

**SPOUSES ELISEO MALOLOS AND VIRGINIA C. MALOLOS,
PETITIONERS, VS. AIDA S. DY, IN HER CAPACITY AS ASSIGNEE OF
MARIETTA M. VALENZUELA, RESPONDENT.**

G.R. No. 132555. February 17, 2000

Ponente: KAPUNAN, J.

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KAPUNAN, J.:

The facts of this case are undisputed. Petitioners adopt the following narration of the antecedent proceedings by the Court of Appeals:

On November 28, 1994, a petition for involuntary insolvency was filed by several creditors of Marieta M. Valenzuela with the Regional Trial Court (RTC) of Pasig, Branch 160, and docketed therein as Special Proceedings No. 10470. On February 28, 1995, the RTC of Pasig issued an order in said case which inter alia declared Marieta Valenzuela insolvent and directed that:

"Meanwhile, all civil proceedings pending against the insolvent are hereby stayed."

The herein petitioner [respondent herein], through her counsel, was appointed as assignee of Marieta M. Valenzuela, by virtue of an order of the same court dated November 29, 1995, as amended by the Order of March 22, 1996 in SP No. 10479.

Meanwhile, on January 9, 1995, private respondents [herein petitioners] instituted before the respondent court Civil Case No. Q-95-22618, entitled "Spouses Eliseo and Virginia Malolos, Plaintiffs, v. Spouses Felipe and Marieta Valenzuela, Defendants" for sum of money. After the service of summons by publication, the defendants therein (spouses Valenzuela) were declared in default and the plaintiffs (spouses Malolos, herein private respondents) were allowed to present their evidence ex-parte. On June 23, 1995, on the basis of the plaintiffs' ex-parte evidence, the public respondent rendered its Decision therein with the following pronouncement:

The claim of the plaintiffs having been established and proved by evidence, judgment is hereby rendered in favor (sic) the plaintiffs and against defendants spouses Felipe M. Valenzuela and Marieta Valenzuela ordering the latter, jointly and solidarily, to pay the former the sum of Three Million (P3,000,000.00) Pesos, with interest thereon at the rate of 3% a month commencing on December 5, 1994 until fully paid; the sum of P30,000 as and for attorney's fees; and the costs of suit.

"Let a copy of this Decision be published at the expense of the plaintiffs in any newspaper of general circulation in the Philippines, to be selected by raffle, once a week for two (2) consecutive weeks.

"SO ORDERED."

On October 16, 1995, upon motion of the plaintiffs in CC Q-95-22618 (private respondents herein), the respondent court issued a writ of execution. A Notice of Sheriff's Sale was subsequently issued, setting the sale at public auction of certain real properties of the defendants therein on December 5, 1995. This came to the knowledge of the herein petitioner sometime in the middle part of December 1995.

In SP No. 10479, the petitioner, who is the largest single creditor of Marieta Valenzuela and who had been nominated and chosen by the other creditors to be the assignee of Marieta Valenzuela's properties, filed with the RTC Pasig an Urgent Motion for Appointment As Assignee to enable her to take the necessary steps for the protection of the insolvent's estate, including the properties subject of the Notice of Sheriff's Sale in CC No. Q-95-22618, furnishing the public respondent a copy thereof. The same was granted and on January 3, 1996, petitioner received her copy of the Order dated November 29, 1995 of the RTC Pasig appointing her as the assignee of Marieta Valenzuela. On February 14, 1996, petitioner filed with the public respondent in CC No. Q-95-22618 a Manifestation and Motion to Set Aside Judgment and/or To Suspend Proceedings as Against Defendant Valenzuela, premised on the following:

1)

Marieta Valenzuela has been judicially declared an insolvent in Sp. Proceedings No. 10479 by the RTC of Pasig, Branch 160, as early as February 28, 1995.

2)

The petition for involuntary insolvency of Marieta Valenzuela was filed on 28 November 1994, or long before the filing of the Civil Case No. Q-95-22618 on 09 January 1995.

3)

The proceedings in said civil case should be vacated, stayed and/or suspended with respect to defendant Marieta Valenzuela, pursuant to the orders of the insolvency court (in Sp. Proc. No. 10470) as well as the provisions of Act No. 1956, as amended, otherwise known as the "Insolvency Law."

On September 2, 1996, the respondent court issued the first assailed order with the following tenor:

"Before this court is a motion and manifestation (1) to set aside the judgment of this court and (2) to suspend proceedings as against defendant Marieta Valenzuela filed by movant Aida S. Dy, in her capacity as Assignee of Marieta M. Valenzuela.

"The assignee posits that in Special Proceedings No. 10479 filed with the Regional Trial Court, Branch 160, Pasig City, as early as 28 February 1995, defendant Marieta M. Valenzuela was judicially declared insolvent; that the petition for involuntary insolvency of Marieta Valenzuela was filed on November 28, 1994, long before the filing of the instant case on January 9, 1995. Hence, the proceedings in the instant case should be vacated, stayed and/or suspended, with respect to defendant Marieta Valenzuela, pursuant to the Orders of the Insolvency Court as well as the provisions of Act No. 1956, as amended, otherwise known as 'The Insolvency Law'. On the other hand, plaintiffs interposed vigorous opposition thereto and averred that the aforesaid case was instituted only against defendant Marieta Valenzuela, no mention was ever made against her husband; while in (sic) the case before this court is against both spouses for collection of the sum of P3,000,000.00. The decision in the instant case had already been rendered and which became final and executory. As a consequence, two (2) real estate of the said defendants were sold at a public auction; that the parcel of land covered and embraced in T.C.T. No. 452076 was acquired by the plaintiffs herein and the other one described as Condominium Unit, was purchased by one Mario Pangilinan, as highest bidders thereof. These properties are conjugal properties of the herein defendants; that the petition for insolvency was filed against Marieta Valenzuela only, excluding her husband Felipe Valenzuela.

"Moreover, it could hardly be said that plaintiffs herein knew of the filing of the insolvency case by the mere fact that the latter was docketed ahead of the instant case, since the insolvency case was filed before the Regional Trial Court, NCJR, Branch 60, Pasig City, Metro Manila, a fact which this court cannot take judicial notice of.

"Wherefore, premises considered, the court hereby resolves to deny the assignee's manifestation and motion.

"SO ORDERED."

A Motion for Reconsideration of said order was seasonably filed by the petitioner. The same was opposed by the private respondent. On November 18, 1996, the respondent court issued the second assailed order, denying the said motion.[1]

Respondent thus filed a special civil action for certiorari before the Court of Appeals (CA). The appellate court found the petition meritorious. The CA held that the claim of petitioners against the Valenzuela spouses should not have been allowed to proceed in view of the order of the insolvency court directing the stay of all civil proceedings against Marietta Valenzuela. This order was made pursuant to Sections 24[2] and 60[3] of the Insolvency Law. The CA also noted that the insolvency court ordered the Sheriff of the Pasig RTC to take possession of all the property of Marietta Valenzuela, except those exempt from execution. Such order, according to the CA, had the effect of putting such properties in custodia legis. Moreover, upon the appointment of respondent as assignee of the insolvent, the sheriff was supposed to deliver to respondent all the property of the insolvent under the sheriff's possession thereby vesting upon such assignee all the property. Finally, the CA applied by analogy this Court's ruling in *Ong vs. Court of Appeals*,[4] where we held that all claims against the insolvent bank should be filed in the liquidation proceedings.

In sum, the CA found the Quezon City RTC to have acted with grave abuse of discretion in proceeding with Civil Case Q-95-22618 and in issuing the assailed order and resolution. The CA disposed of the petition as follows:

WHEREFORE, the Order dated September 2, 1996 and Resolution dated November 18, 1996, as well as all proceedings held in Civil Case No. Q-95-22618 before the respondent court are hereby declared NULL and VOID and OF NO FORCE AND EFFECT. The writ of execution and sheriff's sale conducted thereunder are SET ASIDE and declared VOID for having been rendered without jurisdiction.

SO ORDERED.[5]

Petitioners filed a motion for reconsideration of the above-cited decision, but the same was denied by the Court of Appeals in its Resolution dated January 30, 1998.

Hence, this petition for review.

Petitioners question, among others, the adequacy of the manifestation and motion filed by respondent in the RTC to assail the judgment rendered thereby, which was not only final and executory, but in fact already executed. Respondent's motion, petitioners point out, could not be regarded as one for intervention since the requisites thereof under Rule 19 of the Rules of Court were not complied with. Neither can the motion be considered a motion for reconsideration under Rule 37, the same having been filed beyond the allowed period. Nor can it be deemed a petition for relief under Rule 38 for the motion is not based on fraud, accident, mistake or excusable negligence.

We agree with petitioners that respondent's motion was inadequate to set aside the decision of the RTC, and the execution proceedings conducted pursuant thereto, when the judgment had already been satisfied. It is axiomatic that after a judgment has been fully satisfied, the case is deemed terminated once and for all.[6] Even in a case[7] involving a judgment that was only partially satisfied, this Court held that the trial court had lost its jurisdiction over the part of the proceedings involving the auction of the properties representing the amount already satisfied. We ratiocinated, thus:

The general rule is "A case in which an execution has been issued is regarded as still pending so that all proceedings on the execution are proceedings in the suit. There is no question that the court which rendered the

judgment has a general supervisory control over its process of execution, and this power carries with it the right to determine every question of fact and law which may be involved in the execution." (Vda. De Paman v. Señeris, 115 SCRA 709). Moreover, it has been stated that it is "when the judgment has been satisfied that the same passes beyond review, for satisfaction thereof is the last act and end of the proceedings. Payment produces permanent and irrevocable discharge." (Moran, Comments on the Rules of Court, 1979 ed. Vol. II, p. 405).

x x x

It is to be emphasized, however, that the petitioners [the defendants] at this stage of the proceedings may no longer question the propriety of the P462,000.00 bid of the private respondents [the plaintiffs] in relation to the properties sold at public auction. xxx.

Moreover, a certificate of sale on these properties in favor of the private respondents had already been issued on April 12, 1983 for a partial satisfaction of the judgment. In effect, this part of the judgment, having been satisfied, has passed beyond review. It is this part of the execution proceedings involving the auction sale of the levied properties in the amount of P462,000.00 over which the trial court has lost its jurisdiction xxx.

In this case, it appears that the decision of the RTC had already been fully executed and satisfied when respondent filed her Manifestation and Motion to Set Aside Judgment and/or To Suspend Proceedings. A parcel of land covered by TCT No. 452076 was acquired by petitioners in public auction. Likewise, a condominium unit had been purchased also at public auction by one Mario Pangilinan as the highest bidder thereof. Hence, the trial court had already lost jurisdiction over the execution proceedings, and the sale of these properties could no longer be questioned therein. Indeed, there are no more proceedings to speak of inasmuch as these were terminated by the satisfaction of the judgment. Respondent's motion is simply not the proper remedy either to question the judgment of the RTC, or the execution thereof.

The remedy of respondent is to file an action to annul the judgment on the ground of either extrinsic fraud or lack of jurisdiction. In *Islamic Da'Wah Council vs. Court of Appeals*,^[8] we held that this remedy may be availed of even by those who are not parties to the judgment and to annul even judgments that have already been fully executed.

WHEREFORE, the petition is given DUE COURSE and the decision of the Court of Appeals dated October 22, 1997 SET ASIDE, as well as its resolution dated February 11, 1998, SET ASIDE. The decision of the RTC of Quezon City dated June 23, 1995 and its orders of September 2, 1996 and November 18, 1996 are REINSTATED and the writ of execution and the Sheriff's sale conducted thereunder are declared VALID.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Pardo, and Ynares-Santiago, JJ., concur.

[1] Rollo, pp. 70-73.

[2] Section 24 of Act No. 1956 provides, among other things, that upon the granting of the order adjudging the respondent an insolvent debtor, all civil proceedings pending against the said insolvent shall be stayed.

[3] The pertinent portion of Section 60 of the same law states, "No creditor whose debt is provable under this Act shall be allowed, after the commencement of proceedings in insolvency, to prosecute to final judgment any action thereon against the debtor until the question of the debtor's discharge shall have been determined, and any such suit or proceeding, shall upon the application of the debtor or of any creditor, or the assignee, be stayed to await

the determination of the court on the question of discharge: Provided, That if the amount due the creditor is in dispute, the suit, by leave of the court in insolvency, may proceed to judgment for the purpose of ascertaining the amount due, which amount, when adjudged, may be allowed in the insolvency proceedings, but execution shall be stayed as aforesaid."

[4] 253 SCRA 105 (1996).

[5] Rollo, p. 79.

[6] Freeman, Inc. vs. Securities and Exchange Commission, 233 SCRA 735 (1994).

[7] Seavan Carrier, Inc. vs. GTI Sportswear Corporation, 137 SCRA 580 (1985).

[8] 178 SCRA 178 (1989).

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