

FIRST STANDARD FINANCE CORPORATION, PETITIONER, VS. ADRIANO MONDELO, RESPONDENT.

Ponente: FRANCISCO, J.

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FRANCISCO, J.:

This is a motion of respondent, seeking reconsideration^[1] of this court's Decision,^[2] promulgated on September 24, 2013, which granted the instant petition.

Upon careful consideration of movant's motion, this Court finds that the arguments raised therein are mere rehash of those which were already passed and ruled upon in the Decision of this Court, to read as follows:

“The question on the propriety of the remedy available to a party declared in default, said the Supreme Court in *Kilosbayan Foundation v. Janolo, Jr.*, had been laid to rest in the earlier case of *Cerezo v. Tuazon*, thus:

“xxx xxx xxx the remedies available to a party declared in default:

- a) The defendant in default may, at any time after discovery thereof and before judgment, file a motion under oath to set aside the order of default on the ground that his failure to answer was due to fraud, accident, mistake or excusable negligence, and that he has a meritorious defense (Sec. 3, Rule 18 [now Sec. 3(b), Rule 9]);
- b) If the judgment has already been rendered when the defendant discovered the default, but before the same has become final and executory, he may file a motion for new trial under Section 1 (a) of Rule 37;
- c) If the defendant discovered the default after the judgment has become final and executory, he may file a petition for relief under Section 2 [now Section 1] of Rule 38; and
- d) He may also appeal from the judgment rendered against him as contrary to the evidence or to the law, even if no petition to set aside the order of default has been presented by him (Sec. 2, Rule 41). (Emphasis added)

Moreover, a petition for certiorari to declare the nullity of a judgment by default is also available if the trial court improperly declared a party in default, or even if the trial court properly declared a party in default, if grave abuse of discretion attended such declaration.”

Evidently, First Standard's choice of remedy is procedurally correct.

In relation thereto, it must be stressed that an appeal throws the entire case open to review, and appellate courts have the authority to review matters not specifically raised or assigned as error by the parties, if their consideration is necessary in arriving at a just resolution of the case.

A thorough reading of the MTCC's judgment would readily reveal that it did not state the law on which its findings were based. The judgment did not cite any legal authority or principle to support its conclusion. In fact, while the complaint is for replevin as the principal action, the Decision was bereft of any discussion on the issue of replevin. It did not dwell on why the damages in lieu of replevin were awarded; why Adriano was entitled to P170,000.00 actual damages; P600.00 per day representing rental and attorney's fee. The decision even declared

Ysalina civilly liable without any shred of discussion on the merits of the award. The entire judgment reads:

“Copies of Summons and the complaint were served upon defendants First Standard Finance Corp. and Teddy Ysalina on April 16, 2008 and April 28, 2008 respectively, per sheriff’s return of service. On May 5, 2008 defendant Teddy Ysalina, through counsel, filed a Motion for extension of time to file answer. On May 9, 2008, Plaintiff’s counsel filed a Motion to Declare defendant First Standard Finance Corporation in default. On May 13, 2008, Defendant First Standard Finance Corporation filed a Motion to admit answer with entry of appearance.

The Court in its Order dated June 4, 2008, did not admit the answer filed by defendant First Standard Finance Corporation on the ground that it was filed beyond the reglementary period. The answer of defendant Teddy Ysalina was also not admitted because his motion for extension of time did not merit the approval of the court. Hence, Defendant First Standard Finance Corporation was declared in default. On July 15, 2008, Defendant First Standard Finance Corporation filed a Motion to set aside order of default and on even date, plaintiff filed a Motion to allow plaintiff to present evidence ex-parte against defendant First Standard Finance [Corporation] and to declare defendant Teddy Ysalina in default.

On July 18, 2008, the Court denied the motion to set aside the order of default filed by defendant First Standard Finance Corporation and declared in default defendant Teddy Ysalina. Plaintiff was allowed to present its evidence ex-parte.

Plaintiff presented its evidence ex-parte on September 10, 2008.

Plaintiff offered the oral testimonies of Adriano Mondelo and Vingie Buray[.] Plaintiff Adriano Mondelo testified that he is the Registered owner of 2 motor vehicles which were acquired by him through package purchase from defendant First Standard Finance Corporation as evidenced by Deed of Absolute Sale and Certificate of Registration Exhs. “A” to “A-1” to “A-3”, “B” “B-1” and Official Receipts, Exhs. “C”, “C-1” to “C-3”. On February 22, 2007. (sic) The Isuzu Jitney with Serial No. STM-20029061, [p]late No. KVP-478 which is the subject of this Replevin case was forcibly taken by defendant Teddy Ysalina. That the said vehicle was driven by Vingie Buray when defendant Teddy Ysalina allegedly carnapped the subject vehicle and the said incident was duly reported to the Police Precinct per Police Blotter, Exh. “D”. Plaintiff immediately confronted defendant Ysalina who is his brother-in-law and demanded the return of the afore-mentioned vehicle, but defendant Teddy Ysalina refused to deliver said Isuzu Jitney to Plaintiff. Plaintiff went to the First Standard Finance Corporation to seek assistance to recover said vehicle from defendant Teddy Ysalina. On March 30, 2007, defendant First Standard Finance Corporation was able to recover possession of said Isuzu vehicle. Defendant First Standard Finance Corporation refused to turn over the said vehicle to [p]laintiff despite demands Exhs. “F”, “F-1” to “F-2”. That the unjustifiable refusal of the defendant First Standard Finance Corporation to deliver the aforementioned vehicle deprives Plaintiff of his daily income in the amount of P600.00 per day.

WHEREFORE, there being sufficient evidence to establish the claim of plaintiff, judgment is hereby rendered ordering defendants to pay unto the plaintiff the following, to wit:

For defendant First Standard Finance Corporation:

- 1) P170,000.00 representing the actual value of the vehicle;
- 2) P600.00 per day representing the rental of the motor vehicle from March 30, 2007 until present;
- 3) P20,000.00 as reasonable Attorney’s fee.

For defendant Teddy Ysalina:

- 1) P22,000.00 representing the rental of the vehicle from February 22, 2007 to March 30, 2007 at P600.00 per

day;

2) P10,000.00 as reasonable Attorney's fees;

3) P3,000.00 litigation expenses.

SO ORDERED."

It bears stressing that Section 1 of Rule 36 of the Rules of Court specifically provides:

SECTION 1. Rendition of judgments and final orders. – A judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, stating clearly and distinctly the facts and the law on which it is based, signed by him, and filed with the clerk of court.

Not only that, it is also an utter disregard of the constitutional provision, specifically Section 14, Article VIII, that says "No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based". In *Yao v. Court of Appeals*, the Supreme Court held:

Faithful adherence to the requirements of Section 14, Article VIII of the Constitution is indisputably a paramount component of due process and fair play. It is likewise demanded by the due process clause of the Constitution. The parties to a litigation should be informed of how it was decided, with an explanation of the factual and legal reasons that led to the conclusions of the court. The court cannot simply say that judgment is rendered in favor of X and against Y and just leave it at that without any justification whatsoever for its action. The losing party is entitled to know why he lost, so he may appeal to the higher court, if permitted, should he believe that the decision should be reversed. A decision that does not clearly and distinctly state the facts and the law on which it is based leaves the parties in the dark as to how it was reached and is precisely prejudicial to the losing party, who is unable to pinpoint the possible errors of the court for review by a higher tribunal. More than that, the requirement is an assurance to the parties that, in reaching judgment, the judge did so through the processes of legal reasoning. It is, thus, a safeguard against the impetuosity of the judge, preventing him from deciding *ipse dixit*. Vouchsafed neither the sword nor the purse by the Constitution but nonetheless vested with the sovereign prerogative of passing judgment on the life, liberty or property of his fellowmen, the judge must ultimately depend on the power of reason for sustained public confidence in the justness of his decision.

In fact, the Supreme Court has, in several cases, struck down as void, thus nullified decisions which failed to conform to Section 14, Article VIII of the Constitution. This instant case is no exception.

With this, comes the next issue. What would then be the next logical action? Does this necessarily warrant the remand of the case to MTCC?

As a rule, remand is avoided in the following instances: (a) where the ends of justice would not be served; (b) where public interest demands an early disposition of the case; or (c) where the trial court already received all the evidence presented by both parties, and the appellate court is in a position, based upon said evidence, to decide the case on its merits. All three conditions are unfortunately absent in the present case.

It is noteworthy that First Standard invoked denial of due process. They claim that they were not given an opportunity to present countervailing evidence when their motions to admit answer and to set aside order of default were denied.

We agree.

We are not unaware of the provisions of the Rules of Court which states:

"Section 3, Rule 9 of the Rules of Court provides:

Sec. 3. Default; declaration of — If the defending party fails to answer within the time allowed therefor, the court shall, upon motion of the claiming party with notice to the defending party, and proof of such failure, declare the defending party in default. Thereupon, the court shall proceed to render judgment granting the claimant such relief as his pleading may warrant, unless the court in its discretion requires the claimant to submit evidence. Such reception of evidence may be delegated to the clerk of court.”

However, it must be emphasized that the Rules of Court itself calls for its liberal construction, with the view of promoting their objective of securing a just, speedy and inexpensive disposition of every action and proceeding.

We are also aware that procedural rules are not to be belittled or simply disregarded for these prescribed procedures insure an orderly and speedy administration of justice. However, it is also a settled rule that litigation is not merely a game of technicalities.

In fact, the Supreme Court frowns upon default judgments. Reiterating its ruling in *Akut v. Court of Appeals*, where the Supreme Court found that the trial court therein committed grave abuse of discretion in declaring therein petitioners in default and in denying their motion to set aside the order of default, it emphasized in *SPOUSES DELOS SANTOS v. CARPIO*, that:

“The controlling principle ignored by respondent court is that it is within sound judicial discretion to set aside an order of default and to permit a defendant to file his answer and to be heard on the merits even after the reglementary period for the filing of the answer has expired. This discretion should lean towards giving party-litigants every opportunity to properly present their conflicting claims on the merits of the controversy without resorting to technicalities. Courts should be liberal in setting aside orders of default, for default judgments are frowned upon, and unless it clearly appears that reopening of the case is intended for delay, it is best that the trial courts give both parties every chance to fight their case fairly and in the open, without resort to technicality. x x x”

It appears in the present case that First Standard’s Motion to Admit Answer was filed before it was declared in default. Thus, Adriano would not be prejudiced had the said motion been granted. Also, First Standard wasted no time in filing a motion to set aside order of default. This should have merited MTCC’s due consideration. More so, it would appear that First Standard poses a meritorious defense – non-payment of monthly amortization and Adriano’s alleged voluntary surrender of the subject vehicle to them.

All told, MTCC did err when it denied First Standard’s motion to admit answer on June 4, 2008. Likewise, it erred when it denied the motion to set aside order of default on July 18, 2008.

WHEREFORE, viewed from the foregoing, the Petition for Review is GRANTED. The Decision dated November 30, 2010 of the Regional Trial Court, Branch 41, Cagayan de Oro City in Civil Case No. 2010-286 and the Judgment of the Municipal Trial Court in Cities, Branch 5, Cagayan de Oro City in Civil Case No. C-8-JAN-045 are hereby declared VOID.

The action for Replevin and Damages is ORDERED REMANDED to Municipal Trial Court in Cities, Branch 5, Cagayan de Oro City. It is further ORDERED to admit Answer filed by First Standard Finance Corporation on May 13, 2008.

The Court is DIRECTED to proceed with the proceedings with dispatch.”

WHEREFORE, the Motion for Reconsideration filed by private respondents is hereby DENIED.

SO ORDERED.

Borja, J., Ch., and Badelles, JJ., concur.

[1] Rollo, p. 173.

[2] Rollo, p. 163.

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