

Title:

Metropolitan Bank and Trust Co. vs. Radio Philippines Network, Inc., et al.

Facts:

This case traces its roots to Civil Case No. Q-89-3580 where the Regional Trial Court (RTC) mandated Traders Royal Bank (Traders Royal) to compensate Radio Philippines Network (RPN), Intercontinental Broadcasting Corporation (IBC), and Banahaw Broadcasting Corporation (BBC) for various damages on February 17, 1995. Both Traders Royal and Security Bank, initially implicated, appealed to the Court of Appeals (CA), resulting in Security Bank's absolution and Traders Royal's sole liability confirmation. Traders Royal's further appeal to the Supreme Court (SC) in G.R. No. 138510 led to a modified affirmation of the CA's decision on October 10, 2002, which became irrevocable in April 2003. Consequently, RPN, IBC, and BBC sought execution of the judgment, particularly interested in an escrow fund created under a Purchase and Sale Agreement (PSA) between Traders Royal and Bank of Commerce (BankCom), managed by Metropolitan Bank and Trust Co. (Metrobank). Various motions and subpoenas were filed and granted, revealing depletion of the escrow fund and further confusing the liabilities and rights over the assets included in the PSA and the escrow fund itself. Metrobank and BankCom evidenced their grievances to the CA, asserting a separation of proceedings for actions against the escrow, which was dismissed by the CA, leading to Metrobank's petition for review on certiorari to the SC.

Issues:

1. Whether the RTC possesses jurisdiction over Metrobank, not a party in the original case, for the execution of judgment against the escrow fund.
2. The propriety of the RTC's order directing execution against any and all assets of Traders Royal, including the escrow fund, as it pertains to the procedural requirements for executing judgments for money as outlined in the Revised Rules of Court.

Court's Decision:

The SC partly granted Metrobank's petition, emphasizing the finality of the judgement against Traders Royal and the procedural impropriety in the RTC's direct action against the escrow fund without first demanding payment from the judgment debtor or proceeding through garnishment as per Rule 39 of the Revised Rules of Court. It underscored that the jurisdiction over the escrow agent (Metrobank) requires service of a writ of garnishment, which had not been properly executed, thus setting aside the CA's decision to that extent. The Court validated the approach for the execution of judgments for money and clarified the boundaries of execution processes that involve third parties holding assets of judgment

debtors.

Doctrine:

The execution of a judgment for money shall proceed by demanding immediate payment from the judgment obligor, followed by the option of levying upon properties or garnishment of debts and credits if the obligation cannot be satisfied upfront. A third party or garnishee becomes compelled to comply with court orders specifically through the service of a writ of garnishment, making them a 'virtual party' to the execution process without necessarily being part of the original litigation.

Class Notes:

- Final Judgment: Once a judgment becomes final, it must be executed as issued, barring further actions on the decision except its execution.
- Execution Process: Rule 39 of the Revised Rules of Court outlines the process for executing monetary judgments, emphasizing immediate payment demands, property levy, and garnishment options.
- Garnishee Jurisdiction: A third party holding funds or assets of a judgment debtor becomes a subject to the court's jurisdiction through service of a writ of garnishment, required for compelling compliance with the court's execution orders.

Historical Background:

This case underscores the complexities involved in executing judgments against financial assets held by third parties, framing a detailed scenario where procedural precision in execution orders is paramount. It not only delineates the boundary between executing judgments directly and involving assets in the control of non-litigants but also affirms the necessity of strict adherence to procedural rules for ensuring rightful and efficient judgment execution.