

Title: ORIX Metro Leasing and Finance Corporation vs. Cardline Inc., et al., 778 Phil. 280 (2012)

Facts:

1. Cardline Inc. (“Cardline”) leased four machines from ORIX Metro Leasing and Finance Corporation (“Orix”) under three lease agreements. Mary C. Calubad, Sony N. Calubad, and Ng Beng Sheng (collectively “the individual respondents”) signed surety agreements to guarantee Cardline’s obligations.
2. Cardline defaulted on rental payments, accumulating unpaid obligations totaling P9,369,657.00 as of July 12, 2007. Orix demanded payment, and Cardline refused.
3. Orix initiated a replevin, sum of money, and damages complaint with an application for a writ of seizure before the Regional Trial Court (“RTC”) (Civil Case No. 07-855). The RTC issued the writ and seized the machines.
4. The RTC declared the respondents in default for not filing an answer, allowing Orix to present evidence ex parte. The respondents’ motion to lift the default order was denied.
5. On May 6, 2008, the RTC ordered the respondents to pay Orix P9,369,657.00 minus any value from the machines if recovered or sold, plus attorney’s fees, liquidated damages, and expenses.
6. The respondents’ appeal against the default order to the Court of Appeals (CA) and Supreme Court (SC) was denied (G.R. No. 189877), making the RTC’s judgment final and executory.
7. Ng Beng Sheng filed an annulment of judgment petition, claiming improper service of summons. The CA dismissed this appeal due to forum shopping and res judicata issues.
8. Orix filed for a writ of execution, which the RTC granted on December 1, 2010.
9. Respondents filed a petition for prohibition before the CA to annul the RTC’s execution order, asserting that their debt was offset by the market value of returned machines and the guaranty deposit.
10. The CA annulled the execution order, leading Orix to petition the Supreme Court.

Issues:

1. Did the Court of Appeals correctly prohibit the RTC from enforcing the writ of execution?
2. Are the individual respondents entitled to the benefit of excussion?
3. Did the respondents engage in forum shopping?

Court’s Decision:

1. The Supreme Court ruled that the CA erred in prohibiting the RTC from enforcing the writ of execution. The lease agreements did not support the CA's interpretation that the market value of the machines and the guaranty deposit were to be deducted from the unpaid rent. The contractual provisions specified that the proceeds from the sale or releasing of the machines, not their market values, were applicable. Additionally, the guaranty deposit was to be forfeited as a penalty, not deducted from the debt, affirming Cardline's obligation of P9,369,657.00.

2. The individual respondents were not entitled to the benefit of excussion. They had bound themselves solidarily with Cardline. Even assuming their status as guarantors, they had agreed that their liability was direct and immediate, waiving the benefit of excussion under Article 2059(1) of the Civil Code.

3. The Supreme Court found that the respondents did not engage in forum shopping. The petition for prohibition and the petition for annulment of judgment were based on different causes of action. The petition for prohibition respected the finality of the RTC's judgment but sought to interpret its execution, whereas the petition for annulment raised jurisdictional issues which had already been resolved.

Doctrine:

1. **Final and Executory Judgment:** Final judgments can no longer be altered and only need to be executed. However, execution may be challenged if the terms of the judgment are subject to interpretation.
2. **Benefit of Excussion:** This can be waived by a guarantor if explicitly agreed upon in the contract, making the guarantor liable without requiring prior action against the principal debtor.
3. **Forum Shopping:** Defined as filing multiple cases based on the same cause of action to obtain a favorable decision, which was not applicable in this case as the petitions addressed different issues.

Class Notes:

- **Final Judgment:** Once final, execution is mandatory unless specific exceptions apply (Article 2059 of the Civil Code).
- **Solidary Obligations:** In cases of solidary obligations, co-obligors are immediately liable without the need for excussion.
- **Contract Interpretation:** The specific terms of a contract govern, particularly in regard

to liabilities and penalties. Explicit waiver clauses in contracts are enforceable.

- **Forum Shopping:** Prohibited under Section 5, Rule 7 of the Rules of Court, aimed at avoiding contradictory decisions from multiple courts.

Historical Background:

The case reflects the enforcement of financial obligations in lease agreements involving corporate entities and the lender's protection mechanisms. It highlights judicial efficiency and finality principles, reaffirming contract terms' binding nature. This provides context to the legal landscape in dealing with financial defaults and the judicial insistence on adherence to financial and contractual obligations. The dispute underscores procedural approaches in contesting execution post-judgment and the limited scope for challenging final decisions.