

OLAF N. BORLOUGH, PETITIONER, VS. FORTUNE ENTERPRISES, INC. AND THE HONORABLE COURT OF APPEALS (2ND DIVISION), RESPONDENTS.

G. R. No. L-9451. March 29, 1957

Ponente: LABRADOR, J.

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LABRADOR, J.:

Appeal by certiorari against a judgment of the Court of Appeals, Second Division. The facts of the case have been briefly stated as follows:

"On March 8, 1952, the United Car Exchange sold to the Fortune Enterprises, Inc., the following described car—

Make: Chevrolet (1947); Plate No. 43-1465

Type: Sedan; Motor No. EAA-20834 (Exhibit 'D').

The same car was sold by the Fortune Enterprises, Inc. to one Salvador Aguinaldo, and for not having paid it in full, the latter executed on the same date a promissory note in the amount of P2,400 payable in 20 installments including interest thereon at 12 per cent per annum, the last of which installments fell due on January 9, 1953 (Exhibit 'A').

"To secure the payment of this note, Aguinaldo executed a deed of chattel mortgage over said car. The deed was duly registered in the office of the Register of Deeds of Manila at 1:12 p.m. on March 11, 1952 (Exhibit 'B'). As the buyer-mortgagor defaulted in the payment of the installments due, counsel for Fortune Enterprises Inc. addressed a letter on May 16, 1952 (Exhibit 'C'), requesting him to make the necessary payment and to keep his account up to date, so that no court action would be resorted to.

"It further appears that the above-described car found its way again into the United Car Exchange which sold the same in cash for P4,000 to one O. N. Borlough on April 6, 1952. Accordingly, he registered it on the following day with the Motor Vehicles Office." (Decision, Court of Appeals.)

It also appears from the record that defendant O. N. Borlough took possession of the vehicle from the time he purchased it. On July 10, 1952, Fortune Enterprises, Inc. brought action against Salvador Aguinaldo to recover the balance of the purchase price. Borlough filed a third-party complaint, claiming the vehicle. Thereupon, Fortune Enterprises, Inc. amended its complaint, including Borlough as a defendant and alleging that he was in connivance with Salvador Aguinaldo and was unlawfully hiding and concealing the vehicle in order to evade seizure by judicial process. Borlough answered alleging that he was in legal possession thereof, having purchased it in good faith and for the full price of P4,000, and that he had a certificate of registration of the vehicle issued by the Motor Vehicles Office, and he prayed for the dismissal of the complaint, the return of the vehicle and for damages against the plaintiff.

The vehicle was seized by the sheriff of Manila on August 4, 1952 and was later sold at public auction. The Court of First Instance rendered judgment in favor of Borlough, and against plaintiff, ordering the latter to pay Borlough

the sum of P4,000, with interest at 6 per cent per annum, from the date of the seizure of the car on August 4, 1952, and in addition thereto, attorney's fees in the sum of P1,000.

Upon appeal to the Court of Appeals, this court rendered judgment ordering that Emil B. Fajardo pay Borlough P4,000 plus attorney's fees and that plaintiff pay to Borlough any amount received by it in excess of its credits and judicial expenses. The reason for the modification of the judgment is that the mortgage was superior, being prior in point of time, to whatever rights may have been acquired by Borlough by reason of his possession and by the registration of his title in the Motor Vehicles Office.

The question involved in the appeal in this case is one of law and may be stated thus: As between a prior mortgage executed over a motor vehicle, registered under the Chattel Mortgage Law only, without annotation thereof in the Motor Vehicles Office, and a subsequent registration of the vehicle in the Motor Vehicles Office accompanied by actual possession of the motor vehicle, which should prevail. While the question can be resolved by the general principles found in the Civil Code and expressly stated in Article 559, there is no need of resorting thereto (the general principles) in view of the express provisions of the Revised Motor Vehicles Law, which expressly and specifically regulate the registration, sale or transfer and mortgage of motor vehicles. The following provisions of said law may help decide the legal question now under consideration:

"Sec. 5(c) Reports of motor vehicle sales.—On the first day of each month, every dealer in motor vehicles shall furnish the Chief of the Motor Vehicles Office a true report showing the name and address of each purchaser of a motor vehicle during the previous month and the manufacturer's serial number and motor number; a brief description of the vehicle, and such other information as the Chief of the Motor Vehicles Office may require."

"Sec. 5(e) Report of mortgages.—Whenever any owner hypothecates or mortgages any motor vehicle as security for a debt or other obligation, the creditor or person in whose favor the mortgage is made shall, within seven days, notify the Chief of the Motor Vehicles

Office in writing to the effect, stating the registration number of the motor vehicle, date of mortgage, names and addresses of both parties, and such other information as the Chief of the Motor Vehicles Office may require. This notice shall be signed jointly by the parties to the mortgage.

"On termination, cancellation or foreclosure of the mortgage, a similar written notice signed by both parties, shall be forwarded to the Chief of the Motor Vehicles Office by the owner.

"These notices shall be filed by the Chief of the Motor Vehicles Office in the motor vehicle records, and in the absence of more specific information, shall be deemed evidence of the true status of ownership of the motor vehicle." (Revised Motor Vehicles Law.)

It is to be noted that under section 4(6) of the Revised Motor Vehicles Law the Chief of the Motor Vehicles Office is required to enter or record, among other things, transfers of motor vehicles "with a view of making and keeping the same and each all of them as accessible as possible to and for persons and officers properly interested in the same," and to "issue such reasonable regulations governing the search and examination of the documents and records * * * as will be consistent with their availability to the public and their safe and secure preservation."

Two recording laws are here being invoked, one by each contending party—the Chattel Mortgage Law (Act No. 1508), by the mortgagor and the Revised Motor Vehicles Law (Act No. 3992), by a purchaser in possession. What effect did the passage of the Revised Motor Vehicles Law have on the previous enactment?

The Revised Motor Vehicles Law is a special legislation enacted to "amend and compile the laws relative to motor vehicles," whereas the Chattel Mortgage Law is a general law covering mortgages of all kinds of personal property. The former is the latest attempt to assemble and compile the motor vehicle laws of the Philippines, all

the earlier laws on the subject having been found to be very deficient in form as well as in substance (Villar and De Vega, Revised Motor Vehicles Law, p. 1); it had been designed primarily to control the registration and operation of motor vehicles (section 2, Act No. 3992).

Counsel for petitioner contends that the passage of the Revised Motor Vehicles Law had the effect of repealing the Chattel Mortgage Law, as regards registration of motor vehicles and of the recording of transactions affecting the same. We do not believe that it could have been the intention of the legislature to bring about such a repeal. In the first place, the provisions of the Revised Motor Vehicles Law on registration are not inconsistent with those of the Chattel Mortgage Law. In the Second place, implied repeals are not favored; implied repeals are permitted only in cases of clear and positive inconsistency. The first paragraph of section 5 indicates that the provisions of the Revised Motor Vehicles Law regarding registration and recording of mortgages are not incompatible with a mortgage under the Chattel Mortgage Law. The section merely requires report to the Motor Vehicles Office of a mortgage; it does not state that the registration of the mortgage under the Chattel Mortgage Law is to be dispensed with. We have, therefore, an additional requirement in the Revised Motor Vehicles Law, aside from the registration of a chattel mortgage, which is to report a mortgage to the Motor Vehicles Office, if the subject of the mortgage is a motor vehicle; the report merely supplements or complements the registration.

The recording provisions of the Revised Motor Vehicles Law, therefore, are merely complementary to those of the Chattel Mortgage Law. A mortgage in order to affect third persons should not only be registered in the Chattel Mortgage Registry, but the same should also be recorded in the Motor Vehicles Office as required by section 5(e) of the Revised Motor Vehicles Law. And the failure of the respondent mortgagee to report the mortgage executed in its favor had the effect of making said mortgage ineffective against Borlough, who had his purchase registered in the said Motor Vehicles Office.

"On failure to comply with the statute, the transferee's title is rendered invalid as against a subsequent purchaser from the transferor, who is enabled by such failure of compliance to retain the indicia of ownership, such as a subsequent purchaser in good faith, or a purchaser from a conditional buyer in possession; and the lien of a chattel mortgage given by the buyer to secure a purchase money loan never becomes effective in such case as against an innocent purchaser." (60 Corpus Juris Secundum, p. 171.)

"One holding a lien on a motor vehicle, in so far as he can reasonably do so, must protect himself and others thereafter dealing in good faith by complying and requiring compliance with the provisions of the laws concerning certificates of title to motor vehicles, such as statutes providing for the notation of liens or claims against the motor vehicle certificate of title or manufacturer's certificate, or for the issuance to the mortgagee of a new certificate of ownership. Where the lienholder has satisfied himself that the existence of the lien is recited in the certificate of title, he has done all that the law contemplates that he should do, and there is notice to the public of the existing lien, which continues valid until the record shows that it has been satisfied and a new certificate issued on legal authority, even though another certificate which does not disclose the lien is procured as the result of false statements made in the application therefore, and the vehicle is purchased by a bona fide purchaser."

"The holder of a lien who is derelict in his duty to comply and require compliance with the statutory provisions acts at his own peril, and must suffer the consequence of his own negligence; and accordingly, he is not entitled to the lien as against a subsequent innocent purchaser or encumbrancer, even though such lien had been previously filed as provided by other chattel mortgage statutes. The rule is otherwise, however, as against claimants not occupying the position of innocent purchasers, such as a judgment creditor, or one acquiring title with actual notice of an unregistered lien, and the statutes do not protect a purchaser holding under a registered title if a link in the title is forgery. Moreover, such statute will not impair vested rights of a mortgage under a chattel mortgage duly recorded. (60 C. J. S., pp. 181-182.)

The above authorities leave no room for doubt that purchaser O. N. Borlough's right to the vehicle as against the previous and prior mortgagee Fortune Enterprises, Inc., which failed to record its lien in accordance with the Revised Motor Vehicles Law, should be upheld.

For the foregoing consideration, the judgment of the Court of Appeals is hereby reversed and that of the Court of First Instance affirmed, with costs against respondent.

Paras, C. J., Bengzon, Padilla, Reyes, A., Bautista Angelo, Concepcion, Reyes, J. B. L., and Endencia, JJ., concur

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