

### Title: Industrial Finance Corporation vs. Castor Tobias

### Facts:

In a transaction dated June 16, 1968, respondent Castor Tobias purchased a Dodge truck on installment from Leelin Motors, Inc., securing the obligation with a promissory note and a chattel mortgage. Subsequently, on June 19, 1969, Leelin Motors assigned the promissory note and chattel mortgage to petitioner Industrial Finance Corporation, to whom Tobias paid six installments, with the last payment made on February 19, 1970.

By May 14, 1970, Tobias had defaulted on two or more installments, prompting the petitioner's counsel to demand either payment of the outstanding balance or surrender of the truck by May 24, 1970. On May 27, Tobias, citing dissatisfaction with the vehicle's repair status following an accident and without petitioner's knowledge of said accident, offered to surrender the truck. Upon learning of the accident, the petitioner opted not to take the truck and filed an action in the Court of First Instance of Manila on February 16, 1971, to recover the unpaid balance. The lower court dismissed the complaint, a decision upheld with a slight modification by the Court of Appeals, which required Tobias to pay for repair costs.

### Issues:

1. Whether the respondent's offer to surrender the truck constituted full compliance with the petitioner's demands, effectively precluding the petitioner from claiming the unpaid balance.
2. Whether the petitioner was estopped from demanding payment after offering the respondent the option to surrender the truck without knowledge of its accident and subsequent condition.
3. The applicability and interpretation of Article 1484 of the New Civil Code regarding the remedies available to an unpaid vendor in installment sales of personal property.

### Court's Decision:

The Supreme Court set aside the judgments of the appellate and lower courts, ruling in favor of the petitioner. The Court clarified that under Article 1484 of the New Civil Code, the remedies are alternative and not cumulative. Since the petitioner had not exercised the options of cancelling the sale or foreclosing the chattel mortgage, it remained free to demand fulfillment of the respondent's obligation.

The Court also addressed the estoppel issue, finding that the petitioner's lack of knowledge

about the truck's accident negated any potential estoppel. Consequently, the respondent's inability to transfer possession due to the truck being in the custody of Leelin Motors, Inc., and the petitioner's justified dissatisfaction with the vehicle's condition, allowed the petitioner to refuse the surrender and seek the unpaid balance.

**### Doctrine:**

In installment sales of personal property, Article 1484 of the New Civil Code grants the vendor alternative, not cumulative, remedies upon the vendee's default in payment, including demanding fulfillment, cancelling the sale, or foreclosing the chattel mortgage.

**### Class Notes:**

- **\*\*Installment Sales and Remedies for Default\*\***: In cases of default on payment in installment sales of personal property, sellers have three distinct remedies under Article 1484 of the New Civil Code: exact fulfillment, cancel the sale, or foreclose the chattel mortgage.
- **\*\*Alternative Remedies\*\***: The choice of one remedy precludes the others. Choice must align with sellers' rights and knowledge at the time of action.
- **\*\*Estoppel and Seller's Knowledge\*\***: Sellers' actions based on incomplete information (e.g., vehicle condition post-accident) do not automatically estop them from seeking other remedies if the chosen action was made without full knowledge of relevant facts.

**### Historical Background:**

This case underscores the importance of the remedies available to vendors in installment sales, a common method of transaction in the Philippines. It highlights how the law seeks to balance the interests of both the vendor and vendee, while ensuring that the vendor's rights are protected in the event of the vendee's default. The decision reaffirms the application of Article 1484 in the context of changing circumstances and incomplete information, reflecting the dynamic nature of commercial transactions.