

Title: Daniel L. Borbon II and Francisco L. Borbon vs. Servicewide Specialists, Inc. & Hon. Court of Appeals

Facts:

On December 7, 1984, Daniel L. Borbon II and Francisco Borbon (petitioners) signed a promissory note in favor of Pangasinan Auto Mart, Inc., agreeing to pay a sum of P122,856.00 in monthly installments for a motor vehicle. To secure the payment, a chattel mortgage was executed over the vehicle. The rights under the promissory note and chattel mortgage were assigned from Pangasinan Auto Mart, Inc., to Filinvest Credit Corporation on December 10, 1984, and later to Servicewide Specialists, Inc. (private respondent), on March 21, 1985. Petitioners defaulted in their monthly payments, leading to demands for payment by Filinvest and subsequently by the private respondent.

Petitioners contended that they were misled into receiving a different vehicle model than what was agreed and that Pangasinan Auto Mart, Inc. failed to rectify this or offer a proper refund. This dispute led to the seizure of the delivered vehicle.

The case was brought to the Regional Trial Court, which ruled in favor of the private respondent, a verdict later affirmed by the Court of Appeals. The petitioners appealed to the Supreme Court, challenging the awards of liquidated damages and attorney's fees to the private respondent.

Issues:

1. Whether petitioners could avoid liability under the promissory note and the chattel mortgage.
2. Whether the award of liquidated damages and attorney's fees to the private respondent was legally proper under Article 1484 of the Civil Code.

Court's Decision:

The Supreme Court held that while the award for liquidated damages was to be stricken off, the grant of attorney's fees was upheld as reasonable. The Court emphasized that the remedies under Article 1484 of the Civil Code are alternative and not cumulative. The Court elucidated that upon foreclosure of the chattel mortgage, the vendor or its assigns loses any right to recover any unpaid balance of the price; thus, the assignment does not give the assignee greater rights than those of the assignor. Consequently, the petition led to a modification of the appellate court's decision, affirming the judgment except for the deletion of the award for liquidated damages.

Doctrine:

- Remedies under Article 1484 of the Civil Code are alternative, not cumulative.
- Upon foreclosure of the chattel mortgage under a contract of sale of personal property payable in installments, any further action to recover any unpaid balance is void.
- The assignee of a credit is bound by the same restrictions as the assignor regarding the recovery of any unpaid balance following the foreclosure of a chattel mortgage.

Class Notes:

- Article 1484 of the Civil Code provides sellers with three alternative remedies in cases where vendees default on installment payments for the purchase of personal property.
- The choice amongst these remedies by the seller or assignee is exclusive and precludes the subsequent selection of another remedy.
- An assignee of a promissory note or chattel mortgage is bound by the terms and restrictions of the original agreement and cannot claim rights greater than those of the assignor.
- Liquidated damages clauses and provisions for attorney's fees must be carefully examined in light of the remedies chosen under Article 1484.

Historical Background:

The case exemplifies the legal complexities involving contracts of sale of personal property where payment is arranged through installments. It highlights how legal doctrines ensure protection for buyers while maintaining contractual obligations, and the role of the judiciary in balancing the interests of the contracting parties. The decision reinforces the provisions of Article 1484 of the Civil Code, ensuring that the alternatives provided to the vendor upon the vendee's failure to pay are exclusive and exhaustive, emphasizing the protective mantle the law intends to provide to buyers in installment sales.