

****Title:****

Alfredo Ching and Encarnacion Ching vs. Court of Appeals and Allied Banking Corporation

****Facts:****

Philippine Blooming Mills Company, Inc. (PBMCI) borrowed P9,000,000.00 from Allied Banking Corporation (ABC) on September 26, 1978, represented by a promissory note and secured by a continuing guaranty of P38,000,000.00 executed by Alfredo Ching, Emilio Tañedo, and Chung Kiat Hua. On December 28, 1979, PBMCI took another loan of P13,000,000.00 with subsequent defaults leading ABC to file for recovery on August 21, 1981. A writ for preliminary attachment was issued against Alfredo Ching.

PBMCI and Ching jointly filed for suspension of payments and rehabilitation with the SEC which led to the suspension of court actions against PBMCI. Despite this, ABC continued proceedings against Ching. 100,000 shares of Citycorp Investment Philippines, allegedly part of Ching's conjugal property, were levied upon on July 26, 1983.

Encarnacion Ching sought to quash the levy, citing that the shares were acquired with conjugal funds. The trial court granted her motion, but ABC appealed, contending that she was not a party to the initial case and hence could not seek such relief.

The Court of Appeals reversed the trial court, nullified the trial court's orders, and ruled her motion was time-barred by laches. Encarnacion and Alfredo Ching then appealed to the Supreme Court.

****Issues:****

1. Whether Encarnacion Ching had legal standing to file the motion to quash the levy.
2. Whether the RTC committed a grave abuse of discretion amounting to excess or lack of jurisdiction in granting Encarnacion Ching's motion.
3. Whether the 100,000 levied Citycorp shares were conjugal property and thus protected from being levied for Alfredo Ching's obligations.
4. Whether Alfredo Ching's suretyship was for the benefit of the conjugal partnership and thus liable.

****Court's Decision:****

1. ****Legal Standing:**** The Supreme Court ruled that Encarnacion Ching had the right to file the motion to set aside the levy on attachment, even as a third party not initially part of the case. The court, based on previous case law, held that Encarnacion could invoke summary relief from the court which authorized the execution.

2. **Grave Abuse of Discretion:** The Court found that the RTC acted within its jurisdiction, ordering that the trial court's lifting of the writ was appropriate since clear evidence showed the shares were acquired during the marriage, thus presumed to be conjugal.

3. **Conjugal Property:** The Supreme Court upheld the presumption under Article 160 of the New Civil Code that properties acquired during marriage are conjugal unless proven otherwise. ABC failed to prove the shares were bought with Alfredo Ching's personal funds.

4. **Benefit to Conjugal Partnership:**

The Court held that the suretyship executed by Alfredo Ching was not for the benefit of the conjugal partnership and thus the conjugal assets should not be held liable. The act of suretyship was not considered part of his profession or trade, nor was it directly beneficial to the conjugal partnership.

Doctrine:

1. **Article 160 of the New Civil Code:** Properties acquired during marriage are presumed conjugal unless proven otherwise.

2. **Article 161(1) of the New Civil Code (now Article 121 of the Family Code):** Defines the extent of liability of the conjugal partnership, specifying that debts contracted for personal benefit or professional suretyship not directly benefiting the conjugal partnership cannot bind conjugal assets.

3. **Third-Party Remedy in Attachment:** A third party who claims rights to a property under levy can file a motion within the main case to protect their interest.

Class Notes:

- **Conjugal Property:** Presumed to be conjugal if acquired during the marriage unless proven otherwise (Article 160, New Civil Code).

- **Third-Party Claim in Levy:** Non-parties affected by levy on attachment can file internally in the same case.

- **Suretyship Liabilities:** To hold conjugal properties liable for the husband's obligations, it must be shown to benefit the conjugal partnership directly (Article 161(1), New Civil Code).

- **Laches:** Delay in asserting a right can bar a motion or action if it prejudices the other party.

Historical Background:

This case fits within historical precedents influencing the interpretation of conjugal property

and obligations. During the relevant period, the Philippines was transitioning from a focus on individual property rights within marriage to a system recognizing the joint efforts and corresponding liabilities of marital unions. The judiciary's interpretation of laws affecting marital property and obligations reflects evolving socio-legal attitudes towards equitable distribution and protection of family units against disproportionate liabilities.