

SUPERLINES TRANSPORTATION COMPANY, INC., AND MANOLET LAVIDES, PETITIONERS, VS. ICC LEASING & FINANCING CORPORATION, RESPONDENT.

G.R. No. 150673. February 28, 2003

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, of the Decision[1] of the Court of Appeals in CA-G.R. No. 65126 reversing on appeal the Decision[2] of Branch 142 of the Regional Trial Court of Makati City in Civil Case No. 97-816.

The Antecedents

In 1995, Superlines Transportation Co., Inc. (Superlines, for brevity) decided to acquire five new buses from the Diamond Motors Corporation for the price of P10,873,582.00. However, Superlines lacked financial resources for the purpose. By virtue of a board resolution, Superlines authorized its President and General Manager, Manolet Lavides, a graduate of the Ateneo de Manila School of Law and a businessman for twenty years, to look for and negotiate with a financing corporation for a loan for the purchase of said buses.

Lavides negotiated with ICC Leasing & Financing Corporation (ICC, for brevity) through the latter's Assistant Vice-President for Operations Aida F. Albano, for a financial scheme for the planned purchase. ICC agreed to finance the purchase of the new buses via a loan and proposed a three-year term for the payment thereof at a fixed interest rate of 22% per annum. The new buses to be purchased were to be used by Superlines as security for the loan. ICC required Superlines to submit certificates of registration of the said buses under the name of Superlines before the appropriate document was executed by the parties and their transactions consummated. On October 19, 1995, Diamond Motors Corporation sold to Superlines five new buses under Vehicle Invoice Nos. 9225 to 9229.[3] Superlines, through Lavides, acknowledged receipt of the buses.

On November 22, 1995, the vehicle invoices were filed with the Land Transportation Office which then issued certificates of registration covering the five buses under the name of Superlines.[4] With the buses now registered under its name, Superlines, through Lavides, executed two documents, namely: a deed of chattel mortgage over the said buses as security for the purchase price of the buses in the amount of P13,114,287.00[5] loaned by ICC to Superlines, which deed was annotated on the face of said certificates of registration, and a promissory note in favor of ICC binding and obliging itself to pay to the latter the amount of P10,873,582.00 in monthly installments of P415,290.00, the first installment to start on December 23, 1995, with interest thereon at the rate of 22% per annum until full payment of said amount[6] in favor of Superlines and ICC covenanted in said deed that:

Effective upon the breach of any condition of this mortgage, and in case of loss or damage of the mortgaged property/ies and in addition to the remedies herein stipulated, the MORTGAGEE is hereby appointed attorney-in-fact of the MORTGAGOR with full power and authority, by the use of force if necessary, to take actual possession of the mortgaged property/ies without the necessity of any judicial order or any other

permission or power, to remove, sell or dispose of the mortgaged property/ies, and collect rents therefor, to execute bill of sale, lease or agreements that may be deemed convenient; to make repairs or improvements in the mortgaged property/ies and pay the same and perform any other act which the MORTGAGEE may deem convenient for the proper administration of the mortgaged property/ies; and to file, prove, justify, prosecute, compromise or settle insurance claims with the insurance company, without the participation of the MORTGAGOR, under such terms and conditions as the Mortgagee as attorney-in-fact may consider fair and reasonable. The payment of any expenses advanced by the MORTGAGEE or its assigns in connection with the purpose indicated herein is also guaranteed by this mortgage. Any amount received from the sale, disposal or administration abovementioned may be executed by the MORTGAGEE by virtue of this power and applied to the satisfaction of the obligations hereby secured, which act is hereby ratified.

The MORTGAGEE shall have the option of selling the property/ies either at public or private sale at the municipality or at the capital of the province where it may be situated at the time; or at any municipality where the MORTGAGEE may have a branch, office, or at Metro Manila, the MORTGAGOR hereby waiving all rights to any notice of such sale.

The MORTGAGOR hereby expressly waives the term of thirty (30) days or any other term granted or which may hereafter be granted him/it by law as the period which must elapse before the MORTGAGEE or its assigns shall be entitled to foreclose this mortgage, it being expressly understood and agreed that the MORTGAGEE may foreclose this mortgage at any time after the breach of any condition hereof.

It is further agreed that in case of the sale at public auction under foreclosure proceedings of the property/ies herein mortgaged, or of any part thereof, the MORTGAGEE shall be entitled to bid for the properties so sold, or for any part thereof, to buy the same, or any part thereof, and to have the amount of his/its bid applied to the payment of the obligations secured by this mortgage without requiring payment in cash of the amount of such bid.

The remedies of the MORTGAGEE under the powers hereby conferred upon him/it shall be and are in addition to and cumulative with such right of action as the said MORTGAGEE or the assigns may have in accordance with the present or any future laws of the Philippines.[7]

Superlines and Lavides executed a Continuing Guaranty to pay jointly and severally in favor of ICC the amount of P13,114,285.00.[8] ICC drew and delivered to Superlines Metrobank Check No. 0661909113, dated November 23, 1995, payable to the account of Superlines in the amount of P10,873,582.00,[9] representing the net proceeds of the loan. The latter acknowledged receipt of the check in Cash Voucher No. 0.0769.[10] Superlines remitted the said check to Diamond Motors Corporation in full payment of the purchase price of the new buses.

After paying only seven monthly amortizations for the period of December 1995 to June 1996, Superlines defaulted in the payment of its obligation to ICC.[11] On April 2, 1997, ICC wrote Superlines demanding full payment of its outstanding obligation, which as of March 31, 1997 amounted to P12,606,020.55.[12] However, Superlines failed to heed said demand.

ICC filed a complaint[13] for collection of sum of money with prayer for a writ of replevin on April 21, 1997 with Branch 142 of the Regional Trial Court of Makati City against Superlines and Lavides. The case was entitled "ICC Leasing & Finance Corporation vs. Superlines Transportation Co., Inc., et al." and docketed as Civil Case No. 97-816. ICC alleged, by way of alternative cause of action, that:

....

13. In the event that the Plaintiff fails to locate and/or seize the above-described mortgaged vehicles from Defendant, its agents and/or assigns, or any such person other than said Defendant or its representatives, Defendant is obligated to pay Plaintiff the sum of P12,072,895.59, and an amount equivalent to 5% of the total

amount due from Defendant as and for attorney's fees, plus expenses of collection, the costs of suit and cost of Replevin Bond.

ICC prayed that after due proceedings, judgment be rendered in its favor, thus:

WHEREFORE, it is respectfully prayed that:

- A Writ of Replevin be issued, ordering the Court Sheriff and/or any of his deputies, to seize from Defendant, its agents and/or assigns, or any such person other than said Defendant or its representatives in possession thereof at present, the above-described vehicles wherever they may be found, to take and keep the same in custody and, to dispose of them in accordance with Section 6, Rule 60 of the Revised Rules of Court.

- Judgment be rendered in favor of the Plaintiff and against the Defendant, as follows:

a)

Declaring that Plaintiff is entitled to the possession of the subject properties in accordance with the terms and conditions of the Chattel Mortgage;

b)

Ordering Defendant, in case the amount realized from the sale of the mortgaged properties shall be insufficient to cover its total indebtedness, to pay the Plaintiff the deficiency;

c)

Ordering Defendant to pay Plaintiff the expenses of litigation and costs of suit, including the costs of the Replevin Bond, plus the stipulated attorney's fees.

As to the –

ALTERNATIVE CAUSE OF ACTION

Ordering Defendants to pay the outstanding principal balance of P12,072,895.59, to pay the costs of suit, expenses of litigation and the costs of the Replevin Bond, plus an amount equivalent to 5% of the total amount due as and for attorney's fees.

In the meantime, the trial court issued a writ of seizure for the five mortgaged buses.[14] On May 29, 1997, the sheriff took possession of the five buses in compliance with the writ of seizure issued by the trial court.[15] Thereafter, ICC instituted extra-judicial foreclosure proceedings over the subject buses. An auction sale was held on July 2, 1997. ICC offered a bid of P7,200,000.00 for the motor vehicles and was declared the winning bidder, resulting in a deficiency of P5,406,029.55. In addition, ICC incurred necessary expenses in the amount of P920,524.62. Superlines thus still owed ICC the amount of P6,326,556.17.

In their Answer with Counterclaim, Superlines and Lavides asserted that the real agreement of the parties was one of financing a sale of personal property, the prices for which shall be payable on installments. Relying on Article 1484(3) of the Civil Code, Superlines and Lavides claimed that since the chattel mortgage on subject buses was already foreclosed by ICC, the latter had no further action against Superlines and Lavides for the unpaid balance of the price. They interposed compulsory damages in the total amount of P750,000.00 excluding costs of suit.

Leonardo Serrano, Jr., the Executive Vice-President and Chief Operations Officer of ICC, testified that the transaction forged by ICC and Superlines was an amortized commercial loan and not a consumer loan, because

under the latter transaction, ICC should have paid the price of the purchase of its customers (Superlines) directly to the suppliers. However, ICC did not do business directly with Diamond Motors Corporation; it transacted directly with Superlines. ICC remitted the purchase price of the buses directly to Superlines and not to Diamond Motors Corporation. ICC had no contract with Diamond Motors Corporation.

On the other hand, Lavides testified that he and ICC's Assistant Vice-President for Operations Aida Albano agreed on a consumer loan for the financing of the purchase of the buses, with ICC as the vendor, and Superlines as the vendee, of said buses; and that ICC had a special arrangement with Diamond Motors Corporation on the purchase by Superlines of the buses.

On June 1, 1999, the trial court rendered a decision ordering the dismissal of the case and for ICC to pay damages and litigation expenses to Superlines and Lavides, the decretal portion of which reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered DISMISSING the instant complaint and ORDERING plaintiff to pay defendants the following:

- The sum of P150,000.00 as and for attorney's fees;
- The sum of P300,000.00 as moderate damages;
- The sum of P50,000.00 as litigation expenses and
- The costs of suit.

SO ORDERED.[16]

The trial court found that, as testified to by Lavides, ICC and Superlines forged a consumer loan agreement and not an amortized commercial loan. It further declared that, as testified to by Lavides, there was a special arrangement for the purchase by ICC of said buses. The trial court finally stated that Superlines purchased the buses from ICC, the purchase price therefor payable in monthly installments. ICC appealed the trial court's decision to the Court of Appeals. On July 30, 2001, the appellate court rendered a decision reversing the decision of the RTC and ordering Superlines and Lavides to pay the deficiency claim of ICC. The decretal portion thereof reads:

In view of the foregoing, it is Our conclusion that plaintiff-appellant is entitled to the deficiency claim of P5,376,543.96 (Exh. "F-1", p. 155 Record), plus costs of P71,807.22 for the Replevin Bond (Exh. "H", p. 156, Record) and attorney's fees of P508,000.00 (Exh. "G", p. 156, Record).

WHEREFORE, the appealed Decision is REVERSED and SET ASIDE and a new one is rendered ordering defendants to pay jointly and severally the sum of P5,956,351.18 to the plaintiff.

SO ORDERED.[17]

The Court of Appeals stated that ICC and Superlines entered into an amortized commercial loan agreement with ICC as creditor-mortgagee and Superlines as debtor-mortgagor, and ordered Superlines and Lavides to pay to ICC jointly and severally the sum of P5,956,351.18 as deficiency.[18]

It further declared that it was Diamond Motors Corporation and not ICC which sold the subject buses to Superlines. It held that no evidence had been presented by Superlines to show that ICC bought the said buses from Diamond Motors Corporation under a special arrangement and that ICC sold the buses to Superlines. The appellate court also ruled that Article 1484(3) is applicable only where there is vendor-vendee relationship between the parties and since ICC did not sell the buses to Superlines, the latter cannot invoke said law.

Hence, this petition.

Petitioners contend that the appellate court committed serious errors of law and/or grave abuse of discretion amounting to excess or lack of jurisdiction:

- In concluding that Article 1484 (3) of the Civil Code is inapplicable to the instant transaction between the parties, and in holding that said transaction was an “amortized commercial loan”, the same being patently contrary to the un rebutted evidence as well as the admissions of the respondent’s sole witness that the parties may “verbally” agree as regards the financial scheme applied for and that the chattel mortgage, promissory note and other documents executed in the case of a “commercial loan” are no different from those documents executed in the case of a “consumer loan”.
- In concluding that the respondent is in any event entitled to deficiency judgment as it is deemed to have chosen the remedy of exacting fulfillment of the obligation under paragraph (1) of Article 1484 of the Civil Code, the same being patently contrary to incontestable fact that what respondent availed of in the instant case is foreclosure of the chattel mortgage and not the alternative prayer contained in the relief portion of its complaint.[19]

Anent the first assignment of error, petitioners aver that the findings of the Court of Appeals that the transaction forged by petitioners and private respondent was an amortized commercial loan and not a consumer loan are belied by the evidence on record, more specifically the testimony of Lavides and that of respondent’s witness Leonardo Serrano, Jr. The Promissory Note and Chattel Mortgage executed by petitioner Superlines and the Continuing Guaranty executed by both petitioners are not conclusive of the nature of the transaction concluded by them, private respondent and Diamond Motors Corporation. Petitioners further claim that the appellate court also ignored the un rebutted testimony of Lavides that respondent and Diamond Motors Corporation forged a special arrangement under which the latter will expedite the issuance of the certificates of registration over the buses under the name of Superlines. Petitioners also argue that the word “vendee” in Article 1484(3) of the New Civil Code is used in its generic term, and hence, it may mean an assignee or a mortgagee such as respondent.

For its part, respondent contends that the findings and conclusions of the Court of Appeals were buttressed by the documentary and testimonial evidence on record which should prevail over those of the trial court:

We do not agree with the lower court that Art. 1484 (3) of the New Civil Code is applicable to the instant case. DIAMOND is the seller of the five units of buses and not the plaintiff. No convincing evidence, except the self-serving testimony of defendant Manolet Lavides, was presented to prove that there was an internal arrangement between the plaintiff, as financing agent, and Diamond, as seller of the buses. In fact, defendant Lavides admitted under oath that DIAMOND and plaintiff did not enter into transaction over the sale of the buses (TSN, February 26, 1999, p. 12). The conclusion of the lower court that the parties entered into a financing scheme covered by Article 1484 (3) of the New Civil Code is therefore unsubstantiated.

The evidence shows that the transaction between the parties was an “amortized commercial loan” to be paid in installments. Defendants failed to prove that a “special arrangement” regarding the nature of the transaction was agreed upon between the plaintiff and the defendants. Aida Albano, plaintiff’s employee who allegedly agreed with the request of defendant Manolet Lavides for a special arrangement, was not presented. It bears emphasizing that whoever alleges fraud or mistake affecting a transaction must substantiate his allegation, since it is presumed that a person takes ordinary care of his concerns and private transactions have been fair and regular (*Mangahas vs. CA*, 304 SCRA 375). If indeed defendant Manolet Lavides, a law graduate from a prestigious law school (TSN, February 26, 1999, p. 3) and a successful businessman for twenty (20) years ..., who admits to having meticulously examined the subject documents ... intended a financing scheme covered by Art. 1484 of the New Civil Code, he should have objected to the contents of the documents and incorporated therein his true intent.[20]

At the core of petitioners’ case is their claim that the findings of facts of the Court of Appeals and its conclusions

anchored thereon are belied by the evidence on record in contrast to those of the trial court. It bears stressing, however, that in a petition for review on certiorari, only questions of law may be raised in said petition. The jurisdiction of this Court in cases brought to it from the Court of Appeals is confined to reviewing and reversing the errors of law ascribed to it, findings of facts being conclusive on this Court. The Court is not tasked to calibrate and assess the probative weight of evidence adduced by the parties during trial all over again.[21] In those instances where the findings of facts of the trial court and its conclusions anchored on said findings are inconsistent with those of the Court of Appeals, this Court does not automatically delve into the record to determine which of the discordant findings and conclusions should prevail and to resolve the disputed facts for itself. This Court is tasked to merely determine which of the findings of the two tribunals are conformable to the facts at hand.[22] So long as the findings of facts of the Court of Appeals are consistent with or are not palpably contrary to the evidence on record, this Court shall decline to embark on a review on the probative weight of the evidence of the parties. Indeed, in *Tan vs. Lim*,[23] this Court, citing its ruling in *Hermo vs. Court of Appeals*,[24] held that it is the findings of the Court of Appeals and not those of the trial court which are final and conclusive on this Court. The rule is not without exception. This Court may review the findings of facts of the Court of Appeals and its conclusions based thereon if the inference made by the appellate court from its findings of facts is manifestly erroneous, absurd or impossible, or when the judgment of the said court is premised on a misappreciation of facts.[25]

In this case, the findings of facts of the Court of Appeals and its conclusions anchored thereon are in terra firma, buttressed as they are by the evidence on record. The Court of Appeals correctly ruled that the findings of facts, deductions, and conclusions of the trial court are not warranted by the evidence on record.

Petitioners failed to adduce a preponderance of evidence to prove that respondents and Diamond Motors Corporation entered into a special arrangement relative to the issuance of certificates of registration over the buses under the name of petitioner Superlines. Petitioners were also unable to prove that respondent purchased from Diamond Motors Corporation the new buses. In contrast, the vehicle invoices of Diamond Motors Corporation[26] irrefragably show that it sold the said buses to petitioner Superlines. The net proceeds of the loan were remitted by respondent to petitioner Superlines and the latter remitted the same to Diamond Motors Corporation in payment of the purchase price of the buses. In fine, respondent and Diamond Motors Corporation had no direct business transactions relative to the purchase of the buses and the payment of the purchase price thereof.

As aptly observed by the Court of Appeals, petitioner Lavidès is a graduate of the Ateneo de Manila University School of Law. He had been in business for twenty years or so. It is incredible that petitioner Superlines through petitioner Lavidès never required respondent and Diamond Motors Corporation to execute a deed evidencing their special agreement or arrangement if indeed they had one.

The trial court indulged in a non sequitur when it quoted part of the testimony of Leonardo Serrano, Jr. out of context and used it as anchor for its finding that respondent and Diamond Motors Corporation forged a special arrangement. The testimony of Leonardo Serrano, Jr. is as follows:

ATTY. FABIE

Q Now, on page 12 of the transcript of stenographic notes of October 9, 1998, to the question of Atty. Agcaoili, the question is this and I quote:

“Q - Now, after that visit to the office of Superlines Inc. in Atimonan, Quezon what other circumstances or events transpired in connection with the evaluation or approval of the loan of the defendants Superlines?”

And your answer was this:

“A - The regular paper requirements, meaning the way the loan proposal and the approval report inclusive of credit showing credit checking was presented for approval by our Executive Committee.”

ATTY. FABIE

What is this ‘regular papers requirement’ you are referring to, Mr. Witness?

WITNESS

A Those papers that are presented to the Executive Committee, Sir.

ATTY. FABIE

Q Papers that are presented to the Executive Committee?

WITNESS

A This will include evaluation report of the corporations financial statement credit checking from his creditors and this will include evidence of the collaterals being presented for the loan, Sir.

ATTY. FABIE

Q In this particular case of Superlines Transportation Company, those requirements were complied with, Mr. Witness?

WITNESS

A Yes, Sir.

ATTY. FABIE

Q By way, in consumer loan, these papers are practically the same, am I correct, Mr. Witness?

WITNESS

A In consumer loan, sometimes we have additional requirements, Sir.

ATTY. FABIE

Q What is that, Mr. Witness?

WITNESS

A Because they are individual applicants, we require them to submit their certificate of employment with the corresponding amount of their salary, Sir.

ATTY. FABIE

Q You mean to say that consumer loan are specifically for individual and entities are not supposed to apply in consumer loans, is that what you mean, Mr. Witness?

WITNESS

A As a matter of practice, we classify them as consumer loan, loans for individuals, Sir.

ATTY. FABIE

Q For individuals only?

WITNESS

A Yes, sir.

ATTY. FABIE

Q So, you did not extend consumer loans to corporations other than individuals, Mr. Witness?

WITNESS

A For companies or corporations, we classified them as commercial loan already, Sir.

ATTY. FABIE

Q Although the scheme adopted on both loans are the same or would be the same, Mr. Witness?

WITNESS

A In consumer loan, Sir, usually it is for purposes of buying a car or a motor vehicle, Sir.

ATTY. FABIE

Q That is the normal practice, Mr. Witness?

WITNESS

A Yes, Sir. That is the normal practice.

ATTY. FABIE

Q But arrangement can be made by your company regarding the nature of the transaction, am I correct?
Specific arrangement?

WITNESS

A What do you mean?

ATTY. FABIE

Q That you may depart from certain requirements between your company and the applicant? Mr. Witness?

WITNESS

A When the company ...

ATTY. FABIE

Q In special cases?

WITNESS

A When the company is presented with a loan proposal, we require them to submit documents depending on the loan proposal, Sir.

ATTY. FABIE

Q Now, did Superlines Transportation Company or Mr. Lavides present to you a loan proposal and where is that now, Mr. Witness?

WITNESS

A The loan proposal of Mr. Lavides, Mr. Witness?

ATTY. FABIE

Q Yes, in writing?

WITNESS

A No, not in writing?

ATTY. FABIE

Q No written loan proposal, Mr. Witness?

WITNESS

A It was verbally told to us the purpose of his loan, Sir.

ATTY. FABIE

Q Now, is that normal in your corporation, Mr. Witness?

WITNESS

A In the practice?

ATTY. FABIE

Q I am asking you whether that is normal in your corporation that you do not require any written loan proposal from the applicants, Mr. Witness?

WITNESS

A We do not, Sir.

ATTY. FABIE

Q Even in consumer loan, Mr. Witness?

WITNESS

A We only require when the consumer or individual is applying. Then we require him to submit the application form.

ATTY. FABIE

Q So, there is an application form, Mr. Witness?

WITNESS

A For consumer loan, yes.

ATTY. FABIE

Q And in commercial loan, you don't require the applicant to submit a written loan proposal, Mr. Witness?

WITNESS

A As a matter of (loan) marketing consideration, anybody who wants

ATTY. FABIE

Q I am asking you whether that is normal in your operation like Superlines?

WITNESS

A This

ATTY. AGCAOILI

Already answered, Your Honor.

ATTY. FABIE

I am asking him now to specific, Your Honor.

COURT

Witness may answer.

WITNESS

A That is not normal. Sorry. That is normal. We do not require them. That is the regular practice.

ATTY. FABIE

Q And why not?

ATTY. AGCAOILI

Objection, misleading. It was already answered that that was the normal practice, Your Honor.

ATTY. FABIE

Q Why do you not require the applicants to submit papers or written loan proposal, Mr. Witness?

WITNESS

A Because in our business marketing consideration, we finance companies after evaluation of a particular account and if this account is credit worthy, we sometimes do away with it, Sir.

ATTY. FABIE

Q So, what is normal is that you ask for written loan proposal and what is sometimes not normal is that you do not require them to submit any loan proposal, Mr. Witness?

WITNESS

A We....

ATTY. AGCAOILI

I think counsel is already (arguing) with the witness, Your Honor. The question has been asked several times and the witness consistently answered in the same fashion.

ATTY. FABIE

The Court will know

COURT

The answer he gave was that with marketing considerations, we do not require papers in consumer loan because the client is credit worthy risk. Sometimes we do not require submission of papers anymore. That is the answer. Alright, proceed.

ATTY. FABIE

I think that is all for the witness, Your Honor.[27]

Leonardo Serrano, Jr. never testified that respondent and Diamond Motors Corporation had a special arrangement relative to the registration of the new buses. The mere admission of the witness that respondent in the course of its business transactions allowed special arrangements does not constitute proof that it in fact had a special arrangement with Diamond Motors Corporation relative to the registration of the new buses.

The evidence on record shows that under the Promissory Note, Chattel Mortgage and Continuing Guaranty, respondent was the creditor-mortgagee of petitioner Superlines and not the vendor of the new buses. Hence, petitioners cannot find refuge in Article 1484(3) of the New Civil Code. As correctly held by the Court of Appeals, what should apply was the Chattel Mortgage executed by petitioner Superlines and respondent in relation to the Chattel Mortgage Law.[28] This Court had consistently ruled that if in an extra-judicial foreclosure of a chattel mortgage a deficiency exists, an independent civil action may be instituted for the recovery of said deficiency. To deny the mortgagee the right to maintain an action to recover the deficiency after foreclosure of the chattel mortgage would be to overlook the fact that the chattel mortgage is only given as security and not as payment for the debt in case of failure of payment.[29] Both the Chattel Mortgage Law and Act 3135 governing extra-judicial foreclosure of real estate mortgage, do not contain any provision, expressly or impliedly, precluding the mortgagee from recovering deficiency of the principal obligation.

In a case of recent vintage, this Court held that if the proceeds of the sale are insufficient to cover the debt in an extra-judicial foreclosure of the mortgage, the mortgagee is still entitled to claim the deficiency from the debtor:

To begin with, it is settled that if the proceeds of the sale are insufficient to cover the debt in an extrajudicial foreclosure of the mortgage, the mortgagee is entitled to claim the deficiency from the debtor. For when the legislature intends to deny the right of a creditor to sue for any deficiency resulting from foreclosure of security given to guarantee an obligation it expressly provides as in the case of pledges [Civil Code, Art. 2115] and in chattel mortgages, while silent as to the mortgagee's right to recover, does not, on the other hand, prohibit recovery of deficiency. Accordingly, it has been held that a deficiency claim arising from the extrajudicial foreclosure is allowed.[30]

In the case of PAMECA Wood Treatment Plant, Inc. vs. Court of Appeals,[31] this Court declared that under Section 14 of the Chattel Mortgage Law, the mortgagor is entitled to recover the balance of the proceeds, upon satisfaction of the principal obligation and costs, thus there is a corollary obligation on the part of the debtor-mortgagor to pay the deficiency in case of a reduction in the price at public auction.

In fine then, the Court of Appeals correctly ruled that respondent is entitled to a deficiency judgment against the petitioners.

IN LIGHT OF THE FOREGOING, the petition is DENIED. The Decision of the Court of Appeals dated July 30, 2001 appealed from is AFFIRMED in toto. With costs against petitioners.

SO ORDERED.

Bellosillo (Chairman), Mendoza, Quisumbing and Austria-Martinez, JJ., concur.

[1] Penned by Associate Justice Portia Aliño-Hormachuelos with Associate Justices Cancio C. Garcia and Mercedes Gozo-Dadole, concurring; Annex "A," Petition; Rollo, p. 40.

[2] Penned by Judge Esmeraldo U. Cruz, Jr.

- [3] Exhibit “K” to “K-4.”
- [4] Exhibits “C-1,” “C-1,” “C-5,” “C-7,” and “C-9.”
- [5] Exhibit “B.”
- [6] Exhibit “H.”
- [7] Exhibit “B-1.”
- [8] Exhibit “D.”
- [9] Exhibit “I.”
- [10] Exhibit “J.”
- [11] Exhibit “F.”
- [12] Exhibit “E.”
- [13] Rollo, p. 52.
- [14] Original Records, p. 44.
- [15] *Id.*, at 42.
- [16] Original Records, p. 233.
- [17] Rollo, pp. 48-49.
- [18] See note 1, *supra*.
- [19] *Id.*, at 18.
- [20] *Id.*, at 44-45.
- [21] *Universal Motors Coporation vs. Court of Appeals, et al.*, 205 SCRA 448 (1992).
- [22] *Gelos vs. Court of Appeals, et al.*, 208 SCRA 608 (1992).

[23] 296 SCRA 455 (1998).

[24] 155 SCRA 24 (1987).

- [25] *Romago Electric Co., Inc. vs. Court of Appeals, et al.*, 33 SCRA 291 (2000).
- [26] Exhibits “K” to “K-4.”
- [27] TSN, January 14, 1999, pp. 26-38.
- [28] Act 1508, as amended.
- [29] *Bank of the Philippine Islands vs. Olutanga Lumber Co.*, 47 Phil. 20 ; *Manila Trading & Supply Co. vs. Tamaraw Plantation Co.*, 47 Phil. 513 .
- [30] *Philippine National Bank vs. Court of Appeals*, 308 SCRA 229 (1999).

[31] 310 SCRA 281 (1999).

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