

Title:

****Restituto Nonato and Ester Nonato vs. The Intermediate Appellate Court and Investor's Finance Corporation: A Matter of Remedial Recourse in Sales on Installment****

Facts:

The case at hand began when the spouses Restituto and Ester Nonato decided to purchase a Volkswagen Sakbayan on installment from People's Car, Inc., on June 28, 1976. As security for the payment, they executed a promissory note and a chattel mortgage in favor of People's Car, Inc., which later assigned these securities to Investor's Finance Corporation (IFC).

As the Nonatos failed to pay two or more installments, IFC repossessed the vehicle on March 20, 1978. Following the repossession, IFC demanded the balance of the car's purchase price from the Nonatos. When these demands were unmet, IFC initiated a complaint against the Nonatos in the Court of First Instance of Negros Occidental for the recovery of the unpaid balance, damages, and attorney's fees.

The Nonatos counterargued that the repossession of the vehicle by IFC effectively canceled the sale, thereby extinguishing any obligation to pay the remaining balance, invoking Article 1484 of the Civil Code.

The trial court ruled in favor of IFC, a decision later affirmed by the Intermediate Appellate Court, leading the Nonatos to file a petition for review on certiorari to the Supreme Court.

Issues:

1. Whether the act of repossessing a vehicle sold on installment, for failure to pay two or more installments, constitutes a choice of remedy under Article 1484 of the Civil Code to cancel the sale, thereby barring the vendor or its assignee from demanding the unpaid balance.

Court's Decision:

The Supreme Court set aside the appellate court's decision and dismissed the complaint filed by IFC. The Court held that the repossession of the vehicle served as an exercise of the option to cancel the sale under Article 1484 of the Civil Code. Consequently, IFC, having chosen its remedy, is precluded from seeking the balance of the purchase price from the

Nonatos. The Court pointed out that the right of the vendor or its assignee in a sale of personal property on installment under Article 1484 is to choose only one among the three remedies provided: exact fulfillment, cancel the sale, or foreclose the chattel mortgage. The act of retaining the vehicle post-repossession without attempts to return it after appraisal was construed as opting to cancel the sale, negating any claim for the unpaid balance.

Doctrine:

Article 1484 of the Civil Code offers vendors three alternative remedies in cases of installment sales of personal property where the buyer fails to pay two or more installments: exact fulfillment of the obligation, cancel the sale, or foreclose the chattel mortgage on the sold property. These remedies are alternative, not cumulative, such that the exercise of one bars the exercise of the others.

Class Notes:

1. **Article 1484 of the Civil Code:** In sales of personal property by installment, failure to pay two or more installments allows the seller to choose one of three remedies - exact fulfillment, cancel the sale, or foreclose the chattel mortgage. Choice of one bars the others.
2. **Cancellation of Sale:** Repossession for non-payment and subsequent actions indicating retention of the property are considered as opting to cancel the sale, which precludes recovery of the unpaid balance.
3. **Legal Maxims:** The principle of *electa una via*, where once a path is chosen it cannot be changed, applies to the remedies available under Article 1484.
4. **Doctrine of Preclusion in Remedial Choice:** The decision exemplifies that selecting a remedy under Article 1484 has conclusive effects on the vendor's rights against the buyer, especially concerning the recovery of any unpaid balance.

Historical Background:

The promulgation of Article 1484 in the Civil Code reflects the legal system's recognition of the vulnerabilities of buyers in installment sales, especially for personal property. This provision aims to balance the interests of vendors and purchasers by limiting the recourse available to vendors, thereby preventing the undue burden on purchasers who might face financial difficulties.