

BATAAN HARDWOOD CORPORATION, ET AL., PETITIONERS, VS. DY PAC & CO. INC. AND COURT OF APPEALS, RESPONDENTS.

G.R. No. L-29492. February 29, 1972

Ponente: TEEHANKEE, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/03c4046ba7f2/>

TEEHANKEE, J.:

Appeal by certiorari from a decision of the Court of Appeals.

The undisputed facts of the case, as found by the appellate court in its decision and as reproduced by petitioners in their petition at bar, are as follows:

"On January 21, 1960, plaintiff-appellant Dy Pac & Company and defendant-appellee Bataan Hardwood Corporation, both duly organized Philippine Corporations, entered into a contract whereby appellant would advance appellee certain sums of money for logs which the latter would sell to the former. In the course of their business dealings appellee became indebted to appellant for the amount of P21,000.00. This fact is confirmed in a subsequent contract entered into by the same parties on July 6, 1960 superseding their former agreement (Exh. A), and setting forth the manner of payment by appellee company of said obligation, thus:

'That the SELLER (appellee corporation) will pay the BUYER (appellant company) the sum of P21,000.00 with interest at 1% per month beginning July 1, 1960 in the manner following:

'a) P1,500.00 per month, the same to be payable at the rate of P750.00 every 15th day of the month, and P750.00 every 30th day of the month, the same to begin July 15, 1960, with the understanding that the said payments shall be applied to the payment of the amount due and hereinabove confirmed including interest, said payments to continue up to December 30, 1960;

'b) Beginning January 9, 1961, the SELLER agrees to liquidate the balance of said obligation hereinabove stated as well as any and all advances that may hereinafter be granted at the rate of P1,000.00 per week, beginning January 9, 1961 and weekly thereafter, the same to be deducted from the purchase price of the logs to be sold by the SELLER to the BUYER, in accordance with the terms and conditions hereinabove specified, and until the amount, including such other advances as the SELLER may hereinafter receive shall have been fully paid;' (Appellant's Record on Appeal, p. 7)

"In said contract Exhibit A, it further appears that as security for the obligation, appellee corporation and Mauro B. Ganzon mortgaged in favor of appellant a vessel called 'Batman ex LCT 1282', described in their contract as registered in the name of said Mauro B. Ganzon; that the other appellee, Domingo B. Sanchez, stipulated that said mortgage should be superior to another mortgage previously constituted on the vessel in his own favor; that appellee corporation undertook to insure said vessel for at least P30,000.00 in favor of appellant; that in the event of default by appellee corporation with respect to any of the terms and conditions of the contract, appellant had the right to declare the contract terminated and the whole outstanding balance on the obligation would automatically become due; that upon the expiration of five days, following demand of the obligation by appellant, appellee would pay a penalty of P100.00 for each day of delay; and that finally, should appellant foreclose the mortgage judicially or extrajudicially, 'the penalty shall be included and added to the principal amount due plus an

additional 25% of the full amount due which the parties agree to be secured.'

"Despite the contract, appellee company failed to insure the vessel and was, moreover, irregular in the payment of the stipulated installments and interest due on its principal obligation, prompting appellant to send letters of demand (Exhs. D, E & F). By October 19, 1960, appellee paid only the installments due as of August 15, 1960 in the total amount of P2,250.00 (Exhs. 1, 1-A & 1-B). With respect to the stipulated interest, appellee similarly paid only up to August 15, 1960 (Exhs. 2, 2-A & 2-B). On November 4, 1960, appellant wrote appellee company a final letter of demand informing the latter partly as follows:

[Text of demand letter omitted.][1]

"Appellee's mere response to the above letter was the payment of two additional instalments in the amount of P1,500.00, which was, however, duly accepted by appellant company (Exhs. 1-C). But up to the present time, appellee has not paid its balance with appellant in the amount of P17,250.00; and on account of appellee's failure to insure the vessel as agreed upon, appellant company itself secured the necessary insurance spending for premiums and documentary stamps, the total sum of P2,131.56 (Exhs. C, C-1 & C-2). On August 28, 1961, plaintiff-appellant as aforesaid, filed the present complaint."

Private respondent's verified complaint in the Court of First Instance of Manila set forth three causes of action, and it prayed for judgment as follows:

"WHEREFORE, it is respectfully prayed that upon approval of the plaintiffs bond an order be issued directly to the Sheriff of Manila, or any officer of the court, to take possession of the above-described vessel for the delivery of the same to plaintiff, and that judgment be rendered in favor of plaintiff;

"ON THE FIRST CAUSE OF ACTION

"1. Declaring plaintiff entitled to the possession of the above-described property;

"2. Sentencing defendants jointly and severally to pay to plaintiff the sum of P17,250.00;

"3. Sentencing defendants jointly and severally to pay to plaintiff interest on the amount of P17,250.00 at the rate of 1% per month from July 1, 1960 until fully paid;

"4. Sentencing defendants jointly and severally to pay an amount equivalent to 25% of the whole amount due as attorney's fees;

"ON THE SECOND CAUSE OF ACTION

"5. Sentencing defendants jointly and severally to pay to plaintiff the sum of P100.00 a day from November 14, 1960 until fully paid as penalty;

"6. Sentencing defendants jointly and severally to pay an amount equivalent to 25% of the whole amount due as attorney's fees;

"ON THE THIRD CAUSE OF ACTION

"7. Sentencing the defendants jointly and severally to pay the amount of P2,131.56 as insurance premiums and such other insurance premium as may accrue at the rate of P2,131.56 per annum from January 18, 1962 until the final termination of this case;

"8. Sentencing defendants jointly and severally to pay costs of suit;

"9. Plaintiff further prays for such relief as may be just and equitable in the premises."

After due trial, the trial court rendered its judgment of January 14, 1963 in favor of respondent (plaintiff) as follows:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendants Bataan Hardwood Corporation, Mauro B. Ganson and Domingo B. Sanchez, ordering the said defendants to pay jointly and severally to the plaintiff the sum of P17,250.00 with interest at the rate of 1% per month from August 16, 1968, until fully paid, and the amount of P2,131.56 with legal interest from the date of filing of the complaint on August 23, 1961 until fully paid, plus attorney's fees of P300.00, and to pay the costs.

"Regarding the counterclaim for damages for the alleged premature seizure of the vessel Batman, the same being under litigation in Branch X of this Court, interference by this Court will be improper."

Respondent, not satisfied with the judgment, moved for its reconsideration and modification, urging that the judgment should contain a provision declaring it entitled to take possession through the sheriff of the vessel under the replevin bond tendered by it and grant furthermore the stipulated 25% attorneys' fees and the stipulated penalty of P100.00 per day of delay.

The trial court denied reconsideration in its order of March 2, 1963, as follows:

"Upon consideration of the motion for reconsideration dated February 6, 1963, filed by counsel for the plaintiff, and the opposition thereto as well as the reply to the opposition, the said motion is hereby denied, the court being of the opinion that the attorney's fees of P300.00 is sufficient because even if the amount of P17,250.00 and P2,131.56 were awarded to the plaintiff the issues were not complicated and not too much efforts were exerted to secure a judgment in favor of the plaintiff. As to the agreed penalty of P100.00 a day, the court is also of the opinion that the same is immoral and contrary to law and therefore void, specially taking into consideration that interests, which constitute a substantial amount, were already allowed."

Both parties appealed the trial court's decision to the appellate court, although subsequently, petitioners' appeal as defendants was dismissed by reason of their failure to file their brief.

The appellate court favorably considered respondent's appeal on the stipulation for attorney's fees, stating that "(C)onsidering the stipulated amount which is 25% of P17,250.00 or P4,310.00; appellee company's continued failure to discharge its obligation despite repeated letters of demand by appellant; the fact that the lower court's assessment did not include counsel's efforts on appeal; and appellant's representation, which we find persuasive, that 'the amount of P300.00 is not even sufficient to pay the assistant attorney who followed up all the incidents in the case', it is but fair to raise the award of attorney's fees to the sum of P2,000.00."

It likewise modified the trial court's ruling on the contractual penalty clause, thus: "(W)e are unable to share the lower court's view that the agreed penalty of P100.00 a day 'is immoral and contrary to law and therefore void' because, apart from being legally recognized under the Civil Code (Articles 1226-1230; 2226-2228), liquidated damages are agreed upon for the legitimate purpose of creating an effective deterrent against breach of an obligation by making the consequences of such breach as onerous as may be possible. * * * Neither could the court a quo base its refusal to recognize the validity of the penalty on the allowance of interest on appellant's claims for it must be observed, the interest at the rate of 12% per annum on the balance of P17,250.00 is actually compensation for appellant's loan of that capital in accordance with their voluntary agreement in Exhibit A, and therefore, said interest cannot be considered as partaking of the nature of an award of damages in appellant's favor. Similarly, the legal interest on the additional sum of P2,131.56, which the lower court further awarded appellant should not be equated with the penalty stipulated by the parties because said interest is specifically ordained under Article 2209 of the Civil Code as a separate consequence of appellee company's non-payment of the aforesaid obligation, compelling appellant to file the present complaint. The lower court then, similarly erred

when it completely disregarded the stipulated penalty for even if it found the same to be iniquitous or unconscionable, as indeed it is, its discretion was limited to an equitable reduction of the damages (Article 2227, N.C.C.; *Avecilla vs. Santos*, G.R. No. L-6343, April 29, 1954; *Yulo vs. Chan Pe*, G.R. No. L-10061, April 22, 1957, 53 O.G. 5633). Considering the fact that appellee corporation has made partial and irregular payment of the obligation, we are further disposed to reduce the amount of the penalty (Article 1229, N.C.C.); but on the other hand, considering also, the length of time that has already elapsed since 1960 to the present, during which appellant has been deprived of the use of the money together with interest (*Uy Isabelo vs. Yandoc*, CA-G.R. No. 8801-R, June 20, 1956), we believe the ends of justice will be satisfied by awarding appellant the additional sum of P2,000.00 by way of liquidated damages."

On respondent's submittal that it was entitled to a replevin order as prayed for by it, the appellate court ruled that respondent "correctly filed the present complaint for replevin because appellees have refused to deliver the possession of the mortgaged vessel in order that appellant could proceed to foreclose the same extrajudicially."

It therefore rendered its judgment of March 7, 1968 for respondent as appellant as follows:

"WHEREFORE, with the modification that appellant company is hereby declared entitled to the possession of the vessel aforesaid for purpose of extrajudicial foreclosure of the chattel mortgage and that said appellant is hereby awarded increased attorney's fees in the sum of P2,000.00 and liquidated damages in the further sum of P2,000.00, the appealed decision is affirmed in all other respects, with costs against appellees."

Acting on petitioners' motion for reconsideration to reduce the attorney's fees and penalty awarded, the appellate court held that "(T)o adjudge then what is reasonable in the premises, it is well to consider counsel's efforts in pursuing appellant's claim against appellees, which in this case do not really amount to much considering that the trial required only two hearings and the stenographer's transcript consists of only 44 pages. This would justify a reduction of our previous award of attorney's fee though, in any event, we do not agree that the same should be fixed at P300.00 because counsel's efforts after the rendition of the lower court's decision up to and including plaintiff's appeal must be additionally compensated. On reconsideration, therefore, we hereby reduce the attorney's fee to the amount of P800.00." It therefore issued its amendatory resolution of August 27, 1968, as follows:

"WHEREFORE, the decision of this Court dated March 7, 1968 is hereby reconsidered in the sense that the award of attorney's fee in favor of plaintiff-appellant is reduced to the sum of P800.00; in all other respects, the motion for reconsideration is hereby denied."

The single question of law posed in this appeal by petitioners is that the appellate court "committed a grave error of law when it rendered judgment providing separate reliefs on two causes of action arising out of a single cause of action."^[2]

Petitioners' tenuous contention is that since respondent-plaintiff "has only one cause of action, that is, the breach of the contract by the defendants [petitioners] consisting of [their] failure to make the stipulated payments" then respondent could not "state two causes of action in [its] complainant one for replevin and the other, for recovery of a sum of money."^[3] Petitioners' blurred argumentation follows:

" * * * Accordingly, the trial court awarded only one relief to the plaintiff and that is for the recovery of the sum of money from the defendants. In granting said relief, the trial court considered as waived, by the plaintiff, the right of the plaintiff to foreclose the mortgage, it appearing that there is only one cause of action in the complaint. However, the Court of Appeals chose to award two reliefs to the plaintiff although, actually, there is only one cause of action by affirming the decision of the lower court for the recovery of a sum of money and for the delivery of the property subject of the mortgage to the plaintiff for foreclosure thereof. This, we submit, is erroneous, in the premises for there being only one cause of action, the plaintiff is only entitled to only one

relief. The Court cannot grant the two reliefs prayed for by the plaintiff at the same time but may grant only either of them. In the instant case, the trial court chose to grant relief for the recovery of the sum of money. Such a relief therefore, bars the prayer for replevin or delivery of the property. Hence, it is our contention that the Court of Appeals cannot, under the same complaint, grant the other remedy of replevin to the plaintiff. Although there is only one complaint in the present case, we respectfully submit that the same comes under the purview of the aforecited provisions of Rule 2 of the Rules of Court as two causes of action are stated therein and that separate reliefs were prayed for."

The petition is manifestly without merit.

1. It is elementary, as restated by the late Chief Justice Moran, that "the violation of a single right may give rise to more than one relief. In other words, for a single cause of action or violation of a right, the plaintiff may be entitled to several reliefs. It is the filing of separate complaints for these several reliefs that constitutes splitting up of the cause of action. This is what is prohibited by the rule." [4]

Moran thus adds, in amplification, that "cause of action is the delict or wrong by which the rights of the plaintiff are violated by the defendant. Where there is only one delict or wrong, there is but a single cause of action regardless of the number of rights that may have been violated belonging to one person. And the rule is that all such rights should be alleged in a single complaint, otherwise those that are not therein included cannot be the subject of subsequent complaints, for they are barred forever. For instance, when one's property is taken through violence by another, a single delict or wrong is committed consisting of the illegal taking of the property, and accordingly there is but a single cause of action. This cause of action, however, entitles the plaintiff to two claims: one for recovery of property, and another for damages for its detention by the defendant. Under the above stated rule, plaintiff, may file only one complaint embracing the two claims. He may not file two complaints, one for the possession and another for damages, for if he does so, he would be splitting up a single cause of action into two parts, and the filing of the first complaint would bar the second." [5]

2. The appellate court committed no error, therefore, in ruling that respondent's complaint was principally for replevin and that respondent "correctly filed the present complaint for replevin because appellees have refused to deliver the possession of the mortgaged vessel in order that appellant could proceed to foreclose the same extra-judicially." The appellate court thus cited the old leading case of *Bachrach Motor Co. vs. Summers*, [6] holding that "(P)reliminary to the sale provided for in section 14 of the Chattel Mortgage Law, the mortgagee must secure possession of the mortgaged chattel, but if possession is refused, he may institute an action for replevin or for judicial foreclosure." [7] As noted by Moran, "a judicial proceeding is, of course, unnecessary because the mortgagee can foreclose extrajudicially by causing the mortgaged property to be seized by the sheriff, as agent of the mortgagee, and have it sold at public auction in the manner prescribed by section 14 of the Chattel Mortgage Law." [8]

3. As respondent has maintained from the beginning, its action was for replevin under Rule 62 of the old Rules of Court (now Rule 60 of the Revised Rules), supported by the required affidavit under section 2 of the Rule, and the principal prayer of its complaint being "that upon approval of the plaintiff's bond, an order be issued directly to the Sheriff of Manila, or any officer of the court, to take possession of the above-described vessel for the delivery of the same to plaintiff."

Respondent further correctly maintained as to the money part of the judgment that "without the amount or liability of the mortgaged vessel determined by the court, the sheriff who will conduct the auction sale will not have any power or authority to determine how much amount he has to pay to the mortgagee, and if he tries to make a determination of the amount due the mortgagee, the mortgagor will again come to court for the determination of his obligation to the mortgagee, and in that way, there will be a multiplicity of suits which is frowned upon by the

Revised Rules of Court. Hence, the determination of the amount due the respondent Dy Pac & Co., Inc. was procedurally correct in order to avoid once and for all the determination of the liability in another court proceeding."^[9]

4. It is precisely in accordance with the principles of non-splitting causes of action and avoiding multiplicity of suits that Rule 60 (formerly Rule 62) of the Revised Rules of Court in section 9 thereof expressly provides that the court in a replevin suit "shall render judgment in the alternative for the delivery [of the property] to the party entitled to the same, or for the value in case delivery cannot be made, and also for such damages as either party may prove," thus:

"SEC. 9. Judgment. — After a trial of the issues the court shall find in whom is the right to possession and the value of the property and shall render judgment in the alternative for the delivery thereof to the party entitled to the same, or for the value in case delivery cannot be made, and also for such damages as either party may prove, and for costs." (Rule 60)

x x x x x

This case once again recalls the Court's admonition, through Mr. Justice J. B. L. Reyes, in a similarly unmeritorious case,^[10] that "(T)he circumstances surrounding this litigation definitely prove that appeal is frivolous and a plain trick to delay payment and prolong litigation unnecessarily. Such attitude deserves severe condemnation, wasting, as it does, the time that the courts could well devote to meritorious cases."

The appellate court, while not granting the stipulated 25% attorney's fees, increased the trial court's award of P300.00 to P2,000.00 which it reduced to P800.00 upon petitioner's motion for reconsideration, *supra*,^[11] on the premise that counsel's efforts in the appellate court must be additionally compensated. On the same premise that counsel's efforts before this Court should likewise be additionally compensated, the Court awards an additional amount of P1,200.00 attorney's fees for services rendered in this last instance, thereby making a total award of P2,000.00 for attorney's fees.

WHEREFORE, the judgment appealed from is hereby affirmed, with the modification that petitioners are further ordered jointly and severally to pay private respondent in this instance additional attorney's fees of P1,200.00 and treble costs.

SO ORDERED.

Concepcion, C.J., Reyes, J. B. L., Makalintal, Zaldivar, Castro, Fernando, Barredo, Villamor, and Makasiar, JJ., concur.

[1] This note supplied.

[2] Petition, at p. 7; italics supplied.

[3] *Idem*, at p. 10.

[4] 1 Moran's 1970 Ed., p. 119; italics supplied.

[5] *Idem*, at pp. 119-120; italics supplied.

[6] 42 Phil. 3 (1921).

[7] 3 Moran's Rules of Court, 1970 Ed. p. 115.

[8] Idem.

[9] Respondent's brief, pp. 7-8; see *Universal Motors Corp. vs. Dy*, 28 SCRA 161 (May 16, 1969) and cases cited upholding the trial court's judgment issuing the writ of replevin and holding the vendor entitled to the possession of the mortgaged truck and the vendee liable for the stipulated attorney's fees of over P9,000.00.

[10] *Uypuangco vs. Equitable Bank*, 27 SCRA 1272 (1969) cited in *Gillego vs. Diaz*, 39 SCRA 88 (May 29, 1971).

[11] At p. 253.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.