

## **PHILIPPINE NATIONAL BANK, PETITIONER, VS. NOAH'S ARK SUGAR REFINERY, ALBERTO T. LOOYUKO, JIMMY T. WILSON T. GO, RESPONDENTS.**

*G.R. No. 107243. September 01, 1993*

Ponente: NARVASA, C.J.

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### **NARVASA, C.J.:**

The case at bar involves the extraordinary situation in which a Regional Trial Judge -- after receiving notice of the final and executory judgment of the Court of Appeals in a special civil action of certiorari in which said Trial Judge was a respondent, and which judgment contained the following disposition, viz.:

“In issuing the questioned Orders, We find the respondent Court to have acted in grave abuse of discretion which justify holding null and void and setting aside the Orders dated May 2 and July 4, 1990 of respondent Court, and that a summary judgment be rendered forthwith in favor of the PNB against Noah's Ark Sugar Refinery, et al., as prayed for in petitioner's Motion for Summary Judgment.

SO ORDERED.”

-- proceeded to render judgment, not “in favor of the PNB against Noah's Ark Sugar Refinery, et al.,” but in favor of the latter and its co--defendants. That judgment has been appealed by PNB to this Court” on pure questions of law.”

No dispute exists about the facts which gave rise to the controversy at bar.

In accordance with Act No. 2137, the Warehouse Receipts Law, Noah's Ark Sugar Refinery issued on several dates warehouse receipts (quedans) as follows:

March 1, 1989, receipt No. 18062 covering sugar deposited by Rosa Sy;

March 7, 1989, receipt No. 18080 covering sugar deposited by RNS Merchandising (Rosa Ng Sy);

March 21, 1989, receipt No. 18081 covering sugar deposited by RNS Merchandising;

March 31, 1989, receipt No. 18086 covering sugar deposited by St. Therese Merchandising; and

April 1, 1989, receipt No.18087 covering sugar deposited by RNS Merchandising.

The receipts are substantially in the form, and contain the terms, prescribed for negotiable warehouse receipts by Section 2 of the law.

Subsequently, warehouse receipts Numbered 18080 and 18081 (covering sugar deposited by RNS Merchandising) were negotiated and indorsed to Luis T. Ramos; and receipts Numbered 18086 (sugar of St. Therese Merchandising), 18087 (sugar of RNS Merchandising) and 18062 (sugar of Rosa Sy) were negotiated and indorsed to Cresencia K. Zoleta. Zoleta and Ramos then used the quedans as security for loans obtained by them from the Philippine National Bank (PNB) in the amounts of P23.5 million and P15.6 million, respectively. These

quedans they indorsed to the bank.

Both Zoleta and Ramos failed to pay their loans upon maturity on January 9, 1990. Consequently on March 16, 1990, PNB wrote to Noah's Ark Sugar Refinery (hereafter, simply Noah's Ark) demanding delivery of the sugar covered by the quedans indorsed to it by Zoleta and Ramos. When Noah's Ark refused to comply with the demand, PNB filed with the Regional Trial Court of Manila a verified complaint for "Specific Performance with Damages and Application for Writ of Attachment" against Noah's Ark, Alberto T. Looyuko, Jimmy T. Go, and Wilson T. Go, the last three being identified as "the Sole Proprietor, Managing Partner and Executive Vice President of Noah's Ark \*\* , respectively."

The Court, by Order dated June 28, 1990, denied the application for preliminary attachment after conducting a hearing thereon. It denied as well the motion for reconsideration thereafter filed by PNB, by Order dated August 22, 1990.

Noah's Ark and its co-defendants then filed their responsive pleading entitled "Answer with Counterclaim and Third Party Complaint," dated June 21, 1990 in which they claimed, inter alia, that they "are still the legal owners of the subject quedans and the quantity of sugar represented thereon," a claim founded on the following averments, to wit:

" \* \* In an agreement dated April 1, 1989, defendants agreed to sell to Rosa Ng Sy of RNS Merchandising and Teresita Ng of St. Therese Merchandising the total volume of sugar indicated in the quedans stored at Noah's Ark Sugar Refinery for a total consideration of P63,000,000.00, \* \* . The corresponding payments in the form of checks issued by the vendees in favor of defendants were subsequently dishonored by the drawee banks by reason of 'payment stopped' and 'drawn against insufficient funds,' \* \* . Upon proper notification to said vendees and plaintiff in due course, defendants refused to deliver to vendees therein the quantity of sugar covered by subject quedans.

" \*\*\*. Considering that the vendees and first indorsers of subject quedans did not acquire ownership thereof, the subsequent indorsers and plaintiff itself did not acquire a better right of ownership than the original vendees/first indorsers."

The defendants also adverted to PNB's supposed awareness "that subject quedans are not negotiable instruments within the purview of the Warehouse Receipts Law but simply an internal guarantee of defendants in the sale of their stocks of sugar. \*\* ."

The answer incorporated a third party complaint by Alberto Looyuko, Jimmy T. Go and Wilsons T. Go ("doing business under the name and style of Noah's Ark Sugar Refinery") against Rosa Ng Sy and Teresita Ng, praying that the latter be ordered to deliver or return to them the quedans (eventually indorsed to the PNB and now subject of this suit) and pay damages and litigation expenses.

The answer of Rosa Ng Sy and Teresita Ng, dated September 6, 1990, was essentially to the effect that the transaction between them and Jimmy T. Go concerning the quedans and the sugar thereby covered was "bogus and simulated (being part of the latter's) complex banking schemes and financial maneuvers;" that that simulated transaction "was just a tolling scheme to avoid VAT payment and other BIR assessments (considering that) as \*\* confidentially intimated (by said Jimmy Go) \*\* Noah's Ark is under sequestration by the PCGG," and that the quedans "were in fact used by Noah's Ark Executive Director, Luis T. Ramos, and one Cresenciana K. Zoleta as security for their loans from the bank \*\* \*\* (in the aggregate amount) of P39.1 million pesos."

On January 31, 1991, PNB filed a "Motion for Summary Judgment." It asserted that "from the pleadings, documents, and admissions on file, there is no genuine issue as to a material fact proper for trial and that plaintiff is entitled as a matter of law, \*\* (to) a summary judgment." It contended that the defenses set up by Noah's Ark,

et. al. in their responsive pleading involve “purely questions of law” -- i.e., (a) that the vendees of the sugar covered by the quedans in dispute never acquired title to the goods because of their failure to pay the stipulated purchase price and hence, ownership over the sugar was retained by Noah’s Ark, et al.; and (b) PNB’s action is premature since as pledgee it failed to exercise the remedies provided in the contract of pledge and the Civil Code. And it specified in no little detail the admissions and documents on record demonstrating the absence of any genuine factual issue. On these premises, it prayed “that a summary judgment be rendered for plaintiff against the defendants for the reliefs prayed for in the complaint,” these reliefs being:

“(a) to deliver to PNB the sugar stocks covered by the Warehouse Receipts/Quedans which are now in the latter’s possession as holder for value and in due course; or alternatively, to pay plaintiff actual damages in the amount of P39.1 Million exclusive of interest, penalties and charges; and

(b) to pay plaintiff attorney’s fees, litigation expenses and judicial costs estimated at no less than P1 Million; (and) such other reliefs just and equitable under the premises”

An opposition to the motion was presented by defendants Noah’s Ark, et al., dated March 4, 1991, asserting the existence of genuine issues, to wit: whether or not the sale was ever consummated considering that “the checks issued by the first indorsees in payment of said quedans bounced,” and whether or not PNB acquired ownership over the quedans considering that “it did not dispose (of) said quedans under Art. 2112 of the Civil Code, as specifically reflected in the contract of pledge,” both contentions allegedly being “material facts which has (sic) to be supported by evidence.”

The third-party defendants (Rosa Ng Sy and Teresita Ng) also opposed the motion for summary judgment insofar as concerned their counterclaim in relation to the third-party complaint asserted against them.

On May 2, 1991, the Trial Court issued an Order denying the motion for summary judgment on the ground that an “examination of the pleadings and the record readily shows that there exists sharply conflicting claims among the parties relative to the ownership of the sugar quedans as to whether or not the subject quedans falls (sic) squarely within the coverage of the Warehouse Receipts Law and whether or not the transaction between plaintiff and third party defendants is governed by contract of pledge that would require plaintiffs compliance with Art. 2112, Civil Code on pledge as regards the disposition of the subject quedans.” PNB’s motion for reconsideration was denied by Order dated July 4, 1991.

PNB thereupon filed a petition for certiorari with the Court of Appeals, which was docketed as CA-G.R. SP No. 25938. This special civil action eventuated in a Decision promulgated on December 13, 1991 by the Sixth Division of that Court,[1] nullifying and setting aside the challenged Orders of May 2, 1991 and July 4, 1991, and commanding that “summary judgment be rendered forthwith in favor of the PNB against Noah’s Ark Sugar Refinery, et al., as prayed for in petitioner’s Motion for Summary Judgment.” Said the Appellate Court:[2]

“In issuing the questioned Orders, the respondent Court ruled that ‘questions of law should be resolved after and not before, the questions of fact are properly litigated.’ A scrutiny of defendants’ affirmative defenses does not show material questions of fact as to the alleged non--payment of purchase price by the vendees/first indorsers, and which non--payment is not disputed by PNB as it does not materially affect PNB’s title to the sugar stock as holder of the negotiable quedans.

What is determinative of the propriety of summary judgment is not the existence of conflicting claims from prior parties but whether from an examination of the pleadings, depositions, admissions and documents on file, the defenses as to the main issue do not tender material questions of fact (see *Garcia vs. Court of Appeals*, 167 SCRA 815) or the issues thus tendered are in fact sham, fictitious, contrived, set up in bad faith or so unsubstantial as not to constitute genuine issues for trial. (See *Vergara vs. Suelto, et al.*, 156 SCRA 753; *Mercado, et al. vs. Court of Appeals*, 162 SCRA 75). The questioned Orders themselves do not specify what

material facts are in issue. (See Sec. 4, Rule 34, Rules of Court).

To require a trial notwithstanding pertinent allegations of the pleadings and other facts appearing on record, would constitute a waste of time and an injustice to the PNB whose rights to relief to which it is plainly entitled would be further delayed to its prejudice.

In issuing the questioned Orders, We find the respondent Court to have acted in grave abuse of discretion which justify holding null and void and setting aside the Orders dated May 2 and July 4, 1990 of respondent Court, and that a summary judgment be rendered forthwith in favor of the PNB against Noah's Ark Sugar Refinery, et al., as prayed for in petitioner's Motion for Summary Judgment.

SO ORDERED."

Noah's Ark, et al. moved for reconsideration, but their motion was denied by the Appellate Tribunal's Resolution dated March 6, 1991.

The judgment became final. Entry of Judgment was made on May 26, 1992. Thereafter the case was remanded to the Court of origin.

On June 18, 1992, the Regional Trial Court rendered judgment, but not in accordance with the aforesaid decision of the Court of Appeals. As stated in the opening paragraph of this opinion, instead of a summary judgment "in favor of the PNB against Noah's Ark Sugar Refinery, et al., as prayed for in \*\* (PNB)'s Motion for Summary Judgment," the Trial Court's verdict decreed the dismissal of "plaintiffs complaint against defendants Noah's Ark Sugar Refinery, Alberto T. Looyuko, Jimmy Go and Wilson T. Go \*\* \*\* for lack of cause of action;" and dismissal as well of the counterclaim pleaded by the latter against PNB, and of the third-party complaint, and the third-party defendants' counterclaim.

The Trial Court declared that if "the only material facts established on the basis of the pleadings, documentary evidence on record, admissions and stipulations during the hearing on PNB's application for a writ of preliminary attachment, are the facts as alleged by plaintiff and accepted as established by the Court of Appeals, this Court will have no difficulty in finding for plaintiff as prayed for in its motion for summary judgment. But are the facts alleged by plaintiff the only material facts established on the basis of the pleadings, documentary evidence on record, stipulations and admissions during the proceedings on the application for a writ of preliminary attachment?" To this question the Trial Court gave a negative answer, it being its view that other facts, "as alleged by defendants \*\* (and) not disputed by PNB, have been likewise established."

The Trial Court later denied PNB's motion for reconsideration (by Order dated September 4, 1992), evidently finding merit in the argument of Noah's Ark, et al., therein quoted, that "Certiorari as a mode of appeal involves the review of judgment, award of a final order on the merits, while the original action for certiorari and as a special civil action is generally directed against an interlocutory order of the Court, prior to an appeal from the judgment of the main case which in the case at bar is specific performance \*\*."

Hence, this appeal.

In CA-G.R. SP No. 25938 above mentioned, after an extensive review of the entire record of the case before the Regional Trial Court (including the admissions of Noah's Ark, et al. and the parties' stipulations of fact), as well as the pleadings filed by the parties before it, the Court of Appeals arrived at the conclusion that a summary judgment was proper since "there was no substantial controversy on a(ny) material fact, the only issues for the Court's determination \*\* (being) purely \*\* questions of law, as follows:

- 1) Whether or not the non-payment of the purchase price for the sugar stock evidenced by the quedans, by the original depositors/vendees (RNS Merchandising and St. Therese Merchandising) rendered invalid the

negotiation of said quedans by vendees/first indorsers to indorsers (Ramos and Zoleta) and the subsequent negotiation of Ramos and Zoleta to PNB.

2) Whether or not PNB as indorsee/pledgee of quedans was entitled to delivery of sugar stocks from the warehouseman, Noah's Ark."

These legal questions were disposed of by the Appellate Court as follows:

"The validity of the negotiation by RNS Merchandising and St. Therese Merchandising to Ramos and Zoleta, and by the latter to PNB to secure a loan cannot be impaired by the fact that the negotiation between Noah's Ark and RNS Merchandising and St. Therese Merchandising was made in breach of faith on the part of the merchandising firms or by the fact that the owner (Noah's Ark) was deprived of the possession of the same by fraud, mistake or conversion of the person to whom the warehouse receipt/quedan was subsequently negotiated if (PNB) paid value therefor in good faith without notice of such breach of duty, fraud, mistake or conversion. (See Article 1518, New Civil Code). And the creditor (PNB) whose debtor was the owner of the negotiable document of title (warehouse receipt) shall be entitled to such aid from the court of appropriate jurisdiction in attaching such document or in satisfying the claim by means as is allowed by law or in equity in regard to property which cannot be readily attached or levied upon by ordinary process. (See Art. 1520, New Civil Code). If the quedans were negotiable in form and duly indorsed to PNB (the creditor), the delivery of the quedans to PNB makes the PNB the owner of the property covered by said quedans and on deposit with Noah's Ark, the warehouseman. (See *Sy Cong Bieng & Co. vs Hongkong & Shanghai Bank Corp.*, 56 Phil. 598).

In the case at bar, We found that the factual bases underlying the defendants' affirmative defenses (upon which PNB has moved for summary judgment) are not disputed and have been stipulated by the parties and therefore do not require presentation of evidence. PNB's right to enforce the obligation of Noah's Ark as a warehouseman, to deliver the sugar stock to PNB as holder of the quedans, does not depend on the outcome of the third-party complaint because the validity of the negotiation transferring title to the goods to PNB as holder of the quedans is not affected by any act of RNS Merchandising and St. Therese Merchandising, in breach of trust, fraud or conversion against Noah's Ark."

The Court considers the Appellate Court's conclusions of fact and law to be correct.

The Trial Judge's argument that the Appellate Court's decision failed to take account of other "material facts established on the basis of the pleadings, documentary evidence on record, stipulations and admissions during the proceedings on the application for a writ of preliminary attachment," is quite transparently specious. For the matters cited by His Honor, as allegedly not examined by the Court of Appeals, were in fact duly considered by the latter -- i.e., that "the various postdated checks issued by the buyers (RNS Merchandising and St. Therese Merchandising) in favor of Noah's Ark were dishonored when presented for payment \*\* (and hence) the buyers never acquired title to the sugar evidenced by the quedans,"[3] and that PNB "did not follow the procedure stated in Article 2112 of the Civil Code."[4] In its decision, as just pointed out, the Court of Appeals explicitly ruled that the "validity of the negotiation" of the quedans to PNB "cannot be impaired by the fact that the negotiation between Noah's Ark and RNS Merchandising and St. Therese Merchandising was made in breach of faith on the part of the merchandising firms or by the fact that the owner (Noah's Ark) was deprived of the possession of the same by fraud, mistake or conversion \*\* ." [5] It also ruled that the quedans were negotiable documents and had been duly negotiated to the PNB which thereby acquired the rights set out in Article 1513 of the Civil Code,"[6] viz."

"(1) Such title to the goods as the person negotiating the document to him had or had ability to convey to a purchaser in good faith for value and also such title to the goods as the person to whose order the goods were to be delivered by the terms of the document had or had ability to convey to a purchaser in good faith for

value; and

(2) The direct obligation of the bailee issuing the document to hold possession of the goods for him according to the terms of the document as fully as if such bailee had contracted directly with him.”

The Court of Appeals found correctly that the indications in the pleadings to the contrary notwithstanding, no substantial triable issue of fact actually existed, and that certain issues raised in answer, even if taken as established, would not materially change the ultimate findings relative to the main claim.[7] Its decision is entirely in accord with this Court’s rulings regarding the propriety of summary judgments invoked by the Appellate Tribunal; i.e., Vergara, Sr. v. Suelto,[8] and Mercado v. Court of Appeals.[9] According to Vergara, for instance, “even if the answer does tender issues -- and therefore a judgment on the pleadings is not proper -- a summary judgment may still be rendered on the plaintiff’s motion if he can show to the Court’s satisfaction that except as to the amount of damages, there is no genuine issue as to any material fact,[10] that is to say, the issues thus tendered are not genuine, are in other words sham, fictitious, contrived, set up in bad faith, patently unsubstantial.[11] The determination may be made by the Court on the basis of the pleadings, and the depositions, admissions and affidavits that the movant may submit, as well as those which the defendant may present in turn.[12]“

In any event, the conclusions of fact and law set out in the Appellate Court’s decision are undeniably binding on all the parties to the case, the respondent Regional Trial Judge included. Having been rendered by a competent court within its jurisdiction, and having become final and executory, the decision now operates as the immutable law among the parties, the respondent Trial Judge included; it has become the law of the case and may no longer, in subsequent proceedings, be altered or modified in any way, much less reversed or set at naught, by the latter, or any other judge, not even by the Supreme Court; it is an unalterable determination of the propriety of a summary judgment in the action in question, and upon all the issues therein raised or which could have been raised relative to the merits of said action.[13]

The Trial Judge may not evade compliance with the final judgment of the Court of Appeals on the theory that the latter had acted only on a mere interlocutory order (the order denying PNB’s motion for summary judgment), while he had subsequently adjudged the the action for specific performance on the merits. Quite obvious is that the Court of Appeals had decided that a summary judgment was proper in said action of specific performance, that this was in truth a determination of the merits of the suit, that that decision had become final and executory, and that the decision expressly commanded His Honor to render such a judgment. Under the circumstances, the latter’s duty was clear and inescapable.

It was not within the Trial Judge’s competence or discretion to take exception to, much less overturn, any of the factual or legal conclusions laid down by the Court of Appeals in its verdict. He was as much bound thereby as the private parties themselves. His only function was to implement and carry out the Appellate Tribunal’s judgment. It was an act of supererogation, of presumptuousness, on His Honor’s part to disregard the Court’s clear and categorical command, and to dispose of the case in a manner diametrically opposed thereto. In doing so, the Trial Judge committed grave error which must forthwith be corrected.

WHEREFORE, the Trial Judge’s Decision in Civil Case No. 90-53023 dated June 18, 1992 is REVERSED and SET ASIDE and a new one rendered conformably with the final and executory Decision of the Court of Appeals in CA-G.R. SP No. 25938, ordering the private respondents, Noah’s Ark Sugar Refinery, Alberto T. Looyuko, Jimmy T. Go and William T. Go, jointly and severally:

a) to deliver to the petitioner Philippine National Bank, “the sugar stocks covered by the Warehouse Receipts/Quedans which are now in the latter’s possession as holder for value and in due course; or alternatively,

to pay (said) plaintiff actual damages in the amount of P39.1 Million,” with legal interest thereon from the filing of the complaint until full payment; and

b) to pay plaintiff Philippine National Bank attorney’s fees, litigation expenses and judicial costs hereby fixed at the amount of one hundred fifty thousand pesos (P150,000.00), as well as the costs.

**SO ORDERED.**

Padilla, Regalado, Nocon, and Puno, JJ., concur.

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[1] Campos, J., Chairman, ponente; Aldecoa, Jr. and Mendoza, F., JJ, concurring

[2] Italics supplied

[3] Rollo, p. 198 (RTC Decision, p. 7)

[4] Id., pp. 198-199 (RTC Decision, pp. 7-8)

[5] Id., p. 185 (CA Decision, p. 7)

[6] Id., pp. 183-185 (CA Decision, pp. 5-6); see also Sections 8 and 41, Warehouse Receipts Law (Act No. 2137)

[7] SEE *Londres v. National Life Insurance Co. of the Philippines*, 94 Phil. 627, 629, cited in *Feria, J. Civil Procedure*, 1969 ed., p. 481, also advertent to *Miranda v. Malate Garage & Taxicab*, 52 O.G. 5145; *Capital Insurance v. Eberly*, 53 O.G. 63; *Go Leting & Sons, et al. v. Leyte Land Trans. Col*, L-8887, May 28, 1958; and *Philippine National Bank v. Philippine Leather Co.*, L-10884, March 31, 1959

**[8] 156 SCRA 753, 760-762 (1987)**

**[9] 162 SCRA 75, 83-85 (1988).**

[10] Footnote No. 18 in text: “Sec. 1, Rule 34. N.B. A defendant may also move for summary judgment in his favor on the theory that the plaintiffs complaint raises no genuine issue (Sec. 2, Rule 34).”

[11] Footnote No. 19 in text, citing cases

[12] Footnote No. 20 in text: “Sec. 3, Rule 34, *Cadirao v. Estenzo*, 132 SCRA 93, 100, *supra*.”

[13] SEE Sec. 49, Rule 39, Rules of Court; see also, *Zarate v. Director of Lands*, 39 Phil. 749; *Trinidad v. Roman Catholic Archbishop*, 63 Phil. 913; *People v. Pinuila*, 103 Phil. 999; *Rodriguez v. Director of Prisons*, 47 SCRA 157; *Comilang v. Court of Appeals*, 65 SCRA 79

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