

DELFIN MONTANO, PLAINTIFF AND APPELLEE VS. JOSE LIM ANG, ET AL., DEFENDANTS. ANGEL M. TINIO, THIRD-PARTY PLAINTIFF AND APPELLANT, VS. MANILA TRADING AND SUPPLY COMPANY, THIRD-PA...*G.R. No. 13057. February 27, 1963*

Ponente: BAUTISTA ANGELO, J.

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Delfin Montano brought to the Philippines from the United States a Cadillac car which he registered in his name in the Motor Vehicles Office and for which he obtained a certificate of registration. On May 30, 1952, he sold the car to Jose Lim Ang and his wife Teodora A. Gonzales for the sum of P28,000.00, payable in installments, for which the latter executed a promissory note. Having paid part of the price, said spouses executed on the same date a chattel mortgage on the car in favor of Montano to guarantee the payment of the balance. Because Montano did not want to transfer the registration certificate to Jose Lim Ang before the registration of the mortgage, the latter was registered in the office of the register of deeds on June 4, 1952, but Montano failed to notify the Motor Vehicles Office of the execution of the mortgage pursuant to the requirement of Section 5(e) of Act No. 3992, known as the Revised Motor Vehicles Law.

On June 12, 1952, Jose Lim Ang transferred the registration certificate to Eugenio Villanueva. On June 18, 1952, Villanueva sold the car to Amador D. Santos for P25,000.00, transferring to the latter the registration certificate. On the same date, Santos sold the car to the Manila Trading & Supply Company for P25,000.00, and on the same date this company sold the car to Angel M. Tinio for P26,000.00. Tinio made a down payment of P12,000.00 and for the balance he executed a promissory note which he assumed to pay in monthly installments. He also executed a chattel mortgage on the same car to secure the payment of the promissory note. This mortgage was registered both in the office of the register of deeds as well as in the Motor Vehicles Office. After paying his obligation in full, the mortgage executed by Tinio in favor of the Manila Trading & Supply Company was cancelled, and as a consequence he secured the transfer to his name of the certificate of registration from the Motor Vehicles Office. None of the transferees took the trouble of investigating from whom Jose Lim Ang had acquired the Cadillac car, and neither did any of them investigate in the office of the register of deeds if there was any incumbrance existing thereon.

Jose Lim Ang failed to pay the balance of the purchase price to Montano in spite of the latter's demand and so on December 8, 1952 Montano requested the sheriff of Manila to sell the car in accordance with the conditions agreed upon in the chattel mortgage. Having found, however, that the car was no longer in the possession of Lim Ang but in that of Angel M. Tinio who claimed ownership thereof, on July 8, 1953 Montano commenced the present action of replevin before the Court of First Instance of Manila against spouses Jose Lim Ang and Teodora A. Gonzales and Angel M. Tinio to recover the ownership and possession of the car in question (Civil Case No. 1998).

In order to obtain possession of the car, Montano put up a bond in the amount of P30,000.00 and, accordingly, on July 11, 1953 an order for the seizure of the car was issued by the trial court. The sheriff hauled the car from Tinio's garage only to return the same on the promise of Tinio to post a counterbond to enable him to retain possession thereof. In effect, Tinio posted a counterbond in the amount of P30,000.00, and forthwith filed a third-party complaint in the same case against the Marila Trading & Supply Company from which he bought the car in question. This company in turn filed a fourth-party complaint against Amador D. Santos, who in turn brought into the case as defendants Marciano and Eugenio Villanueva. The Villanuevas filed a cross-claim against Jose Lim Ang and his wife Teodora A. Gonzales. On March 29, 1954, these spouses were declared in default for their failure to answer Montano's complaint within the reglementary period.

Meanwhile, during the pendency of the replevin case, it was brought to the attention of the court a quo that on May 15, 1953, at the instance of Montano, the aforesaid spouses were accused of estafa under Article 319, paragraph 2, of the Revised Penal Code for having sold the car in question without the consent of Montano notwithstanding the existence thereon of the chattel mortgage (Criminal Case No. 22627); that Atty. Abraham Sarmiento, Montano's counsel in the replevin case, appeared as private prosecutor in the criminal case; and that having been awarded an indemnity, in the amount of P7,875.00 which is the same amount Montano seeks to recover in the civil case, said award has the effect of a waiver on his part to further prosecute the same.

On September 24, 1955, the court a quo rendered decision the dispositive part of which reads:

"(a) The court orders defendants Jose Lim Ang, Teodora A. Gonzales and Angel M. Tinio to deliver the car in question to plaintiff Delfin Montano or to pay jointly and severally to plaintiff Delfin Montano the sum of P6,000.00 plus 12% interest per annum from August 15, 1952, until the amount is fully paid with costs;

"(b) The court orders Manila Trading & Supply Co. to reimburse defendant and third-party plaintiff Angel M. Tinio the amount of P6,000.00 plus interest at the rate of 12% per annum from August 15, 1952, until the said amount is fully paid with costs. This amount of reimbursement shall be made by Manila Trading & Supply Co. even if defendant and third-party plaintiff Angel M. Tinio delivers the car back to plaintiff Delfin Montano. If Angel M. Tinio elects to return the car to Delfin Montano instead of paying him the sum of P6,000.00 plus 12% interest per annum, the value of the car must have been reduced to P6,000.00 only, or less, due to its use. Manila Trading & Supply Co. as third-party defendant shall also pay to defendant Angel M. Tinio as third-party plaintiff the sum of P3,000.00 for damages actual and moral, expenses so far incurred by him in defending himself in this case, and attorney's fees;

"(c) The court orders fourth-party defendant Amador D. Santos to reimburse to fourth-party plaintiff Manila Trading & Supply Co. the sum of P6 000.00, plus 12% interest per annum from August 15, 1952, until this sum is paid by Manila Trading & Supply Co. to defendant and third-party plaintiff Angel M. Tinio, plus costs. No reimbursement for damages and attorney's fees is ordered because Manila Trading & Supply Co. waived damages and attorney's fees from Amador D. Santos;

"(d) The court orders defendant spouses Jose Lim Ang and Teodora A. Gonzales to pay jointly and severally to Amador D. Santos, as reimbursement, all sums the said Amador D. Santos shall have paid Manila Trading & Supply Co. in compliance with this decision.

"Fifth-party defendants Marciano Villanueva and Eugenio Villanueva are absolved from the fifth-party complaint of Amador D. Santos because the evidence is conclusive that Eugenio Villanueva acted as dummy only of Jose Lim Ang. Amador D. Santos himself testified expressly and positively that he refused to buy the car in question unless it was transferred to the Villanuevas. Fifth-party defendants Eugenio Villanueva and Marciano Villanueva conclusively proved that they received not a cent of the price of the car in question from Amador D. Santos. The sum of P11, 228.50, for which Amador D. Santos extended a promissory note and which was paid by him the following day, was the price of Eugenio Villanueva's Oldsmobile car. The

Villanuevas conclusively established that on June 18, 1953, when the car in question was sold to Amador D. Santos, Eugenio Villanueva signer the deed of sale in order to get the payment for his Oldsmobile car."

Their motions for reconsideration having been denied, defendant and third-party plaintiff Angel M. Tinio, third-party defendant and fourth-party plaintiff Manila Trading & Supply Company, fourth-party defendant and fifth-party plaintiff Amador D. Santos, fifth-party defendants and cross-claimants Marciano Villanueva and Eugenio Villanueva appealed to the Court of Appeals. The case is now before us upon certification of the Court of Appeals on the ground that only questions of law are involved.

Amador D. Santos died during the pendency of this case and so he was substituted by his wife Dolores L. Santos, special administratrix of his estate.

The issues posed in this appeal are: (1) whether or not the chattel mortgage executed by Jose Lim Ang and his wife Teodora A. Gonzales on May 30, 1952 before the car was actually registered in their name is valid and regular; (2) whether or not the chattel mortgage executed by Jose Lim Ang and Teodora A. Gonzales in favor of Delfin Montano is binding against third persons even if they failed to give notice thereof to the Motor Vehicles Office as required, by Section 5(c) of the Revised Motor Vehicles Law; and (3) whether or not the intervention of Montano in the prosecution of the criminal case against Jose Lim Ang and his wife for estafa under Article 319, paragraph 2, of the Revised Penal Code wherein he was awarded an indemnity of P7,875.00 constitutes a waiver of his right to foreclose the chattel mortgage executed by said spouses on the car in question.

Anent the first issue, appellants maintain the negative. They aver that since the chattel mortgage was executed on May 30, 1952 and the transfer of the registration certificate was made only on June 7, 1952, said mortgage is invalid because the mortgagors were not yet the owners of the car when the mortgage was executed. They bolster up their claim by invoking the testimony of Montano to the effect that on May 31, 1952 he still considered himself owner of the car because he intended to transfer its ownership to the mortgagors only after the registration of the mortgage in the office of register of deeds.

This contention is untenable. It is not disputed that Montano agreed to sell and the spouses Ang agreed to buy the car for P28,000.00 for which a promissory note was executed and that to guarantee the same the spouses executed a chattel mortgage and took possession of the car sold. It is therefore safe to conclude that at the time of the sale wherein the parties agreed over the car and the price, the contract became perfected, and when part of the purchase price was paid and the car was delivered upon the execution of the promissory note and the mortgage, the sale became consummated.[1] The fact that the registration certificate of the car has not as yet been transmitted to the purchasers when the mortgage was constituted is of no moment for, as this Court well said: "The registry of the transfer of automobiles and of the certificates of license for their use in the Bureau of Public Works (now Motor Vehicles Office) merely constitutes an administrative proceeding which does not bear any essential relation to the contract of sale entered into between the parties." [2] At any rate, this flaw, if any, is deemed to have been cured when after the registration of the mortgage the registration certificate was transferred to the purchasers on June 4, 1952.

The second issue raised is not new. In a similar case decided by this Court, we said: "A mortgage in order to affect third persons should not only be registered in the Chattel Mortgage Registry, but the same should also be recorded in the Motor Vehicles Office as required by section 5(e) of the Revised Motor Vehicles Law: And the failure of the respondent mortgagee to report the mortgage executed in its favor had the effect of making said mortgage ineffective against Borlough, who had his purchase registered in the said Motor Vehicles Offices." [3] Adopting this view in our case the inevitable conclusion is that as between Montano whose mortgage over the car was not recorded in the Motor Vehicles Office and Angel M. Tinio who notified said office of his purchase and registered the car in his name, the latter is entitled to preference considering that the mere registration of the

chattel mortgage in the office of the register of deeds is in itself not sufficient to hold it binding against third persons.

Having reached the foregoing conclusion, we deem it unnecessary to discuss the third issue relative to Montano's intervention in Criminal Case No. 22627.

With regard to the claim for damages of Angel M. Tinio, we find no factual basis to grant the same it appearing that Montano filed the present case merely to protect his interest.

Wherefore, the decision appealed from is affirmed insofar as it orders defendants Jose Lim Ang and his wife Teodora A. Gonzales to pay Delfin Montano the sum of P6,000.00, plus 12% interest thereon per annum from August 15, 1952 until it is fully paid.

The rest of the decision is reversed, without pronouncement as to costs.

Bengzon, C.J., Padilla, Labrador, Concepcion, J. B. L., Barrera, Paredes, Dizon, Regala, and Makalintal, JJ., concur.

[1] Articles 1475, 1477, 1496 and 1497, Civil Code; De Santos, et al. vs. The Secretary of Agriculture and Natural Resources ,et al., 48 Off. Gaz., No. 8, p. 3367; Pilar Gil Vda. do Murciano vs. The Auditor General, et al., 103 Phil., 907.

[2] Chinchilla vs. Rafel and Verdaguer, 39 Phil., 888.

[3] Borlough vs. Fortune Enterprises, Inc., et al., 100 Phil., 1063

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