

**SPOUSES EFREN N. RIGOR AND ZOSIMA D. RIGOR, FOR THEMSELVES
AND AS OWNERS OF CHIARA CONSTRUCTION, PETITIONERS, VS.
CONSOLIDATED ORIX LEASING AND FINANCE CORPORATION,
RESPONDENT.**

G.R. No. 136423. August 20, 2002

Ponente: CARPIO, J.

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CARPIO, J.:

This is a petition for review of the decision[1] of the Court of Appeals in CA-G.R. SP No. 48415 affirming the orders[2] dated June 3, 1998 and July 15, 1998 of the Regional Trial Court of Dagupan City, Branch 41. These orders denied for lack of merit the motion to dismiss filed by petitioner Chiara Construction, owned by the spouses Efren and Zosima Rigor (“Petitioners” for brevity), in Civil Case No. 98-02067 of the same Regional Trial Court.

The Facts

Petitioners obtained a loan from private respondent Consolidated Orix Leasing and Finance Corporation[3] (“Private Respondent” for brevity) in the amount of P1,630,320.00. Petitioners executed a promissory note on July 31, 1996 promising to pay the loan in 24 equal monthly installments of P67,930.00 every fifth day of the month commencing on September 5, 1996.[4] The promissory note also provides that default in paying any installment renders the entire unpaid amount due and payable. To secure payment of the loan, petitioners executed in favor of private respondent a deed of chattel mortgage over two dump trucks.[5]

Petitioners failed to pay several installments despite demand from private respondent. On January 5, 1998, private respondent sought to foreclose the chattel mortgage by filing a complaint for Replevin with Damages against petitioners before the Regional Trial Court of Dagupan City (“Dagupan trial court” for brevity). After service of summons, petitioners moved to dismiss the complaint on the ground of improper venue based on a provision in the promissory note which states that, “x x x all legal actions arising out of this note or in connection with the chattels subject hereof shall only be brought in or submitted to the proper court in Makati City, Philippines.”

Private respondent opposed the motion to dismiss and argued that venue was properly laid in Dagupan City where it has a branch office based on a provision in the deed of chattel mortgage which states that, “x x x in case of litigation arising out of the transaction that gave rise to this contract, complete jurisdiction is given the proper court of the city of Makati or any proper court within the province of Rizal, or any court in the city, or province where the holder/mortgagee has a branch office, waiving for this purpose any proper venue.”

After a further exchange of pleadings, the Dagupan trial court denied petitioners’ motion to dismiss in an Order dated June 3, 1998.[6] On July 15, 1998, the Dagupan trial court denied their motion to reconsider the Order of June 3, 1998.[7]

Not satisfied with the orders, petitioners filed a petition for certiorari before the Court of Appeals imputing grave

abuse of discretion by the Dagupan trial court in denying the motion to dismiss. On October 19, 1998, the Court of Appeals rendered the decision denying due course and dismissing the petition. On November 27, 1998, the Court of Appeals issued a resolution denying the motion for reconsideration.

Hence, the instant petition.

The Ruling of the Court of Appeals

In dismissing the petition, the Court of Appeals ruled as follows:

“Records reveal that Chiara executed the Promissory Note in favor of Consolidated secured by a Chattel Mortgage over two (2) motor vehicles. Conformably, failure to comply with the obligations under the Promissory Note entitles Consolidated to the possession of the mortgaged chattels or motor vehicles for purposes of foreclosure to satisfy the loan obligation. It is for this reason that the action commenced by Consolidated is for Replevin and damages with an alternative prayer for the defendants to pay the outstanding amount in the event manual delivery of the motor vehicles involved cannot be effected. In plain language, the action commenced before the respondent court is principally based both on the Promissory Note and the Chattel Mortgage, so much so, that it becomes essentially imperative to interpret and give effect to all the provisions of the two actionable documents.

In this wise, both the Promissory Note and the Chattel Mortgage should be treated as a singular contract with one complementing the other. Appropriately, Article 1374 provides:

‘Art. 1374. The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.’

And in giving meaning to the contract, an interpretation of all its provisions must be adopted as will give effect to all. The stipulations of the contract shall be interpreted together attributing to the doubtful ones that sense which may result from all of them taken jointly [Layug vs. Intermediate Appellate Court, 167 SCRA 627 (1988)]. Tolentino, in his Civil Code of the Philippines, Vol. 4, 1995 Reprint, pp. 563-564 said:

‘xxx The whole contract must be interpreted or read together in order to arrive at its true meaning. Certain stipulations cannot be segregated and then made to control; neither do particular words or phrases necessarily determine the character of a contract. The legal effect of the contract is not to be determined alone by any particular provision disconnected from all others, but in the ruling intention of the parties as gathered from all the language they have used; and from their contemporaneous and subsequent acts.

Provisions of a contract are to be given a reasonable and practical interpretation so as to be efficacious. Titles given to sections of a contract may be resorted to in interpreting its scope. An interpretation that gives effect to the contract as a whole should be adopted.’

By and large, it was therefore not an error or grave abuse of discretion when the controversial Motion to Dismiss was denied by the respondent court. Indeed, venue is properly laid in the case at bar under the provisions of the Chattel Mortgage in issue.”[8]

The Issue

In petitioners’ memorandum, the sole issue posed is:

“WHETHER VENUE WAS PROPERLY LAID UNDER THE PROVISIONS OF THE CHATTEL MORTGAGE CONTRACT IN THE LIGHT OF ARTICLE 1374 OF THE CIVIL CODE.”

The controversy stems from the conflicting provisions on venue in the promissory note and the deed of chattel mortgage. Consequently, the decisive issue is the correct interpretation of the venue provisions in the two

contracts. The venue provision in the promissory note reads as follows:

“It expressly (sic) agreed that all legal actions arising out of this note or in connection with the chattels subject hereof shall only be brought in or submitted to the proper court in Makati City, Philippines.”

On the other hand, the venue provision in the deed of chattel mortgage reads:

“VENUE. The payment herein mentioned whether covered by notes or not, are payable at the office address of the MORTGAGEE or its assignee and in case of litigation arising out of the transaction that gave rise to this contract, complete jurisdiction is given the proper court of the city of Makati or any proper court within the province of Rizal, or any court in the city, or province where the holder/mortgagee has a branch office, waiving for this purpose any proper venue.”

Petitioners argue that the promissory note should prevail over the deed of chattel mortgage because this is the principal contract being sued upon while the deed of chattel mortgage “merely accompanies” the promissory note. According to petitioners, the words “shall only” in the promissory note makes exclusive and restricts venue to the proper court in Makati City. Petitioners contend that the venue provision in the promissory note does not contain qualifying words that the parties intended the venue provision in the deed of chattel mortgage to be a modification of the venue in the promissory note. Petitioners maintain that the Court of Appeals erroneously applied Article 1374 of the Civil Code in construing the promissory note and the deed of chattel mortgage. According to petitioners, this article applies only to conflicting provisions in one and the same contract and not to those found in two distinct and entirely separate contracts such as in the instant case. Petitioners further assert that any ambiguity should be decided against private respondent under the contract of adhesion doctrine.

Private respondent counters that the alternative venues provided under the deed of chattel mortgage may not be disregarded as meaningless verbiage. While the promissory note confines venue to the proper court in Makati City, the deed of chattel mortgage has modified this. Private respondent points out that petitioners’ loan under the promissory note as secured by the deed of chattel mortgage was negotiated and concluded by the parties in Dagupan City, and booked at private respondent’s Dagupan branch office. Further, the seizure of the mortgaged vehicles in Dagupan City, as allowed by the deed of chattel mortgage, constitutes private respondent’s cause of action in the Dagupan trial court. Private respondent maintains that the convenience of the parties is the overriding consideration in determining venue. This is best achieved by laying the same in Dagupan City where private respondent has a branch office, while petitioners reside in nearby Tarlac. Private respondent bewails that petitioners filed the motion to dismiss as a dilatory tactic.

The Court’s Ruling

The petition is bereft of merit. The Court finds no reversible error in the Court of Appeals’ conclusion that venue was properly laid in the Dagupan trial court.

The issue presented in this case is not novel.

As a general rule, all personal actions may be commenced and tried where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides, at the election of the plaintiff.[9] However, by written agreement of the parties, the venue of an action may be changed or transferred from one place to another.[10]

Under the promissory note, petitioners are obliged to pay private respondent the loan in accordance with the agreed schedule. To secure the promissory note, petitioners constituted a chattel mortgage in favor of private respondent over two dump trucks. Both contracts contain venue provisions.

There is no dispute that the words “shall only” preceding the designation of venue in the promissory note,

standing alone, is mandatory and restrictive. However, the deed of chattel mortgage executed to secure the loan obligation provides alternative venues. Should we disregard the venue provision in the deed of chattel mortgage as mere surplusage as contended by petitioners?

The answer is in the negative.

The chattel mortgage constituted over the two dump trucks is an accessory contract to the loan obligation as embodied in the promissory note.[11] The chattel mortgage cannot exist as an independent contract since its consideration is the same as that of the principal contract.[12] A principal obligation is an indispensable condition for the existence of an accessory contract. Indeed, contracts may be classified according to the degree of dependence.[13] Loans, sales or leases are classified as principal contracts while pledges, mortgages and suretyships are classified as accessory contracts because their existence is dependent upon the principal obligations they guarantee or secure.[14]

The Court held in *National Power Corporation vs. Court of Appeals*[15] that the provisions of an accessory contract such as a surety bond must be read in its entirety and together with the principal contract between the parties. We quote the pertinent portion of the decision thus:

“The surety bond must be read in its entirety and together with the contract between NPC and the contractors. The provisions must be construed together to arrive at their true meaning. Certain stipulations cannot be segregated and then made to control.”

This rule was reiterated in *Velasquez vs. Court of Appeals*[16] as the “complementary contracts construed together” doctrine. The Court explained that the doctrine—

“x x x finds support in the principle that the surety contract is merely an accessory contract and must be interpreted with its principal contract, which x x x was the loan agreement. This doctrine closely adheres to the spirit of Art. 1374 of the Civil Code which states that—

Art. 1374. The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.

xxx.”

Applying the doctrine to the instant case, we cannot sustain petitioners’ contentions. The promissory note and the deed of chattel mortgage must be construed together. Private respondent explained that its older standard promissory notes confined venue in Makati City where it had its main office. After it opened a branch office in Dagupan City, private respondent made corrections in the deed of chattel mortgage, but due to oversight, failed to make the corresponding corrections in the promissory notes. Petitioners affixed their signatures in both contracts.

We apply the presumption that a person takes ordinary care of his concerns.[17] It is presumed that petitioners did not sign the deed of chattel mortgage without informing themselves of its contents. As aptly stated in a case, “they being of age and businessmen of experience, it must be presumed that they acted with due care and have signed the documents in question with full knowledge of their import and the obligation they were assuming thereby.”[18]

In any event, petitioners did not contest the deed of chattel mortgage under Section 8, Rule 8 of the Revised Rules of Civil Procedure.[19] As held in *Velasquez*,[20] this omission “effectively eliminated any defense relating to the authenticity and due execution of the deed, e.g. that the document was spurious, counterfeit, or of different import on its face as the one executed by the parties; or that the signatures appearing thereon were forgeries; or that the signatures were unauthorized.”

Clearly, the Court of Appeals did not err in ruling that venue was properly laid in Dagupan City as provided in the deed of chattel mortgage. We hold that private respondent is not barred from filing its case against petitioners in Dagupan City where private respondent has a branch office as provided for in the deed of chattel mortgage.

The rules on venue are intended to assure convenience for the plaintiff and his witnesses and to promote the ends of justice.[21] As correctly pointed out by private respondent, Dagupan City is the more convenient venue for both parties considering that private respondent has a branch office in the city while petitioners reside in nearby Tarlac. From this standpoint, petitioners' futile insistence on an exclusive venue in Makati City smacks of a dilatory tactic to evade or at the very least, prolong the payment of a just obligation. The case has been pending for four years on account of the question of venue to the detriment of private respondent which is simply collecting on an outstanding loan obligation.

Finally, private respondent claims that petitioners are guilty of forum shopping. Petitioner filed another petition before the Court of Appeals[22] assailing the denial of their motion to dismiss on the ground of improper venue involving different promissory notes and deeds of chattel mortgages with the same venue provisions. We are not in a position to determine the presence of the elements of forum shopping and to resolve this issue on the basis of private respondent's bare allegations. This matter should be brought to the attention of the Court of Appeals where the petition which allegedly raises the same issues is pending.

WHEREFORE, the petition is DENIED. The Decision of the Court of Appeals dated October 19, 1998, as well as its Resolution dated November 27, 1998 denying reconsideration, is AFFIRMED.

SO ORDERED.

Puno, (Chairman), and Panganiban, JJ., concur.

Sandoval-Gutierrez, J., on leave.

[1] Per Associate Justice Conrado M. Vasquez, Jr. with the concurrence of Associate Justice Cancio C. Garcia and Associate Justice Teodoro P. Regino.

[2] Per Judge Erna Falloran Aliposa.

[3] Counsel for private respondent filed a manifestation and motion dated June 22, 2001 stating that the Board of Directors and Stockholders amended its Articles of Incorporation changing its corporate name to Orix Leasing and Finance Corporation, which amendment was approved by the Securities and Exchange Commission on September 28, 2000.

[4] CA Rollo, p. 19.

[5] Ibid., p. 20.

[6] CA Rollo, p. 35.

[7] Ibid., p. 42.

[8] Rollo, pp. 19-20.

[9] Rule 4, Section 2, 1997 Rules of Civil Procedure.

[10] Ibid., Section 4.

[11] *Perla Compania de Seguros, Inc. vs. Court of Appeals*, 208 SCRA 487 (1992).

[12] *Banco de Oro vs. Bayuga*, 93 SCRA 443 (1979).

[13] Arturo M. Tolentino, *Commentaries and Jurisprudence on the Civil Code of the Philippines*, 1997 ed., Vol. 4, p. 410.

[14] Hector S. De Leon, *Comments and Cases on Credit Transactions*, 1990 ed., p. 197.

[15] 145 SCRA 533 (1986).

[16] 309 SCRA 539 (1999).

[17] Rule 131, Sec. 3 (D), Revised Rules on Evidence.

[18] DBP vs. National Merchandising Corp., 40 SCRA 624 (1971).

[19] SEC. 8. How to contest such documents. – When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, the genuineness and due execution of the instrument shall be deemed admitted unless, the adverse party, under oath specifically denied them, and sets forth what he claims to be the facts; but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

[20] Supra, see note 16.

[21] Ibid.

[22] Docketed as CA-G.R. SP No. 53321.

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