

### Title:

**\*\*Ridad v. Filipinas Investment & Finance Corporation: A Case on the Annulment of Chattel Mortgage\*\***

### Facts:

On April 14, 1964, Luis Ridad and Lourdes Ridad (plaintiffs) purchased two brand new Ford Consul Sedans from the Supreme Sales and Development Corporation for P26,887, payable in 24 monthly installments. To secure the payment, they executed a promissory note covering the purchase price and a deed of chattel mortgage not only on the vehicles purchased but also on another Chevrolet car and a taxicab franchise. This right was later assigned to the Filipinas Investment and Finance Corporation (defendant) with the plaintiffs' consent. Following the plaintiffs' failure to meet their payment obligations, the defendant corporation foreclosed the chattel mortgage extrajudicially and obtained the two Ford cars through a public auction sale, of which the plaintiffs weren't notified. A subsequent auction on November 16, 1965, sold the taxicab franchise to the defendant, who then sold it to Jose D. Sebastian. Challenging the validity of these transactions, the plaintiffs initiated action for annulment of contract before the Court of First Instance of Rizal, Branch I.

### Issues:

1. Whether the chattel mortgage that included assets other than the two Ford cars, specifically the used Chevrolet car and the taxicab franchise, is valid.
2. The legal effect of the public auction sale concerning the taxicab franchise executed without notifying the plaintiffs.
3. The application of Article 1484 of the Civil Code in determining the remedy chosen by the creditor upon the debtor's failure to pay and its implications on additional securities provided.

### Court's Decision:

The Court affirmed the lower court's decision declaring the chattel mortgage and the subsequent sales void in relation to the Chevrolet car and the taxicab franchise. It ruled that upon choosing to foreclose the mortgage due to the plaintiffs' failure to pay, the defendant is barred by Article 1484 of the Civil Code from pursuing any additional securities provided by the debtor, including the taxicab franchise. Thus, the foreclosure process was valid only insofar as it concerned the vehicles originally purchased on installment. Any further actions attempting to claim additional properties or securities were deemed contrary to the spirit of the law and public policy.

### Doctrine:

This case reaffirms the doctrine that in contracts of sale of personal property payable in installments, remedies available to the vendor upon the vendee's default are alternative, not cumulative. If the vendor opts to foreclose the chattel mortgage, they are prohibited from further actions to recover any unpaid balance, applying specifically to additional securities not directly tied to the purchased item.

### Class Notes:

- **Key Concept:** Article 1484 of the Civil Code (Philippines) - Offers three remedies to the vendor in installment sales but allows the selection of only one.
- **Application:** In cases of default by the vendee, choosing foreclosure of the chattel mortgage bars the creditor from pursuing any other assets beyond the specific item(s) sold under installment payment terms.
- **Legal Statutes:** Article 1484, Civil Code of the Philippines.
- **Critical Understanding:** The intent of the law is to prevent unjust enrichment by prohibiting creditors from claiming more than what is necessary to settle the debt, specifically in relation to chattel mortgages and installment sales.

### Historical Background:

The case occurs in the context of a burgeoning economy where installment sales became a popular means of purchasing goods. It underscores the legal system's attempt to balance creditor protection with preventing debtors from overly burdensome recoveries, a crucial aspect of consumer law in the Philippines.