makes exclusive and restricts venue to the proper court in Makati City. Petitioners contend that the venue provision in the promissory note does not contain qualifying words that the parties intended the venue provision in the deed of chattel mortgage to be a modification of the venue in the promissory note. Petitioners maintain that the Court of Appeals erroneously applied Article 1374 of the Civil Code in construing the promissory note and the deed of chattel mortgage. According to petitioners, this article applies only to conflicting provisions in one and the same contract and not to those found in two distinct and entirely separate contracts such as in the instant case. Petitioners further assert that any ambiguity should be decided against private respondent under the contract of adhesion doctrine.