

**\*\*Title:\*\*** Industrial Finance Corporation vs. Consuelo Alcoba and Hon. Pedro A. Ramirez

**\*\*Facts:\*\*** Arnaldo Dizon sold a 1966 model Chevrolet car to Consuelo Alcoba for P13,157.89, payable in eighteen monthly installments secured by a chattel mortgage on December 4, 1970. That same day, Dizon assigned all his rights and interests in the chattel mortgage to Industrial Finance Corporation (IFC) for ten thousand pesos. Alcoba defaulted on the first four installments, triggering the acceleration clause and making the entire debt due and demandable. By February 27, 1972, she owed IFC P7,678.05.

IFC filed a suit designated as “replevin with damages” against Alcoba in the Court of First Instance of Manila on November 20, 1971, seeking either the recovery of the car via a writ of replevin or payment of P11,083.38 plus damages and attorney’s fees if replevin failed, but not explicit foreclosure under section 8, Rule 68 of the Rules of Court. Alcoba, in her response, argued that IFC waived car recovery by accepting P4,228.67 from insurance payment. The court issued a writ of replevin, but the car could not be seized; thus, no extrajudicial foreclosure was achieved. Alcoba was declared in default for not appearing at pre-trial, and a judgment ordered her to pay P7,678.05 plus interest. This judgment became final and executory.

Despite Alcoba’s partial payment of P2,000 post-judgment, the issued writs of execution were returned unsatisfied. A second alias writ saw the car levied and purchased at auction by IFC, which then paid an additional P4,250 to the Aco Motor Service to reclaim the car. IFC requested a third alias writ for the remaining balance, which the lower court denied, treating the auction as a “virtual foreclosure” and invoking Article 1484’s provision on non-liability for deficiencies post-foreclosure.

**\*\*Issues:\*\***

1. Whether the court’s denial of a third alias writ of execution based on the understanding of “virtual foreclosure” was correct.
2. Whether IFC is entitled to recover the unpaid balance despite the auction sale of the car.

**\*\*Court’s Decision:\*\*** The Supreme Court reversed the lower court’s decision, holding that there was no foreclosure, and IFC is entitled to an alias writ of execution for the unsatisfied portion of the judgment. The court distinguished this case from the precedent cited by the lower court, noting the absence of an extrajudicial foreclosure in this scenario. It was deemed a case of specific performance rather than foreclosure. Therefore, IFC could pursue the deficiency owing to no actual foreclosure of the chattel mortgage.

**\*\*Doctrine:\*\*** This case reiterates that in contracts for the sale of personal property payable in installments, if the vendor opts for specific performance and subsequently attaches and sells the mortgaged property, such sale does not equate to a foreclosure of the mortgage, thereby allowing for the seller-creditor to seek a deficiency judgment.

**\*\*Class Notes:\*\***

- In installment sales, three remedies are available to the vendor under Article 1484 of the Civil Code: exact fulfillment, cancel the sale, or foreclose the chattel mortgage, but foreclosure bars further action for recovering any unpaid balance.
- A “replevin” suit allows the recovery of personal property with provisional remedies, but it does not necessarily imply foreclosure of a chattel mortgage.
- The essential element for foreclosure under Article 1484 is the actual execution of the foreclosure, not merely an auction sale of the property as part of execution on a judgment for specific performance.
- A deficiency judgment is permissible when the action taken was for specific performance followed by an execution sale, not as part of foreclosure proceedings.

**\*\*Historical Background:\*\*** The decision highlights the contours of Article 1484 of the Civil Code, influenced by Act No. 4122 or the Recto Law, within the context of installment sales and chattel mortgages. It underscores the Philippine legal system’s balance between protecting the rights of creditors and preventing undue hardship on installments buyers, a principle reflected in the Recto Law’s provisions aiming to prevent abuses in installment sales, notable in the historical milieu of consumer protection during the early 20th century Philippines.