

RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS. ROYAL CARGO CORPORATION, RESPONDENT.

G.R. No. 179756. October 02, 2009

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Terrymanila, Inc.[1] (Terrymanila) filed a petition for voluntary insolvency with the Regional Trial Court (RTC) of Bataan on February 13, 1991.[2] One of its creditors was Rizal Commercial Banking Corporation (petitioner) with which it had an obligation of P3 Million that was secured by a chattel mortgage executed on February 16, 1989. The chattel mortgage was duly recorded in the notarial register of Amado Castano, a notary public for and in the Province of Bataan.[3]

Royal Cargo Corporation (respondent), another creditor of Terrymanila, filed an action before the RTC of Manila for collection of sum of money and preliminarily attached "some" of Terrymanila's personal properties on March 5, 1991 to secure the satisfaction of a judgment award of P296,662.16, exclusive of interests and attorney's fees.[4]

On April 12, 1991, the Bataan RTC declared Terrymanila insolvent.

On June 11, 1991,[5] the Manila RTC, by Decision of even date, rendered judgment in the collection case in favor of respondent.

In the meantime, petitioner sought in the insolvency proceedings at the Bataan RTC permission to extrajudicially foreclose the chattel mortgage which was granted by Order of February 3, 1992.[6] It appears that respondent, together with its employees' union, moved to have this Order reconsidered but the motion was denied by Order of March 20, 1992 Order.[7]

The provincial sheriff of Bataan thereupon scheduled on June 16, 1992 the public auction sale of the mortgaged personal properties at the Municipal Building of Mariveles, Bataan. At the auction sale, petitioner, the sole bidder of the properties, purchased them for P1.5 Million. Eventually, petitioner sold the properties to Domingo Bondoc and Victoriano See.[8]

Respondent later filed on July 30, 1992 a petition before the RTC of Manila, docketed as Civil Case No. 92-62106, against the Provincial Sheriff of the RTC Bataan and petitioner, for annulment of the auction sale (annulment of sale case). Apart from questioning the inclusion in the auction sale[9] of some of the properties which it had attached, respondent questioned the failure to duly notify it of the sale at least 10 days before the sale, citing Section 14 of Act No. 1508 or the Chattel Mortgage Law which reads:

Sec. 14. The mortgagee, his executor, administrator or assign, may, after thirty days, from the time of condition broken, cause the mortgaged property, or any part thereof, to be sold at public auction by a public officer at a public place in the municipality where the mortgagor resides, or where the property is situated, provided at least ten days notice of the time, place, and purpose of such sale has been posted at two or more public places

in such municipality, and the mortgagee, his executor, administrator or assignee shall notify the mortgagor or person holding under him and the persons holding subsequent mortgages of the time and place of sale, either by notice in writing directed to him or left at his abode, if within the municipality, or sent by mail if he does not reside in such municipality, at least ten days previous to the date. (Emphasis and underscoring supplied),

it claiming that its counsel received a notice only on the day of the sale.[10]

Petitioner, alleging that the annulment of sale case filed by respondent stated no cause of action, filed on December 3, 1992 a Motion to Dismiss[11] which was, however, denied by Branch 16 of the Manila RTC.[12]

Petitioner appealed the denial of the Motion to Dismiss via certiorari to the Court of Appeals, docketed as CA-G.R. SP No. 31125. The appellate court dismissed the petition, by Decision of February 21, 1994, it holding that respondent's petition for annulment "prima facie states a sufficient cause of action and that the [trial court] in denying [herein petitioner RCBC's] motion to dismiss, had acted advisedly and well within its powers and authority." [13]

Petitioner thereupon filed before the Manila RTC its Answer Ex Abundante Cautelam[14] in the annulment of sale case in which it lodged a Compulsory Counterclaim by seeking P1 Million for moral damages, P500,000 for exemplary damages, and P250,000 for attorney's fees. It thereafter elevated the case to this Court via petition for review on certiorari, docketed as G.R. 115662. This Court by minute Resolution of November 7, 1994,[15] denied the petition for failure to show that a reversible error was committed by the appellate court.[16]

Trial on the merits of the annulment of sale case thereupon ensued. By Decision[17] of October 15, 1997, Branch 16 of the Manila RTC rendered judgment in favor of respondent, disposing as follows:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered:

- ORDERING . . . RCBC to pay plaintiff [herein respondent Royal Cargo] the amount of P296,662.16 and P8,000.00 as reasonable attorney's fees.
- No pronouncement as to costs.
- DISMISSING the petition as to respondents Provincial Sheriff of Balanga, Bataan RTC;

SO ORDERED.

Both parties appealed to the Court of Appeals which, by Decision[18] of April 17, 2007, denied herein petitioner's appeal and partly granted herein respondent's by increasing to P50,000 the attorney's fees awarded to it and additionally awarding it exemplary damages and imposing interest on the principal amount payable to it. Thus it disposed:

WHEREFORE, the foregoing considered, the appeal instituted by appellant RCBC is hereby DENIED for lack of merit while the appeal of appellant Royal Cargo is PARTLY GRANTED in that the amount of attorney's fees awarded by the RTC is increased to P50,000.00.

In addition, RCBC is ordered to pay Royal Cargo the amount of P100,000.00 as exemplary damages. The principal amount of P296,662.18 [sic] to be paid by RCBC to Royal Cargo shall likewise earn 12% interest per annum from the time the petition was filed in the court a quo until fully paid. The rest of the decision is AFFIRMED.

SO ORDERED. (Emphasis and underscoring supplied)

In partly granting respondent's appeal from the Decision of Br. 16 of RTC Manila, the appellate court ratiocinated that respondent had a right to be "timely informed" of the foreclosure sale.

RCBC's citations [sic] of numerous rulings on the matter more than supports the fact that as mortgagee, it had preferential right over the chattels subject of the foreclosure sale. This however is not at issue in this case. What is being contested is the right of Royal Cargo to be timely informed of the foreclosure sale as it too had interests over the mortgagee Terrymanila, Inc.'s assets. We note that this matter had already been passed upon by this Court on February 21, 1994 in CA-G.R. SP No. 31125 as well as by the Supreme Court on November 7, 1994 in G.R. No. [1]15662. RCBC, by arguing about its preferential right as mortgagee in the instant appeal merely reiterates what had already been considered and ruled upon in earlier proceedings.

x x x x

Moreover, Section 14 of the Chattel Mortgage Law pertaining to the procedure in the foreclosure of chattel mortgages provides, to wit:

x x x x

The above-quoted provision clearly requires that the mortgagee should notify in writing the mortgagor or person holding under him of the time and place of the sale by personal delivery of the notice. Thus, RCBC's failure to comply with this requirement warranted a ruling against it by the RTC. (*Italics in the original; emphasis partly in the original; underscoring supplied*)

Its motion for reconsideration having been denied by the appellate court,[19] petitioner lodged the present petition for review which raises the following issues:

I

WHETHER OR NOT RESPONDENT SHOULD HAVE BEEN GIVEN A TEN(10)-DAY PRIOR NOTICE OF THE JUNE 16, 1992 FORECLOSURE SALE

II

WHETHER OR NOT THE TRIAL COURT AND THE COURT OF APPEALS GRAVELY ERRED IN DECLARING PETITIONER GUILTY OF CONSTRUCTIVE FRAUD IN FAILING TO PROVIDE RESPONDENT A TEN (10)-DAY PRIOR NOTICE OF THE FORECLOSURE SALE.

III

WHETHER OR NOT THE PETITIONER WAS CORRECTLY HELD LIABLE TO PAY RESPONDENT P296,662.[16] PLUS INTEREST THEREON, EXEMPLARY DAMAGES AND ATTORNEY'S FEES.

IV

WHETHER OR NOT PETITIONER IS ENTITLED TO AN AWARD OF ATTORNEY'S FEES.[20]
(Underscoring supplied)

Petitioner faults the appellate court in applying res judicata by holding that respondent's entitlement to notice of the auction sale had already been settled in its Decision in CA G.R. SP No. 31125 and in this Court's Decision in G.R. No. 115662. For, so it contends, the decisions in these cases dealt on interlocutory issues, viz: the issue of whether respondent's petition for annulment of the sale stated a cause of action, and the issue of whether petitioner's motion to dismiss was properly denied.[21]

Arguing against respondent's position that it was entitled to notice of the auction sale, petitioner cites the Chattel Mortgage Law which enumerates who are entitled to be notified under Section 14 thereof. It posits that "[h]ad the law intended to include in said Section an attaching creditor or a judgment creditor [like herein respondent], it could have so specifically stated therein, since in the preceding section, Section 13, it already mentioned that a subsequent attaching creditor may redeem." [22]

Petitioner goes on to fault the appellate court in echoing its ruling in CA-G.R. SP No. 31125 that Sections 13[23] and 14 of the Chattel Mortgage Law should be read in tandem since the right given to the attaching creditor under Section 13 "would not serve its purpose if we were to exclude the subsequent attaching creditor from those who under Section 14 need to be notified of the foreclosure sale ten days before it is held." [24]

Petitioner likewise posits that Section 13 permits a subsequent attaching creditor to "redeem" the mortgage only before the holding of the auction sale, drawing attention to *Paray v. Rodriguez*[25] which instructs that no right of redemption exists over personal property as the Chattel Mortgage Law is silent thereon.[26]

Even assuming arguendo, petitioner contends, that there exists an obligation to furnish respondent a notice of the auction sale 10 days prior thereto, "respondent's judgment award of P296,662.16 with interest thereon at the legal rate from the date of filing of the [c]omplaint and P10,000.00 as reasonable attorney's fees is very much less than the P1.5 [m]illion bid of petitioner..."[27]

As for the issue of constructive fraud-basis of the award of damages to respondent, petitioner maintains that both the trial and appellate courts erred in concluding that it (petitioner) was the one which sent the notice of sheriff's sale to, which was received on the day of the sale by, the counsel for respondent for, so it contends, it had absolutely no participation in the preparation and sending of such notice.[28]

In its Comment,[29] respondent reiterates that the respective decisions of the appellate court and this Court in CA G.R. SP No. 31125 and G.R. No. 115662 are conclusive between the parties, hence, "the right of [respondent] to a [ten-day] notice has a binding effect and must be adopted in any other controversy between the same parties in which the very same question is raised." [30]

And respondent maintains that the obligation to notify the mortgagor or person holding under him and the persons holding subsequent mortgages falls upon petitioner as the mortgagee.

The petition is MERITORIOUS.

The respective decisions of the appellate court in CA G.R. SP No. 31125 and this Court in G.R. No. 115662 did not conclusively settle the issue on the need to give a 10-day notice to respondent of the holding of the public auction sale of the chattels.

The elements of *res judicata* are: (1) the judgment sought to bar the new action must be final; (2) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties; (3) the disposition of the case must be a judgment on the merits; and (4) there must be as between the first and second action, identity of parties, subject matter, and causes of action.[31]

Res judicata has two concepts: (1) bar by prior judgment as enunciated in Rule 39, Section 47 (b) of the Rules of Civil Procedure; and (2) conclusiveness of judgment in Rule 39, Section 47 (c).[32]

There is bar by prior judgment when, as between the first case where the judgment was rendered, and the second case that is sought to be barred, there is identity of parties, subject matter, and causes of action. Where there is identity of parties and subject matter in the first and second cases, but no identity of causes of action, there is conclusiveness of judgment.[33] The first judgment is conclusive only as to those matters actually and directly controverted and determined, not as to matters merely involved therein.

The Court of Appeals, in CA G.R. SP No. 31125, resolved only the interlocutory issue of whether the trial court's Order of April 12, 1993 denying petitioner's motion to dismiss respondent's petition for annulment was attended by grave abuse of discretion. The appellate court did not rule on the merits of the petition as to establish a controlling legal rule which has to be subsequently followed by the parties in the same case. It merely held that

respondent's petition in the trial court stated a sufficient cause of action. Its determination of respondent's entitlement to notice of the public auction sale was at best prima facie. Thus, the appellate court held:

In view of the above, We are of the considered view that the private respondent's petition in the court a quo prima facie states a sufficient cause of action and that the public respondent in denying the petitioner's motion to dismiss, had acted advisedly and well within its powers and authority. We, therefore, find no cause to annul the challenged order issued by the respondent court in Civil Case No. 92-62106. (Underscoring in the original; emphasis and italics supplied)[34]

An order denying a motion to dismiss is merely interlocutory and cannot give rise to res judicata, hence, it is subject to amendments until the rendition of the final judgment.[35]

On respondent's contention that petitioner, as mortgagee, had the duty to notify it of the public auction sale, the Court finds the same immaterial to the case.

Section 13 of the Chattel Mortgage Law allows the would-be redemptioner thereunder to redeem the mortgaged property only before its sale. Consider the following pronouncement in Paray: [36]

[T]here is no law in our statute books which vests the right of redemption over personal property. Act No. 1508, or the Chattel Mortgage Law, ostensibly could have served as the vehicle for any legislative intent to bestow a right of redemption over personal property, since that law governs the extrajudicial sale of mortgaged personal property, but the statute is definitely silent on the point. And Section 39 of the 1997 Rules of Civil Procedure, extensively relied upon by the Court of Appeals, starkly utters that the right of redemption applies to real properties, not personal properties, sold on execution. (Emphasis, italics and underscoring supplied)

Unmistakably, the redemption cited in Section 13 partakes of an equity of redemption, which is the right of the mortgagor to redeem the mortgaged property after his default in the performance of the conditions of the mortgage but before the sale of the property[37] to clear it from the encumbrance of the mortgage.[38] It is not the same as right of redemption which is the right of the mortgagor to redeem the mortgaged property after registration of the foreclosure sale,[39] and even after confirmation of the sale.[40]

While respondent had attached some of Terrymanila's assets to secure the satisfaction of a P296,662.16 judgment rendered in another case, what it effectively attached was Terrymanila's equity of redemption. That respondent's claim is much lower than the P1.5 million actual bid of petitioner at the auction sale does not defeat respondent's equity of redemption. Top Rate International Services, Inc. v. IAC[41] enlightens:

It is, therefore, error on the part of the petitioner to say that since private respondents' lien is only a total of P343,227.40, they cannot be entitled to the equity of redemption because the exercise of such right would require the payment of an amount which cannot be less than P40,000,000.00.

When herein private respondents prayed for the attachment of the properties to secure their respective claims against Consolidated Mines, Inc., the properties had already been mortgaged to the consortium of twelve banks to secure an obligation of US\$62,062,720.66. Thus, like subsequent mortgagees, the respondents' liens on such properties became inferior to that of banks, which claims in the event of foreclosure proceedings, must first be satisfied. The appellate court, therefore, was correct in holding that in reality, what was attached by the respondents was merely Consolidated Mines' . . . equity of redemption. x x x x

x x x x

We, therefore, hold that the appellate court did not commit any error in ruling that there was no over-levy on the disputed properties. What was actually attached by respondents was Consolidated Mines' right or equity of redemption, an incorporeal and intangible right, the value of which can neither be quantified nor equated with the actual value of the properties upon which it may be exercised.[42] (Emphasis, italics and underscoring

supplied)

Having thus attached Terrymanila's equity of redemption, respondent had to be informed of the date of sale of the mortgaged assets for it to exercise such equity of redemption over some of those foreclosed properties, as provided for in Section 13.

Recall, however, that respondent filed a motion to reconsider the February 3, 1992 Order of the RTC Bataan-insolvency court which granted leave to petitioner to foreclose the chattel mortgage, which motion was denied. Notably, respondent failed to allege this incident in his annulment of sale case before the RTC of Manila.

Thus, even prior to receiving, through counsel, a mailed notice of the auction sale on the date of the auction sale itself on June 16, 1992, respondent was already put on notice of the impending foreclosure sale of the mortgaged chattels. It could thus have expediently exercised its equity of redemption, at the earliest when it received the insolvency court's Order of March 20, 1992 denying its Motion for Reconsideration of the February 3, 1992 Order.

Despite its window of opportunity to exercise its equity of redemption, however, respondent chose to be technically shrewd about its chances, preferring instead to seek annulment of the auction sale, which was the result of the foreclosure of the mortgage, permission to conduct which it had early on opposed before the insolvency court. Its negligence or omission to exercise its equity of redemption within a reasonable time, or even on the day of the auction sale, warrants a presumption that it had either abandoned it or opted not to assert it.[43] Equitable considerations thus sway against it.

It is also not lost on the Court that as early as April 12, 1991, Terrymanila had been judicially declared insolvent. Respondent's recourse was thus to demand the satisfaction of its judgment award before the insolvency court as its judgment award is a preferred credit under Article 2244[44] of the Civil Code. To now allow respondent have its way in annulling the auction sale and at the same time let it proceed with its claims before the insolvency court would neither rhyme with reason nor with justice.

Parenthetically, respondent has not shown that it was prejudiced by the auction sale since the insolvency court already determined that even if the mortgaged properties were foreclosed, there were still sufficient, unencumbered assets of Terrymanila to cover the obligations owing to other creditors, including that of respondent's.[45]

In any event, even if respondent would have participated in the auction sale and matched petitioner's bid, the superiority of petitioner's lien over the mortgaged assets would preclude respondent from recovering the chattels.

It has long been settled by this Court that "the right of those who acquire said properties should not and can not be superior to that of the creditor who has in his favor an instrument of mortgage executed with the formalities of the law, in good faith, and without the least indication of fraud. x x x. In purchasing it, with full knowledge that such circumstances existed, it should be presumed that he did so, very much willing to respect the lien existing thereon, since he should not have expected that with the purchase, he would acquire a better right than that which the vendor then had. (Emphasis and underscoring supplied)[46]

It bears noting that the chattel mortgage in favor of petitioner was registered more than two years before the issuance of a writ of attachment over some of Terrymanila's chattels in favor of respondent. This is significant in determining who between petitioner and respondent should be given preference over the subject properties. Since the registration of a chattel mortgage is an effective and binding notice to other creditors of its existence and creates a real right or lien that follows the property wherever it may be,[47] the right of respondent, as an attaching creditor or as purchaser, had it purchased the mortgaged chattel at the auction sale, is subordinate to the

lien of the mortgagee who has in his favor a valid chattel mortgage.[48]

Contrary then to the appellate court's ruling, petitioner is not liable for constructive fraud for proceeding with the auction sale. Nor for subsequently selling the chattel. For foreclosure suits may be initiated even during insolvency proceedings, as long as leave must first be obtained from the insolvency court[49] as what petitioner did.

The appellate court's award of exemplary damages and attorney's fees for respondent, given petitioner's good faith, is thus not warranted.

As for petitioner's prayer for attorney's fees in its Compulsory Counterclaim, the same is in order, the dismissal of respondent's Complaint notwithstanding.[50] *Perkin Elmer Singapore v. Dakila Trading*,[51] citing *Pinga v. Heirs of German Santiago*,[52] enlightens:

It bears to emphasize that petitioner's counterclaim against respondent is for damages and attorney's fees arising from the unfounded suit. While respondent's Complaint against petitioner is already dismissed, petitioner may have very well incurred damages and litigation expenses such as attorney's fees since it was forced to engage legal representation in the Philippines to protect its rights and to assert lack of jurisdiction of the courts over its person by virtue of the improper service of summons upon it. Hence, the cause of action of petitioner's counterclaim is not eliminated by the mere dismissal of respondent's complaint.[53] (Underscoring supplied)

To the Court, the amount of P250,000 prayed for by petitioner in its Counterclaim is just and equitable, given the nature and extent of legal services employed in controverting respondent's unfounded claim.

WHEREFORE, the petition for review is GRANTED. The challenged Decision and Resolution of the Court of Appeals are REVERSED and SET ASIDE. Civil Case No. 92-62106 lodged before the Regional Trial Court of Manila, Branch 16, is DISMISSED for lack of merit.

Respondent, Royal Cargo Corporation, is ORDERED to pay petitioner, Rizal Commercial Banking Corporation, P250,000 as and for attorney's fees.

No costs.

SO ORDERED.

Ynares-Santiago[*], Peralta[***], Del Castillo, and Abad, JJ., concur.

[*] Per Special Order No. 706 and additional member per Special Order No. 691.

[**] Per Special Order No. 690 in lieu of the sabbatical leave of Senior Associate Justice Leonardo A. Quisumbing.

[***] Additional member per Special Order No. 711.

[1] At times referred to as Terry Manila, Inc. in the rollo and records.

[2] Records, Vol. I, pp. 2-3.

[3] Id. at 294.

[4] Id. at 287.

[5] Folder of Exhibits, pp. 7-9.

- [6] Records, Vol. I, p. 304.
- [7] Folder of Exhibits, p. 48.
- [8] Id. at 272.
- [9] Id. at 275, 292-305.
- [10] Records, Vol. I, pp. 2-3.
- [11] Id. at 13-20.
- [12] Id. at 39-41.
- [13] Id. at 137-146; CA G.R. SP No. 31125.
- [14] Records, pp. 87-96.
- [15] Entitled RCBC v. Court of Appeals, et al.
- [16] Rollo, p. 202.
- [17] Records, Vol. II, pp. 752-759.
- [18] Rollo, pp. 59-76; Penned by Associate Justice Josefina Guevara-Salonga with Associate Justices Vicente Q. Roxas and Ramon R. Garcia concurring.
- [19] Id. at 78-79.
- [20] Id. at 21.
- [21] Id. at 31-33.
- [22] Id. at 33-34.
- [23] Section 13 of the Chattel Mortgage Law reads: When the condition of a chattel mortgage is broken, a mortgagor or person holding a subsequent mortgage, or a subsequent attaching creditor may redeem the same by paying or delivering to the mortgagee the amount due on such mortgage and the reasonable costs and expenses incurred by such breach of condition before the sale thereof. An attaching creditor who redeems shall be subrogated to the rights of the mortgagee and entitled to foreclose the mortgage in the same manner that the mortgagee could foreclose it by the terms of this Act. (Emphasis and underscoring supplied)
- [24] Rollo, p. 34.
- [25] G.R. No. 132287, January 24, 2006, 479 SCRA 571.
- [26] Rollo, p. 35.
- [27] Id. at 48.
- [28] Id. at 45.
- [29] Id. at 222-233.
- [30] Id. at 229-230
- [31] Republic v. Court of Appeals, G.R. No. 103412, February 3, 2000, 324 SCRA 560, 565 citing Casil v. Court of Appeals, G.R. No. 121534, January 28, 1998, 285 SCRA 264, 276.

[32] SEC. 47. x x x x.

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

[33] *Padillo v. Court of Appeals*, G.R. No. 119707, November 29, 2001, 371 SCRA 27, 39-40 citing *Islamic Directorate of the Phils. v. Court of Appeals*, G.R. No. 117897, May 14, 1997, 272 SCRA 454, 466.

[34] *Records I*, pp. 145-146.

[35] *Macahilig v. Heirs of Grace Magalit*, G.R. No. 141423, 398 Phil. 802, 818 (2000) citing *Manila Electric Company v. Artiaga*, 50 Phil. 144, 147 (1927).

[36] *Supra* note 24.

[37] *Top Rate International Services, Inc. v. IAC*, G.R. No. 67496, July 7, 1986, 226 Phil. 387, 394 citing *Moran*, *Comments on the Rules of Court*, Vol. 3, pp. 283-284, 1980 Ed.; and *Quimson v. PNB*, 36 SCRA 26.

[38] 55 Am Jur 2d, *Mortgages*, §866.

[39] *Limpin v. Intermediate Appellate Court*, G.R. No. L-70987, September 29, 1988, 166 SCRA 87, 93.

[40] *Ibid*.

[41] *Supra*.

[42] *Id.* at 394-395.

[43] *Spouses Alfredo v. Spouses Borrás*, G.R. No. 144225, June 17, 2003, 452 Phil. 178, 206-207.

[44] Art. 2244. With reference to other property, real and personal of the debtor, the following claims or credits shall be preferred in the order named:

x x x x

(14) Credits which, without special privilege, appear in (a) a public instrument; or (b) in a final judgment, if they have been the subject of litigation. These credits shall have preference among themselves in the order of priority of the dates of the instruments and of the judgments, respectively. (Underscoring supplied)

[45] *Vide: De Amuzategui v. Macleod*, G.R. No. 10629, December 24, 1915, 33 Phil. 80. In this case, the Court held that "it is clear that, with the declaration of insolvency, courts in insolvency obtain full and complete jurisdiction over all property of the insolvent and of all claims by and against him, with full authority to suspend, on the application of the debtor, a creditor, or the assignee, any action or proceeding then pending in any court, to await the determination of the court of insolvency on the question of the bankrupt's discharge. The assignee in the case at bar asked that the action be dismissed on the ground that the court in insolvency having complete jurisdiction over the affairs of an insolvent debtor, and particularly the distribution of his estate for the payment of his debts, an action begun in another court which tends in any material way to interfere with the exercise of that jurisdiction is prohibited either expressly or impliedly by the Insolvency Law and cannot, therefore, be maintained when appropriate objection by the proper parties is interposed. It is evident that if the various courts of the Islands may by action or other proceeding intervene in the affairs of an insolvent debtor and with the administration of the court in insolvency, great confusion would result and the termination of the insolvency proceeding might be delayed unduly. We believe it to be the policy of the Insolvency Law to place the insolvent debtor and all his assets and liabilities completely within the jurisdiction and control of the court in insolvency and not to permit the

intervention of any other court in the bankrupt's concerns or in the administration of his estate."

[46] Cabral v. Evangelista, G.R. No. L-26860, July 30, 1969, 139 Phil. 300, 306-307.

[47] Allied Banking Corp. v. Salas, G.R. No. L-49081, December 13, 1988, 168 SCRA 414, 420.

[48] Northern Motors Inc. v. Judge Coquia, G.R. No. L-40018, August 29, 1975, 160 Phil. 1091, 1098.

[49] 1 J. VITUG, COMMERCIAL LAWS AND JURISPRUDENCE 549 (2006).

[50] Article 2208 (2) of the Civil Code.

[51] G.R. No. 172242, August 14, 2007, 530 SCRA 170.

[52] G.R. No. 170354, June 30, 2006, 494 SCRA 393.

[53] Perkin Elmer Singapore v. Dakila Trading, *supra* note 51 at 201-202.

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