

Title: Pacific Merchandising Corporation vs. Consolacion Insurance & Surety Co., Inc., and Gregorio V. Pajarillo

Facts:

In Civil Case No. 117811, Pacific Merchandising Corporation sought to collect P2,562.88, along with interest and attorney's fees, from Consolacion Insurance & Surety Co., Inc., which subsequently filed a third-party complaint against Gregorio V. Pajarillo. The Manila City Court ruled in favor of Pacific Merchandising Corporation, a decision subsequently appealed by Pajarillo to the Court of First Instance of Manila. Both parties agreed on a stipulation of facts including the sequence of events from the issuance of a writ of execution against Leo Enterprises, Inc., the appointment of Pajarillo as the receiver of Paris Theatre's assets, his assurance to pay the judgment debt through a surety bond with Consolacion Insurance, and ultimately, his cessation of payments and argument of no longer being obliged to pay post-termination of his receivership.

Issues:

1. Whether Gregorio V. Pajarillo, as the third-party defendant-appellant, is liable for the unpaid amount claimed based on his involvement as a receiver and subsequent actions.
2. Whether the liability of Consolacion Insurance & Surety Co., Inc. under the Surety Bond is valid.

Court's Decision:

The Supreme Court affirmed the judgment of the lower courts, holding that Pajarillo, even if acting as a receiver at the time, undertook personal obligations that did not absolve him from liability upon the termination of the receivership. His failure to seek court approval for his contractual commitments was noted as material, rendering these obligations unbound by the receivership and thus, personally binding to him. Additionally, his eventual gain from the prevented auction sale of theater equipment justified his liability to pay for the improvements, aligning with principles of preventing unjust enrichment. As a consequence, the liability of Consolacion Insurance & Surety Co., Inc. under the Surety Bond, as ordered by the lower court, was also affirmed.

Doctrine:

This case underscores the doctrine that a receiver's unauthorized contractual obligations do not bind the receivership or the court overseeing it; instead, they are deemed personal to the receiver. Further, it highlights the principle of preventing unjust enrichment, whereby no party should benefit at another's expense without just compensation or legal basis.

Class Notes:

1. Receivership and Unauthorized Contracts: A receiver must secure court approval for contracts that would bind the property or funds under management. Unauthorized contracts are considered the receiver's personal obligations.
2. Preventing Unjust Enrichment: The principle that underlies this case is rooted in the Roman Law maxim "Nemo Cum alterius detrimento locupletari protest," reflected in various legal systems and embodying the idea that one should not profit at another's loss without a basis in justice or law. This is codified in the New Civil Code of the Philippines under Article 22 (Human Relations) and Articles 2142 to 2175 (Quasi-Contracts).

Historical Background:

This ruling is pivotal in the jurisprudence relating to receivership and obligations arising therefrom. It clarifies the extent of a receiver's authority and the repercussions of failing to adhere to the procedural requirements for contractual commitments under receivership. Additionally, it reinforces the longstanding principle against unjust enrichment, highlighting its applicability regardless of changes in laws or the specifics of a case.