

****Title**:** _Singson et al. vs. Isabela Sawmill et al._

****Facts**:**

- On January 30, 1951, defendants Leon Garibay, Margarita G. Saldajeno, and Timoteo Tubungbanua formed a partnership under the name “Isabela Sawmill.”
- Oppen, Esteban, Inc. sold a truck and tractors to the partnership for P20,500.00 on February 3, 1956.
- By 1958, the partnership owed Oppen, Esteban, Inc. P1,288.89.
- On April 25, 1958, a dissolution case (Civil Case No. 4797) was filed by the Saldajenos against “Isabela Sawmill.”
- A “Memorandum Agreement” was created on April 27, 1958, followed by an “Assignment of Rights with Chattel Mortgage” on May 26, 1958, supposedly formalizing the dissolution.
- Despite the agreements, Garibay and Tubungbanua continued the business under the same name without dividing assets or liquidating.
- On May 18, 1959, a public auction of Isabela Sawmill’s assets was announced.
- By October 15, 1959, Margarita Saldajeno bought said assets for P38,040 and later sold them for P45,000.

Procedurally, the plaintiffs (creditors to Isabela Sawmill) filed Civil Case No. 5343 in CFI Negros Occidental to:

1. Restrain the sheriffs’ sale.
2. Annul the chattel mortgage.
3. Collect their credits and determine priority over the auction proceeds.

Defendants countered, contesting jurisdiction and alleging that the plaintiffs had no cause of action against them.

The CFI ruled in favor of the plaintiffs, awarding monetary judgments while declaring the chattel mortgage void. Margarita Saldajeno and Cecilio Saldajeno appealed.

The Court of Appeals certified the case to the Supreme Court, stating it involved purely legal questions.

****Issues**:**

1. Jurisdiction: Does the CFI have jurisdiction over claims involving annulment of contracts and monetary recovery?
2. Validity of Chattel Mortgage: Can the mortgage be annulled despite prior judicial recognition in other civil cases?

3. Partnership Dissolution and Liability: Did the Saldajeno partnership's dissolution terminate liability?

4. Liability of Margarita Saldajeno: Is Margarita liable to the partnership's creditors?

Court's Decision:

1. **Jurisdiction:** The Supreme Court affirmed the CFI's jurisdiction. While some claims were monetary, the core issue (annulment of the chattel mortgage) required examination beyond pecuniary estimation, placing it within the purview of the CFI.

2. **Validity of Chattel Mortgage:** Citing that judicial stability prevents branches of the same court from annulling each other's decisions, the Supreme Court held that exceptions exist where the second decision affected the rights of third parties (plaintiffs). Thus, annulment of the mortgage was justifiable.

3. **Partnership Dissolution and Liability:** The Court found that the partnership, despite Margarita's formal withdrawal, hadn't dissolved in economic fact as business operations continued without formal winding up. Therefore, liability to creditors persisted.

4. **Liability of Margarita Saldajeno:** Margarita was ordered to pay plaintiffs due to her involvement in profiting from partnership assets that should've satisfied existing debts. Since the partnership continued operations, creditors' rights were prioritized over her foreclosure transactions.

Doctrine:

- **Jurisdiction Over Non-Pecuniary Cases:** When primary relief isn't monetary, it falls under the CFI's jurisdiction.

- **Simultaneous Liability:** Partnership liabilities persist post-dissolution if the business continues without proper liquidation or notice.

- **Substantive Participation:** A former partner profiting from unsatisfied partnership obligations can incur personal liability.

Class Notes:

- **Jurisdiction Principle:** Non-pecuniary cases assigned to CFI. Where a case principally involves an action not capable of pecuniary estimation, jurisdiction lies with CFI.

- **Partnership Law:** Dissolution isn't termination; cessation must occur for obligations' release. Art. 1828-1829, Civil Code.

- **Third-Party Rights:** Contracts hindering third-party rights can be challenged by those affected.

****Historical Background**:**

Set against the backdrop of mid-20th century Philippine contract and partnership law, this case highlights the judiciary's evolving stance on jurisdictional boundaries and partnership operations. It reflects tensions in partnership law, especially regarding business continuity post-dissolution without formal public notice, emphasizing a creditor-friendly stance aiding justice and equity.