

NORTHERN MOTORS, INC., PETITIONER, VS. HON. JORGE R. COQUIA, ETC., ET AL., RESPONDENTS, FILINVEST CREDIT CORPORATION, INTERVENOR.*G.R. No. L-40018. December 15, 1975*

Ponente: AQUINO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/e8c960596359/>**AQUINO, J.:**

Respondent Honesto Ong and City Sheriff of Manila filed a motion for the reconsideration of this Court's resolution of August 29, 1975. In that resolution, it was held that the lien of Northern Motors, Inc., as chattel mortgagee, over certain taxicabs is superior to the levy made on the said cabs by Honesto Ong, the assignee of the unsecured judgment creditor of the chattel mortgagor, Manila Yellow Taxicab Co., Inc.

On the other hand, Northern Motors, Inc. in its motion for the partial reconsideration of the same August 29 resolution, prayed for the reversal of the lower court's orders cancelling the bond filed by Filwriters Guaranty Assurance Corporation. Northern Motors, Inc. further prayed that the sheriff should be required to deliver to it the proceeds of the execution sale of the mortgaged taxicabs without deducting the expenses of execution.

1. Respondents' motion for reconsideration. — Honesto Ong in his motion invokes his supposed "legal and equity status" vis-a-vis the mortgaged taxicabs. He contends that his only recourse was to levy upon the taxicabs which were in the possession of the judgment debtor, Manila Yellow Taxicab Co. Inc., whereas, Northern Motors, Inc., as unpaid seller and mortgagee, "has still an independent legal remedy" against the mortgagor for the recovery of the unpaid balance of the price.

That contention is not a justification for setting aside the holding that Ong had no right to levy upon the mortgaged taxicabs and that he could have levied only upon the mortgagor's equity of redemption. The essence of the chattel mortgage is that the mortgaged chattels should answer for the mortgage credit and not for the judgment credit of the mortgagor's unsecured creditor. The mortgagee is not obligated to file an "independent action" for the enforcement of his credit. To require him to do so would be a nullification of his lien and would defeat the purpose of the chattel mortgage which is to give him preference over the mortgaged chattels for the satisfaction of his credit. (See art. 2087, Civil Code).

It is relevant to note that intervenor Filinvest Credit Corporation, the assignee of a portion of the chattel mortgage credit, realized that to vindicate its claim by independent action would be illusory. For that pragmatic reason, it was constrained to enter into a compromise with Honesto Ong by agreeing to pay him PI 45,000. That amount was characterized by Northern Motors, Inc. as the "ransom" for the taxicabs levied upon by the sheriff at the behest of Honesto Ong.

Honesto Ong's theory that Manila Yellow Taxicab's breach of the chattel mortgage should not affect him because he is not privy of such contract is untenable. The registration of the chattel mortgage is an effective and binding notice to him of its existence Ong Liong Tiak vs. Luneta Motor Company, 66 Phil 459). The mortgage creates a real right (derecho real, jus in re or jus ad rem, XI Enciclopedia Juridica Espanola 294) or a lien which, being

recorded, follows the chattel wherever it goes.

Honesto Ong's contention that Northern Motors, Inc. was negligent because it did not sue the sheriff within the 120-day period provided for in section 17, Rule 39 of the Rules of Court is not correct. Such action was filed on April 14, 1975 in the Court of First Instance of Rizal, Pasig Branch XIII, in Civil Case No. 21065 entitled "Northern Motors, Inc. vs. Filwriters Guaranty Assurance Corporation, et al., "However, instead of Honesto Ong, his assignor, Tropical Commercial Corporation, was impleaded as a defendant therein. That might explain his unawareness of the pendency of such action.

The other arguments of Honesto Ong in his motion may be boiled down to the proposition that the levy made by mortgagor's judgment creditor against the chattel mortgagor should prevail over the chattel mortgage credit. That proposition is devoid of any legal sanction and is glaringly contrary to the nature of a chattel mortgage. To uphold that contention is to destroy the essence of chattel mortgage as a paramount encumbrance on the mortgaged chattel.

Respondent Ong admits "that the mortgagee's right to the mortgaged property is superior to that of the judgment creditor." But he contends that the rights of the purchasers of the cars at the execution sale should be respected. He reasons out they were not parties to the mortgage and that they acquired the cars prior to the mortgagee's assertion of its rights thereto.

That contention is not well-taken. The third-party claim filed by Northern Motors, Inc. should have alerted the purchasers to the risk which they were taking when they took part in the auction sale. Moreover, at an execution sale the buyers acquire only the right of the judgment debtor which in this case was a mere right or equity of redemption. The sale did not extinguish the pre-existing mortgage lien (See sec. 25, Rule 39, Rules of Court; Potenciano vs. Dineros and Provincial Sheriff of Rizal, 97 Phil. 196; Lara vs. Bayona, 97 Phil. 951; Hachang vs. Leyte Autobus Co., Inc., L-17907, May 30, 1963, 8 SCRA 103).

Some arguments adduced by Honesto Ong in his motion were intended to protect the interests of the mortgagor, Manila Yellow Taxicab Co., Inc., which he erroneously characterized as a "respondent" (it is not a respondent in this case). Ong argues that the proceeds of the execution sale, which was held on December 18, 1974, should be delivered to Northern Motors, Inc. "only to such extent as has exceeded the amount paid by respondent Manila Yellow Taxicab to" Northern Motors, Inc. That argument is not clear. Ong probably means that the installments already paid by Manila Yellow Taxicab Co., Inc. to Northern Motors, Inc. should be deducted from the proceeds of the execution sale. If that is the point which Ong is trying to put across, and it is something which does not directly affect him, then, that matter should be raised by Manila Yellow Taxicab Co., Inc. in the replevin case, Civil Case No. 20536 of the Court of First Instance of Rizal, Pasig Branch VI, entitled "Northern Motors, Inc. versus Manila Yellow Taxicab Co., Inc. et al."

Ong's contention, that the writ of execution, which was enforced against the seven taxicabs (whose sale at public auction was stopped) should have precedence over the mortgage lien, cannot be sustained. Those cabs cannot be sold at an execution sale because, as explained in the resolution under reconsideration, the levy thereon was wrongful.

The motion for reconsideration of Ong and the sheriff should be denied.

2. Petitioner's motion for partial reconsideration. — The lower court in its order of January 3, 1975 cancelled the indemnity bonds for P-480,000 filed on December 18, 1975 by Filwriters Guaranty Assurance Corporation for Tropical Commercial Co., Inc. The bonds were cancelled without notice to Northern Motors, Inc. as third-party claimant.

We already held that the cancellation of the bonds constituted a grave abuse of discretion but we previously denied petitioner's prayer for the reinstatement of the bonds because Northern Motors Inc. had given the impression that it had not filed any action for damages against the sheriff within the one hundred twenty-day period contemplated in Section 17, Rule 39 of the Rules of Court.

As already noted above, the truth is that such an action for damages was filed on April 14, 1975 against the surety, the sheriff and the judgment creditor in Civil Case No. 21065 of the Court of First Instance of Rizal, Pasig Branch XIII. The action involves the indemnity bond for P240,000 (No. 0032 posted on December 18, 1974).

It may also be noted that in a prior case, Civil Case No. 20536 of the Court of First Instance of Rizal at Pasig, entitled "Northern Motors, Inc. vs. Manila Yellow Taxicab Co., Inc., et al.," a replevin case (where an amended complaint dated January 15, 1975 was filed), the surety, Filwriters Guaranty Assurance Corporation, was impleaded as a defendant by reason of its bond for P-240,000. Northern Motors, Inc. in that case prayed that the surety be ordered to pay to it damages in the event that the eight taxicabs could not be surrendered to the mortgagee.

Northern Motors, Inc., in its instant motion for partial reconsideration, reiterates its petition for the reinstatement of the bond filed by Filwriters Guaranty Assurance Corporation. If the said bond is not reinstated or if the lower court's orders cancelling it are allowed to stand, the aforementioned Civil Cases Nos. 20536 and 21065 would be baseless or futile actions against the surety. That injustice should be corrected. Hence, our resolution of August 29, 1975, insofar as it did not disturb the lower court's orders cancelling the indemnity bonds, should be reconsidered.

Northern Motors, Inc. further prays for the reconsideration of that portion of our resolution allowing the sheriff to deduct expenses from the proceeds of the execution sale for the eight taxicabs which sale was held on December 18, 1974. It argues that Honesto Ong or Manila Yellow Taxicab Co., Inc. should shoulder such expenses of execution.

We already held that the execution was not justified and that Northern Motors, Inc., as mortgagee, was entitled to the possession of the eight taxicabs. Those cabs should not have been levied upon and sold at public auction to satisfy the judgment credit which was inferior to the chattel mortgage. Since the cabs could no longer be recovered because apparently they had been transferred to persons whose addresses are unknown (see par. 12, page 4, Annex B of motion), the proceeds of the execution sale may be regarded as a partial substitute for the unrecoverable cabs (See arts. 1189[2] and 1269, Civil Code; Urrutia & Co. vs. Baco River Plantation Co., 26 Phil. 632).

Northern Motors, Inc. is entitled to the entire proceeds without deduction of the expenses of execution.

WHEREFORE, private respondents' motion for reconsideration is denied and petitioner's motion for partial reconsideration is granted. The resolution of August 29, 1975 is modified in the sense that the lower court's orders of January 3 and 6, 1975, cancelling the indemnity bond for P240,000 (as reaffirmed in its order of January 17, 1975), are set aside. The said indemnity bond for P240,000 is regarded as in full force and effect. Respondent Sheriff of Manila is further directed to deliver to Northern Motors, Inc. the entire proceeds of the execution sale held on December 18, 1974 for the eight taxicabs which were mortgaged to that firm.

SO ORDERED.

Makalintal, C.J. Teehankee, Makasiar, Antonio, Esguerra, Muñoz Palma, Concepcion, Jr., and Martin, JJ., concur.
Castro, Fernando and Barredo JJ., took no part.

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.