

THE MANILA REMNANT CO., INC. PETITIONER, VS. HON. COURT OF APPEALS, AND SPS. OSCAR C. VENTANILLA AND CARMEN GLORIA DIAZ, RESPONDENTS.

G.R. No. 107282. March 16, 1994

Ponente: CRUZ, J.

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CRUZ, J.:

The present petition is an offshoot of our decision in *Manila Remnant Co., Inc. (MRCI) v. Court of Appeals*, promulgated on November 22, 1990.

That case involved parcels of land in Quezon City which were owned by petitioner MRCI and became the subject of its agreement with A.U. Valencia and Co., Inc. (AUVCI) by virtue of which the latter was to act as the petitioner's agent in the development and sale of the property. For a stipulated fee, AUVCI was to convert the lands into a subdivision, manage the sale of the lots, execute contracts and issue official receipts to the lot buyers. At the time of the agreement, the president of both MRCI and AUVCI was Artemio U. Valencia.

Pursuant to the above agreement, AUVCI executed two contracts to sell dated March 3, 1970, covering Lots 1 and 2, Block 17, in favor of spouses Oscar C. Ventanilla and Carmen Gloria Diaz for the combined contract price of P66,571.00, payable monthly in ten years. After ten days and without the knowledge of the Ventanilla couple, Valencia, as president of MRCI, resold the same parcels to Carlos Crisostomo, one of his sales agents, without any consideration. Upon orders of Valencia, the monthly payments of the Ventanillas were remitted to the MRCI as payments of Crisostomo, for which receipts were issued in his name. The receipts were kept by Valencia without the knowledge of the Ventanillas and Crisostomo. The Ventanillas continued paying their monthly installments.

On May 30, 1973, MRCI informed AUVCI that it was terminating their agreement because of discrepancies discovered in the latter's collections and remittances. On June 6, 1973, Valencia was removed by the board of directors of MRCI as its president.

On November 21, 1978, the Ventanilla spouses, having learned of the supposed sale of their lots to Crisostomo, commenced an action for specific performance, annulment of deeds, and damages against Manila Remnant Co., Inc., A.U. Valencia and Co., Inc. and Carlos Crisostomo. It was docketed as Civil Case No. 26411 in the Court of First Instance of Quezon City, Branch 17--B.

On November 17, 1980, the trial court rendered a decision declaring the contracts to sell in favor of the Ventanillas valid and subsisting, and annulling the contract to sell in favor of Crisostomo. It ordered the MRCI to execute an absolute deed of sale in favor of the Ventanillas, free from all liens and encumbrances. Damages and attorney's fees in the total amount of P210,000.00 were also awarded to the Ventanillas for which the MRCI, AUVCI, and Crisostomo were held solidarity liable.

The lower court ruled further that if for any reason the transfer of the lots could not be effected, the defendants

would be solidarity liable to the Ventanillas for reimbursement of the sum of P73,122.35, representing the amount paid for the two lots, and legal interest thereon from March 1970, plus the decreed damages and attorney's fees. Valencia was also held liable to MRCI for moral and exemplary damages and attorney's fees.

From this decision, separate appeals were filed by Valencia and MRCI. The appellate court, however, sustained the trial court in toto.

MRCI then filed before this Court a petition for certiorari to review the portion of the decision of the Court of Appeals upholding the solidary liability of MRCI, AUVCI and Carlos Crisostomo for the payment of moral and exemplary damages and attorney's fees to the Ventanillas.

On November 22, 1990, this Court affirmed the decision by the Court of Appeals and declared the judgment of the trial court immediately executory.

The Present Case

On January 25, 1991, the spouses Ventanilla filed with the trial court a motion for the issuance of a writ of execution in Civil Case No. 26411. The writ was issued on May 3, 1991, and served upon MRCI on May 9, 1991.

In a manifestation and motion filed by MRCI with the trial court on May 24, 1991, the petitioner alleged that the subject properties could not be delivered to the Ventanillas because they had already been sold to Samuel Marquez on February 7, 1990, while their petition was pending in this Court. Nevertheless, MRCI offered to reimburse the amount paid by the respondents, including legal interest plus the aforestated damages. MRCI also prayed that its tender of payment be accepted and all garnishments on their accounts lifted.

The Ventanillas accepted the amount of P210,000.00 as damages and attorney's fees but opposed the reimbursement offered by MRCI in lieu of the execution of the absolute deed of sale. They contended that the alleged sale to Samuel Marquez was void, fraudulent, and in contempt of court and that no claim of ownership over the properties in question had ever been made by Marquez.

On July 19, 1991, Judge Elsie Ligot-Telan issued the following order:

"To ensure that there is enough amount to cover the value of the lots involved if transfer thereof to plaintiff may no longer be effected, pending litigation of said issue, the garnishment made by the Sheriff upon the bank account of Manila Remnant may be lifted only upon the deposit to the Court of the amount of P500,000.00 in cash."

MRCI then filed a manifestation and motion for reconsideration praying that it be ordered to reimburse the Ventanillas in the amount of P263,074.10 and that the garnishment of its bank deposit be lifted. This motion was denied by the trial court in its order dated September 30, 1991. A second manifestation and motion filed by MRCI was denied on December 18, 1991. The trial court also required MRCI to show cause why it should not be cited for contempt for disobedience of its judgment.

These orders were questioned by MRCI in a petition for certiorari before the respondent court on the ground that they were issued with grave abuse of discretion.

The Court of Appeals ruled that the contract to sell in favor of Marquez did not constitute a legal impediment to the immediate execution of the judgment. Furthermore, the cash bond fixed by the trial court for the lifting of the garnishment was fair and reasonable because the value of the lot in question had increased considerably. The appellate court also set aside the show-cause order and held that the trial court should have proceeded under Section 10, Rule 39 of the Rules of Court and not Section 9 thereof.[1]

In the petition now before us, it is submitted that the trial court and the Court of Appeals committed certain reversible errors to the prejudice of MRCI.

The petitioner contends that the trial court may not enforce its garnishment order after the monetary judgment for damages had already been satisfied and the amount for reimbursement had already been deposited with the sheriff. Garnishment as a remedy is intended to secure the payment of a judgment debt when a well-founded belief exists that the erring party will abscond or deliberately render the execution of the judgment nugatory. As there is no such situation in this case, there is no need for a garnishment order.

It is also averred that the trial court gravely abused its discretion when it arbitrarily fixed the amount of the cash bond for the lifting of the garnishment order at P500,000.00.

MRCI further maintains that the sale to Samuel Marquez was valid and constitutes a legal impediment to the execution of the absolute deed of sale to the Ventanillas. At the time of the sale to Marquez, the issue of the validity of the sale to the Ventanillas had not yet been resolved. Furthermore, there was no specific injunction against the petitioner re-selling the property.

Lastly, the petitioner insists that Marquez was a buyer in good faith and had a right to rely on the recitals in the certificate of title. The subject matter of the controversy having passed to an innocent purchaser for value, the respondent court erred in ordering the execution of the absolute deed of sale in favor of the Ventanillas.

For their part, the respondents argue that the validity of the sale to them had already been established even while the previous petition was still pending resolution. That petition only questioned the solidary liability of MRCI to the Ventanillas. The portion of the decision ordering the MRCI to execute an absolute deed of sale in favor of the Ventanillas became final and executory when the petitioner failed to appeal it to the Supreme Court. There was no need then for an order enjoining the petitioner from re-selling the property in litigation.

They also point to the unusual lack of interest of Marquez in protecting and asserting his right to the disputed property, a clear indication that the alleged sale to him was merely a ploy of the petitioner to evade the execution of the absolute deed of sale in their favor.

The petition must fail.

The validity of the contract to sell in favor of the Ventanilla spouses is not disputed by the parties. Even in the previous petition, the recognition of that contract was not assigned as error of either the trial court or appellate court. The fact that the MRCI did not question the legality of the award for damages to the Ventanillas also shows that it even then already acknowledged the validity of the contract to sell in favor of the private respondents.

On top of all this, there are other circumstances that cast suspicion on the validity, not to say the very existence, of the contract with Marquez.

First, the contract to sell in favor of Marquez was entered into after the lapse of almost ten years from the rendition of the judgment of the trial court upholding the sale to the Ventanillas.

Second, the petitioner did not invoke the contract with Marquez during the hearing on the motion for the issuance of the writ of execution filed by the private respondents. It disclosed the contract only after the writ of execution had been served upon it.

Third, in its manifestation and motion dated December 21, 1990, the petitioner said it was ready to deliver the titles to the Ventanillas provided that their counterclaims against the private respondents were paid or offset first. There was no mention of the contract to sell with Marquez on February 7, 1990.

Fourth, Marquez has not intervened in any of these proceedings to assert and protect his rights to the subject property as an alleged purchaser in good faith.

At any rate, even if it be assumed that the contract to sell in favor of Marquez is valid, it cannot prevail over the final and executory judgment ordering MRCI to execute an absolute deed of sale in favor of the Ventanillas. No less importantly, the records do not show that Marquez has already paid the supposed balance amounting to P616,000.00 of the original price of over P800,000.00.[2]

The Court notes that the petitioner stands to benefit more from the supposed contract with Marquez than from the contract with the Ventanillas with the agreed price of only P66,571.00. Even if it paid the P210,000.00 damages to the private respondents as decreed by the trial court, the petitioner would still earn more profit if the Marquez contract were to be sustained.

We come now to the order of the trial court requiring the posting of the sum of P500,000.00 for the lifting of its garnishment order.

While the petitioners have readily complied with the order of the trial court for the payment of damages to the Ventanillas, they have, however, refused to execute the absolute deed of sale. It was for the purpose of ensuring their compliance with this portion of the judgment that the trial court issued the garnishment order which by its terms could be lifted only upon the filing of a cash bond of P500,000.00.

The petitioner questions the propriety of this order on the ground that it has already partially complied with the judgment and that it has always expressed its willingness to reimburse the amount paid by the respondents. It says that there is no need for a garnishment order because it is willing to reimburse the Ventanillas in lieu of execution of the absolute deed of sale.

The alternative judgment of reimbursement is applicable only if the conveyance of the lots is not possible, but it has not been shown that there is an obstacle to such conveyance. As the main obligation of the petitioner is to execute the absolute deed of sale in favor of the Ventanillas, its unjustified refusal to do so warranted the issuance of the garnishment order.

Garnishment is a species of attachment for reaching credits belonging to the judgment debtor and owing to him from a stranger to the litigation.[3] It is an attachment by means of which the plaintiff seeks to subject to his claim property of the defendant in the hands of a third person or money owed by such third person or garnishee to the defendant.[4] The rules on attachment also apply to garnishment proceedings.

A garnishment order shall be lifted if it established that:

- (a) the party whose accounts have been garnished has posted a counterbond or has made the requisite cash deposit;[5]
- (b) the order was improperly or irregularly issued[6] as where there is no ground for garnishment[7] or the affidavit and/or bond filed therefor are defective or insufficient;[8]
- (c) the property attached is exempt from execution, hence exempt from preliminary attachment[9] or
- (d) the judgment is rendered against the attaching or garnishing creditor.[10]

Partial execution of the judgment is not included in the above enumeration of the legal grounds for the discharge of a garnishment order. Neither does the petitioner's willingness to reimburse render the garnishment order unnecessary. As for the counterbond, the lower court did not err when it fixed the same at P500,000.00. As correctly pointed out by the respondent court, that amount corresponds to the current fair market value of the

property in litigation and was a reasonable basis for determining the amount of the counterbond.

Regarding the refusal of the petitioner to execute the absolute deed of sale, Section 10 of Rule 39 of the Rules of Court reads as follows:

Sec. 10. Judgment for specific acts; vesting title - If a judgment directs a party to execute a conveyance of land, or to deliver deeds or other documents, or to perform any other specific act, and the party fails to comply within the time specified, the court may direct the act to be done at the cost of the disobedient party by some other person appointed by the court and the act when so done shall have like effect as if done by the party. If real or personal property is within the Philippines, the court in lieu of directing a conveyance thereof may enter judgment divesting the title of any party and vesting it in others and such judgment shall have the force and effect of a conveyance executed in due form of law.

Against the unjustified refusal of the petitioner to accept payment of the balance of the contract price, the remedy of the respondents is consignation, conformably to the following provisions of the Civil Code:

Art. 1256. If the creditor to whom tender of payment has been made refuses without just cause to accept it, the debtor shall be released from responsibility by the consignation of the thing or sum due. x x x

Art. 1258. Consignation shall be made by depositing the things due at the disposal of the judicial authority, before whom the tender of payment shall be proved, in a proper case, and the announcement of the consignation in other cases.

The consignation having been made, the interested parties shall also be notified thereof.

Art. 1260. Once the consignation has been duly made, the debtor may ask the judge to order the cancellation of the obligation.

Accordingly, upon consignation by the Ventanillas of the sum due, the trial court may enter judgment canceling the title of the petitioner over the property and transferring the same to the respondents. This judgment shall have the same force and effect as a conveyance duly executed in accordance with the requirements of the law.

In sum, we find that:

1. No legal impediment exists to the execution, either by the petitioner or the trial court, of an absolute deed of sale of the subject property in favor of the respondent Ventanillas; and
2. The lower court did not abuse its discretion when it required the posting of a P500,000.00 cash bond for the lifting of the garnishment order.

WHEREFORE, the petition is DENIED and the challenged decision of the Court of Appeals is AFFIRMED in toto, with costs against the petitioner. It is so ordered.

Davide, Jr., Bellosillo, Quason, and Kapunan, JJ., concur.

[1] Penned by Court of Appeals Associate Justice Gloria C. Paras, with Associate Justices Asaali S. Isnani and Ricardo Galvez, concurring.

[2] Rollo, pp. 69-73.

[3] Francisco, *The Revised Rules of Court in the Philippines*, Vol. IV-A, 1971, p. 11.

[4] *Ibid.* at p. 12.

[5] Section 12, Rule 57, Rules of Court.

[6] Section 13, *ibid.*

[7] Section 1, *ibid.*

[8] Section 3, *ibid.*

[9] Sections 2 and 5, *ibid.*

[10] Section 19, *ibid.*

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