

****Title:** Urbano Jaca and Bonifacio Jaca vs. Davao Lumber Company and Hon. Manases Reyes, G.R. No. L-27968, February 26, 1972**

****Facts:****

****Step-by-Step Series of Events:****

1. ****1954-1963:**** Urbano and Bonifacio Jaca, engaged in the logging business, entered an agreement with Davao Lumber Company (DLC) involving cash and material advances to be paid by delivering logs.
2. ****January 24, 1961:**** Urbano Jaca executed a chattel mortgage in favor of DLC, including all logs produced from their logging concession.
3. ****1954-August 1963:**** Continuous business relationship with repeated demands by Urbano Jaca for formal accounting, which DLC refused.
4. ****October 30, 1963:**** DLC sent demand letters to the Jacas, requesting overdue payments.
5. ****November 1963:**** The Jacas filed a complaint against DLC for accounting, return of price differentials, and damages in the Court of First Instance (CFI) of Davao, Civil Case No. 4189.
6. ****December 1963:**** DLC counterclaimed against the Jacas, stating their indebtedness amounted to P756,236.52 and P91,651.97 respectively.
7. ****November 17, 1964:**** The trial court ordered Urbano Jaca to deliver the mortgaged chattels to a receiver.
8. ****June 11, 1965:**** The trial court decided in favor of DLC, dismissing the Jacas' complaint and ordering them to pay their debts.
9. ****September 1965:**** DLC filed a motion for execution pending appeal, claimed non-compliance with the November 1964 order, and further alleged fraudulent actions by the Jacas.
10. ****November 29, 1965:**** The trial court granted execution pending appeal.
11. ****December 1965:**** The Jacas filed a motion for reconsideration, which was denied on January 10, 1966.
12. ****February 24, 1966:**** The Jacas filed a petition for certiorari with the Supreme Court.

****Issues:****

1. ****Whether the respondent judge acted in excess of jurisdiction and/or with grave abuse of discretion in issuing the order granting execution pending appeal.****

2. **Whether the petitioners' appeal was intended merely for delay and if there were good reasons for execution pending appeal pursuant to Section 2, Rule 39 of the Rules of Court.**
3. **Whether the procedural rights of the petitioners were observed during the commissioner's examination of accounts.**

Court's Decision:

1. **Execution Pending Appeal:**

- The Supreme Court found no good reasons justifying the issuance of execution pending appeal under Section 2, Rule 39 of the Rules of Court. The reasons stated by the trial court did not outweigh the potential irreparable damage to the Jacas' business operations.

2. **Validity of the Chattel Mortgage:**

- The Supreme Court held the chattel mortgage to be void because it included future advances, which under Philippine jurisprudence, could not be validly secured by a chattel mortgage.

3. **Commissioner's Report:**

- The Court found that the procedures outlined in Rule 33, requiring hearings before the commissioner, were not followed, infringing on the procedural rights of the petitioners and rendering the reliance on the commissioner's report inappropriate.

4. **Claims of Debt:**

- The discrepancies and incomplete nature of the commissioner's report and the possible meritorious nature of the appeal indicated that the petitioners might not have received a fair assessment of their claims and debts.

Doctrine:

1. **Execution Pending Appeal (Sec. 2, Rule 39, Rules of Court):** Execution pending appeal requires good and superior reasons which must outweigh the potential damage to the losing party.
2. **Validity of Chattel Mortgage:** A chattel mortgage cannot secure a debt to be contracted in the future.
3. **Procedural Rights in Hearings (Rule 33):** The commissioner must conduct hearings akin to court proceedings ensuring proper notice and participation of the parties to be in compliance with due process.

****Class Notes:****

- ****Section 3, Rule 33:**** Hearings before a commissioner must proceed similarly as in court, providing parties their rights to due process.
- ****Section 2, Rule 39:**** Execution pending appeal is discretionary and must be underpinned by substantial justice outweighing potential harm.
- ****Chattel Mortgage Law:**** Mortgages must secure existing debts, not future or contingent ones (Belgian Catholic Missionaries vs. Magallanes Press).

****Historical Background:****

This case arises from mid-20th-century business practices in the Philippines, reflecting complex financial dealings between companies and individuals. It highlights the legal intricacies involved in business debt, security, and the judiciary's role in safeguarding due process and substantial justice. This decision reinforces the judiciary's control over premature execution of judgments and meticulous observance of procedural rights in judicial and quasi-judicial proceedings.