

LORENZO PASCUAL AND LEONILA TORRES, PLAINTIFFS AND APPELLEES, VS. UNIVERSAL MOTORS CORPORATION, DEFENDANT AND APPELLANT.

G.R. No. L-27862. November 20, 1974

Ponente: MAKALINTAL, C.J.

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MAKALINTAL, C.J.:

In the lower court the parties entered into the following stipulation of facts:

"1. That the plaintiffs executed the real estate mortgage subject matter of this complaint on December 14, 1960 to secure the payment of the indebtedness of PDP Transit, Inc. for the purchase of five (5) units of Mercedes Benz trucks under Invoices Nos. 2836, 2837, 2838, 2839 and 2840 with a total purchase price or principal obligation of P152,506.50 but plaintiffs' guarantee is not to exceed P50,000.00 which is the value of the mortgage.

2. That the principal obligation of P152,506.50 was to bear interest at 1% a month from December 14, 1960.

3. That as of April 5, 1961 with reference to the two units mentioned above and as of May 22, 1961 with reference to the three units, PDP Transit, Inc., plaintiffs' principal, had paid to the defendant Universal Motors Corporation the sum of P92,964.91, thus leaving a balance of P68,641.69 including interest due as of February 8, 1965.

4. That the aforementioned obligation guaranteed by the plaintiffs under the Real Estate Mortgage, subject of this action, is further secured by separate deeds of chattel mortgages on the Mercedes Benz units covered by the aforementioned invoices in favor of the defendant Universal Motors Corporation.

5. That on March 19, 1965, the defendant Universal Motors Corporation filed a complaint against PDP Transit, Inc. before the Court of First Instance of Manila docketed as Civil Case No. 60201 with a petition for a writ of Replevin, to collect the balance due under the Chattel Mortgages and to repossess all the units sold to plaintiffs' principal PDP Transit, Inc. including the five (5) units guaranteed under the subject Real (Estate) Mortgage."

In addition to the foregoing the Universal Motors Corporation admitted during the hearing that in its suit (C.C. No. 60201) against the PDP Transit, Inc. it was able to repossess all the units sold to the latter, including the five (5) units guaranteed by the subject real estate mortgage, and to foreclose all the chattel mortgages constituted thereon, resulting in the sale of the trucks at public auction.

With the foregoing background, the spouses Lorenzo Pascual and Leonila Torres, the real estate mortgagors, filed an action in the Court of First Instance of Quezon City (Civil Case No. 8189) for the cancellation of the mortgage they constituted on two (2) parcels of land[1] in favor of the Universal Motors Corporation to guarantee the obligation of PDP Transit, Inc. to the extent of P50,000. The court rendered judgment for the plaintiffs, ordered the cancellation of the mortgage, and directed the defendant Universal Motors Corporation to pay attorney's fees to the plaintiffs in the sum of P500.00. Unsatisfied with the decision, defendant interposed the present appeal.

In rendering judgment for the plaintiffs the lower court said in part: "x x x there does not seem to be any doubt that Art. 1484[2] of the New Civil Code may be applied in relation to a chattel mortgage constituted upon personal property on the installment basis (as in the present case) precluding the mortgagee to maintain any further action against the debtor for the purpose of recovering whatever balance of the debt secured, and even adding that any agreement to the contrary shall be null and void."

The appellant now disputes the applicability of Article 1484 of the Civil Code to the case at bar on the ground that there is no evidence on record that the purchase by PDP Transit, Inc. of the five (5) trucks, the payment of the price of which was partly guaranteed by the real estate mortgage in question, was payable in installments and that the purchaser had failed to pay two or more installments. The appellant also contends that in any event what article 1484 prohibits is for the vendor to recover from the purchaser the unpaid balance of the price after he has foreclosed the chattel mortgage on the thing sold, but not a recourse against the security put up by a third party.

Both arguments are without merit. The first involves an issue of fact: whether or not the sale was one on installments; and on this issue the lower court found that it was, and that there was failure to pay two or more installments. This finding is not subject to review by this Court. The appellant's bare allegation to the contrary cannot be considered at this stage of the case.

The next contention is that what article 1484 withholds from the vendor is the right to recover any deficiency from the purchaser after the foreclosure of the chattel mortgage and not a recourse to the additional security put up by a third party to guarantee the purchaser's performance of his obligation. A similar argument has been answered by this Court in this wise: "(T)o sustain appellant's argument is to overlook the fact that if the guarantor should be compelled to pay the balance of the purchase price, the guarantor will in turn be entitled to recover what she has paid from the debtor vendee (Art. 2066, Civil Code); so that ultimately, it will be the vendee who will be made to bear the payment of the balance of the price, despite the earlier foreclosure of the chattel mortgage given by him. Thus, the protection given by Article 1484 would be indirectly subverted, and public policy overturned." (Cruz vs. Filipinas Investment & Finance Corporation, L-24772, May 27, 1968; 23 SCRA 791).

The decision appealed from is affirmed, with costs against the defendant-appellant.

Castro, Makasiar, Esguerra, and Munoz Palma, JJ., concur.

Teehankee, J., took no part.

[1] Situated in Quezon City and covered by Transfer Certificates of Title Nos. 77639 and 3005.

[2] Article 1484 of the Civil Code provides:

"ART. 1484. In a contract of sale of personal property the price of which is payable in installments, the vendor may exercise any of the following remedies:

- (1) Exact fulfillment of the obligation, should the vendee fail to pay;
- (2) Cancel the sale, should the vendee's failure to pay cover two or more installments;
- (3) Foreclose the chattel mortgage on the thing sold, if one has been constituted, should the vendee's failure to pay cover two or more installments. In this case, he shall have no further action against the purchaser to recover any unpaid balance of the price. Any agreement to the contrary shall be void."

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