

Title: Nordic Asia Limited (now known as DNC Limited) and Bankers Trust Company vs. The Honorable Court of Appeals et al.

Facts:

On May 26, 1981, Sextant Maritime, S.A., borrowed \$5.3 million from Nordic Asia Limited and Bankers Trust Company, using the amount to purchase the vessel M/V “Fylyppa.” To secure the loan, a First Preferred Mortgage over M/V “Fylyppa” was executed in favor of the lenders. After Sextant Maritime defaulted, the lenders initiated extrajudicial foreclosure proceedings under P.D. 1521 on the same day that Nam Ung Marine Co., Ltd., along with twenty-seven crew members, filed a collection suit in the Regional Trial Court (RTC) of Manila to claim unpaid wages and other dues.

The petitioners sought to intervene in the RTC case, arguing that the exaggerated claims could affect the proceeds from their mortgage security. After their intervention was granted and they posted a counterbond to lift the vessel’s attachment, the RTC declared the original defendants in default (except Jibfair Shipping), and the respondents presented their evidence ex parte. Subsequently, the RTC ruled in favor of the respondents.

The petitioners appealed to the Court of Appeals (CA), which affirmed the RTC’s decision. They then elevated the case to the Supreme Court through a petition for review on certiorari after a separate action challenging an execution pending appeal also failed.

Issues:

1. Whether the petitioners have the right to intervene in the case.
2. Whether the petitioners are guilty of forum shopping.

Court’s Decision:

The Supreme Court upheld the decision of the Court of Appeals in its entirety, with some clarification:

1. **Right to Intervene:** The Court determined the petitioners did not have the direct and immediate legal interest required to justify intervention. It defined legal interest as that which is materially affected by the court’s decision, noting petitioners as mortgagees would not directly lose from the claims against the vessel and could still proceed with their foreclosure.
2. **Forum Shopping:** Initially, the Court found the acts of the petitioners could constitute forum shopping. However, upon reconsideration, it noted that the petitioners disclosed the existence of the related case when filing the second action and found no evidence of bad

faith or intention to mislead. Consequently, the finding of forum shopping was overturned.

Doctrine:

The Court reiterates the doctrine concerning the legal interest required for intervention in a lawsuit: A party must show an interest that is direct and immediate, such that the intervenor will either gain or lose by the direct legal operation and effect of the judgment. Further, it clarified the conditions under which actions may or may not constitute forum shopping, focusing on the disclosure of related cases and the absence of bad faith.

Class Notes:

- Legal Interest for Intervention: Must be direct and immediate, materially affecting the intervenor by the outcome of the case.
- Forum Shopping: The act of filing multiple cases based on the same parties and facts in different jurisdictions or courts to get a favorable judgment; however, disclosure of related cases and absence of bad faith can negate such allegations.
- Preferred Maritime Liens: Crew wages and other dues have a preferred status under maritime law, making them a priority over certain other claims against a vessel.
- Extrajudicial Foreclosure under P.D. 1521: A process permitted for securing creditors to enforce their rights against a defaulted debtor outside of traditional court proceedings.

Historical Background:

This case illustrates the complexities that arise in maritime law, particularly concerning the rights and prioritization of claims against a vessel. It also highlights the procedural nuances in Philippine jurisprudence, such as intervention rights and allegations of forum shopping, within the broader context of securing loans with maritime vessels and the legal protections afforded to maritime workers.