

**REMINGTON INDUSTRIAL SALES CORPORATION, PETITIONER, VS.
MARICALUM MINING CORPORATION, RESPONDENT.***G.R. No. 193945. June 22, 2015*

Ponente: REYES, J.

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For review is the Decision[1] dated April 26, 2010 and Resolution[2] dated September 30, 2010 of the Court of Appeals (CA) in CA-G.R. SP No. 110178, which reversed and set aside the Order dated December 19, 2008 of the Regional Trial Court (RTC) of Manila, Branch 19, in Civil Case No. 84-25858. The CA further ordered petitioner Remington Industrial Sales Corporation (Remington) to return and restitute to respondent Maricalum Mining Corporation (Maricalum) the garnished amounts of P920,755.95 and P32,256.48, with 12% interest per annum until fully satisfied.

Antecedent Facts

On August 1, 1984, Remington filed a complaint for sum of money with damages against Marinduque Mining and Industrial Corporation (MMIC), docketed as Civil Case No. 84-25858. Remington sought payment of MMIC's unpaid purchases of construction materials from July 16, 1982 to October 4, 1983 in the amount of P921,755.95, with annual interest of 18%. The complaint was amended on September 7, 1984 by impleading the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP) as defendants, in view of the foreclosure sale made on MMIC's real and chattel mortgages covering its personal properties and other assets. Nonoc Mining and Industrial Corporation was also added as defendant. Maricalum and Island Cement Corporation were also subsequently included as defendants, being transferees of MMIC's real and chattel mortgages covering its personal and real properties and other assets, which were foreclosed by PNB and DBP. Later, the Asset Privatization Trust was also impleaded as defendant.[3]

On April 10, 1990, the RTC rendered its Decision in favor of Remington holding all the defendants jointly and severally liable to pay the sum of P920,755.95 representing the principal obligation, including the stipulated interest as of June 22, 1984, plus 10% surcharge per annum by way of penalty, until the amount is fully paid.[4] The dispositive portion of the RTC decision provides:

WHEREFORE, judgment is hereby rendered in favor of [Remington], ordering the defendants [MMIC], [PNB], [DBP], Nonoc Mining and Industrial Corporation, [Maricalum], Island Cement Corporation and Asset Privatization Trust to pay, jointly and severally, the sum of P920,755.95, representing the principal obligation, including the stipulated interest as of June 22, 1984, plus ten [percent] (10%) surcharge per annum by way of penalty, until the amount is fully paid; the sum equivalent to 10% of the amount due as and for attorney's fees; and to pay the costs.

SO ORDERED.[5]

All of the defendants appealed the decision, docketed as CA-G.R. SP No. 27720, and on October 6, 1995, the CA affirmed the RTC decision.[6]

Aggrieved, PNB and DBP separately appealed the decision to the Court, docketed as GR. No. 122710 (entitled Philippine National Bank v. Court of Appeals)[7] and GR. No. 126200 (entitled Development Bank of the Philippines v. Court of Appeals),[8] respectively.

Maricalum filed a motion for extension of time to file a petition for review and to pay legal fees, but this was denied by the Court in its Resolution dated December 4, 1996 for lack of affidavit of service. The resolution eventually became final and was recorded in the Book of Entries of Judgment on January 30, 1997.[9]

Thereafter, the RTC, in an Order dated March 9, 2001, granted Remington's motion for execution against Maricalum. The latter moved for reconsideration but the same was denied in an Order dated May 10, 2001. Consequently, the RTC issued a writ of execution on March 21, 2001, and Maricalum's deposits of P920,755.95 with Global Bank and P32,256.48 with Equitable PCI Bank were garnished. Maricalum, thus, filed a petition for certiorari and prohibition with the CA, docketed as CA-G.R. SP No. 65209.[10]

In the meantime, Maricalum moved to intervene in the PNB case, which was denied by the Court in a Resolution dated July 25, 2001.

On August 16, 2001, the Court decided the DBP case, granting DBP's petition and reversing the CA Decision dated October 6, 1995 and Resolution dated August 29, 1996.[11] The dispositive portion of the Court's decision states:

WHEREFORE, the petition is GRANTED. The decision of the [CA] dated October 6, 1995 and its Resolution promulgated on August 29, 1996 is REVERSED and SET ASIDE. The original complaint filed in the [RTC] in CV Case No. 84-25858 is hereby DISMISSED.

SO ORDERED.[12] (Emphasis ours)

Thereafter, the Court rendered its Decision[13] dated October 12, 2001 in the PNB case, likewise reversing the CA Decision dated October 6, 1995, to wit:

WHEREFORE, the Court REVERSES the decision of the [CA] and in lieu thereof, enters the judgment DISMISSING the complaint of [Remington] in Civil Case No. 84-25858, [RTC], Branch 19, Manila, as against defendants [PNB] and [DBP].

No costs.

SO ORDERED.[14] (Emphasis ours)

On February 10, 2003, the CA rendered a Decision[15] in CA-G.R. SP No. 65209 affirming the RTC Order dated March 9, 2001 granting Remington's motion for execution. The CA ruled that the respective appeals filed by the PNB and DBP did not inure to the benefit of their co-defendants, including Maricalum, who did not appeal, and nor can it be deemed to be an appeal of such co-defendants from the judgment against them. The CA further stated that the appeals interposed by PNB and DBP, in no way, prevented the decision in CA-G.R. SP No. 27720 from becoming final and executory as against Maricalum and the other defendants, notwithstanding the fact that all of said defendants were held solidarity liable in said decision.

Its motion for reconsideration having been denied, Maricalum appealed said decision to the Court via a petition for review on certiorari, docketed as G.R. No. 158332 (entitled Maricalum Mining Corp. v. Remington Industrial Sales Corp.).[16]

On February 11, 2008, the Court granted Maricalum's petition and annulled the orders of the RTC granting execution.[17] The dispositive portion of the decision provides:

WHEREFORE, the petition is GRANTED. The February 10, 2003 Decision and the May 21, 2003 Resolution in CA-G.R. SP No. 65209 of the [CA] are REVERSED and SET ASIDE and the March 9, 2001 and May 10, 2001 Orders of the [RTC] in Civil Case No. 84-25858 are ANNULLED.

No costs.

SO ORDERED.[18]

Remington moved for reconsideration but the same was denied by the Court in a Resolution dated June 30, 2008. This prompted Maricalum to file a motion for restitution and supplemental motion before the RTC,[19] which is now the subject of the present petition.

Ruling of the RTC

On December 19, 2008, the RTC issued an Order denying Maricalum's motion on the basis of the principle of immutability of final judgment,[20] to wit:

The writ of execution having been issued by this Court with neither any restraining order nor injunction against said issuance way back on March 9, 2001, at a time the decision of this Court dated April 10, 1990, as affirmed by the [CA] in its decision of October 6, 1995, had become final and executory as far as movant [Maricalum] is concerned, it would certainly be against the law and equity for this Court now to grant movant's motion and supplemental motion for restitution of the amount garnished by the sheriff pursuant to said final and executory decision of this Court against said movant, the execution of which was a matter of right on plaintiffs part and a ministerial duty on the part of this Court to order. As claimed by plaintiff in its rejoinder of September 22, 2008, the execution was only partially satisfied in view of the several incidental expenses inherent in the process of implementation thereof leaving a balance of about P1,501,138.69 unsatisfied, but which plaintiff can no longer execute against said movant on account of the decision of the Supreme Court in G.R. No. 158332.

The execution implemented by the Sheriff was based on a valid Order (March 9, 2001) by virtue of the motion for execution filed by plaintiff against movant, xxx. In the interest of justice, fair play and equity, the execution which had been effectuated by the sheriff can no longer be disturbed. The law and principles of equity must be applied. The effects of a valid order, as an operative fact, cannot be invalidated and disregarded, said effects being valid accomplished acts.[21] (Emphasis deleted)

Maricalum's motion for reconsideration was denied by the RTC on July 30, 2009, causing it to file a petition for certiorari with the CA, docketed as CA-G.R. SP No. 110178.[22]

Ruling of the CA

On April 26, 2010, the CA rendered the assailed Decision ordering Remington to return and restitute to Maricalum the garnished amounts, the dispositive portion of which provides:

WHEREFORE, the appealed Orders dated December 19, 2008 and July 30, 2009 are ANNULLED and SET ASIDE. Private respondent [Remington] is ordered to RETURN and RESTITUTE to petitioner [Maricalum] the garnished amounts of P920/755.95 and P32,256.48, with interest thereon at twelve (12%) percent per annum until fully satisfied.

SO ORDERED.[23]

Remington's motion for reconsideration[24] was also denied by the CA in the assailed Resolution[25] dated September 30, 2010.

In granting Maricalum's prayer for restitution, the CA ruled, among others, that the Court's ruling in DBP and

PNB freed Maricalum from any liability to Remington, as its predecessors DBP, PNB, and their transferees are corporate entities separate and distinct from the original obligor, MMIC. The CA further ruled that the dismissal of the complaint in DBP constituted a supervening event, which "virtually blotted out" the RTC Decision dated April 10, 1990.

Hence, this petition anchored on the following grounds:

I.

THE HONORABLE [CA] ERRED IN ANNULING AND SETTING ASIDE THE ORDERS DATED DECEMBER 19, 2008 AND JULY 30, 2009 OF THE [RTC] OF MANILA, BRANCH 19.

II.

THE HONORABLE [CA] ERRED IN ORDERING IN ITS DECISION OF APRIL 26, 2010 THE RETURN AND RESTITUTION TO [MARICALUM] OF THE GARNISHED AMOUNTS OF P920,755.95 AND P32,256.48.

III.

THE HONORABLE [CA] EQUALLY ERRED IN ORDERING PAYMENT OF INTEREST IN THE AFORESAID RATE AT 12 % PER ANNUM.[26]

In support thereof, Remington points out that the RTC decision in Civil Case No. 84-25858 and the CA decision in CA-G.R. SP No. 27720 had long become final and executory; therefore, it was the ministerial duty of the RTC, as it did, to issue the writ of execution in favor of Remington. Moreover, Remington argues that Maricalum's penchant for unending litigation is untenable as it is contrary to the avowed principle of immutability of final and executory judgments, that is, Remington seeks to achieve a total departure from what has already been settled in specific cases. Further, Remington contends that the alleged "supervening events" as an exception to the principle of immutability of final judgments does not apply in the present case. According to Remington, what CA termed "supervening events" are not supervening but actually succeeding events since the writ of execution had already been implemented and had become an accomplished fact long ago or way back in May 2001 and any supervening event no longer exist to prevent such implementation of the writ already executed in that year.[27]

In seeking the denial of the petition, Maricalum emphasizes that the Court's decision in Maricalum already annulled the execution orders of the RTC in Civil Case No. 84-25858 and such decision had already become final and executory.[28] To rule otherwise, therefore, would constitute undue deprivation of its property rights. Similarly, considering that PNB and DBP have no liability whatsoever to Remington and Maricalum as PNB's successor-in-interest, Remington can no longer claim that the property of Maricalum subject of the execution is still clue it.

Ruling of the Court

The petition is denied.

The final and executory nature of the RTC Decision dated April 10, 1990 as against Maricalum is undisputed. Said RTC decision was, in fact, the source of the orders of execution issued by the RTC dated March 9, 2001 and May 10, 2001. Indeed, the well-settled principle of immutability of final judgments demands that once a judgment has become final, the winning party should not, through a mere subterfuge, be deprived of the fruits of the verdict.[29] There are, however, recognized exceptions to the execution as a matter of right of a final and immutable judgment, one of which is the existence of a supervening event.[30] "A supervening event is a fact which transpires or a new circumstance which develops after a judgment has become final and executory. This

includes matters which the parties were unaware of prior to or during trial because they were not yet in existence at that time." [31] To be sufficient to stay or stop the execution, a supervening event must create a substantial change in the rights or relations of the parties which would render execution of a final judgment unjust, impossible or inequitable making it imperative to stay immediate execution in the interest of justice. [32]

In this case, the Court promulgated on February 11, 2008 its Decision in *Maricalum*. [33] As stated earlier, the RTC Decision dated April 10, 1990 became final and executory vis-a-vis *Maricalum* due to its failure to timely appeal the RTC decision. *Maricalum*, however, settled once and for all the matter of whether PNB and DBP's respective appeals inured to its benefit. The Court ruled that:

The adjudication rendered in *DBP v. CA* and *PNB v. CA* is plain: [Remington] has no cause of action against DBP, PNB and their transferees, including [Maricalum], for they are corporate entities separate and distinct from [MMIC], and cannot be held liable for the latter's obligations to [Remington]. No compelling reason exists to discard the veil of their corporate fiction because the acquisition through foreclosure sale by DBP and PNB of the properties of [MMIC] was mandated by law, and their transfer of said properties to various corporations, including [Maricalum], for management and operation thereof was legitimate.

The foregoing adjudication is conclusive even upon this Court, more so, the CA. [34] (Citation omitted and emphasis ours)

Notably, the Court ruled in *DBP* that its acquisition of MMIC's properties and its subsequent transfer were legitimate, and Remington's remedy was to enforce its lien on the unpaid purchase price it sold to MMIC through a proper liquidation proceeding. Meanwhile, PNB ruled that Remington has no cause of action against PNB and the latter is not liable to Remington for MMIC's unpaid goods and merchandise as the obligation to pay remains with MMIC. Both cases ordered the dismissal of the complaint filed in Civil Case No. 84-25858.

On this score, it should be stressed that the source of the RTC's orders of execution dated March 9, 2001 and May 10, 2001 emanated from its Decision dated April 10, 1990 in Civil Case No. 84-25858. To reiterate, Civil Case No. 84-25858 has already been ordered dismissed by the Court in *DBP* and *PNB*. More importantly, the Court, in *Maricalum*, held that such dismissal redounded to *Maricalum*'s benefit. "The spring cannot rise higher than its source." [35] Given the dismissal of Civil Case No. 84-25858 from which the orders of execution were based, there is now no legal basis on which the garnishment on *Maricalum*'s bank accounts can stand on. In fact, the Court emphatically stated in *Maricalum* that:

[T]he dismissal in *DBP v. CA* of the complaint filed in Civil Case No. 84-25858 constitutes a supervening event as it virtually blotted out the April 10, 1990 RTC Decision rendered therein. No vested right accrued from said RTC Decision in favor of private respondent; no ministerial duty impelled the CA to allow execution thereof. [36] (Citation omitted and emphasis ours)

Certainly, the subsequent issuance of the Court's judgment in *Maricalum* created a substantial change in the rights of Remington as against *Maricalum*, and rendered the prior execution of the RTC decision unjust and inequitable. Restitution, therefore, must be made as a matter of course, for to rule otherwise would make the Court's rulings in *DBP*, *PNB* and *Maricalum* hollow, leaving *Maricalum* holding the proverbial "empty bag."

Restitution is sanctioned by the rules. Section 5, Rule 39 of the Rules of Court specifically provides that:

SEC. 5. Effect of reversal of executed judgment. Where the executed judgment is reversed totally or partially, or annulled, on appeal or otherwise, the trial court may, on motion, issue such orders of restitution or reparation of damages as equity and justice may warrant under the circumstances. (Emphasis ours)

The Rules of Court provides for restitution according to equity, in case the executed judgment is reversed on appeal. [37] When the executed decision is reversed, the premature execution is considered to have lost its legal

bases.[38] The situation necessarily requires equitable restitution to the party prejudiced thereby.[39] The phrase "on appeal or otherwise" in Section 5 of Rule 39 specifically permits the application of restitution or reparation in cases where a judgment is reversed or annulled, not only on appeal but also through some other appropriate action filed for that purpose.

Nevertheless, the Court stressed in the early case of *Po Pauco v. Tan Junco*[40] that in a restitution case, a party who received by means of a judgment cannot be treated as a wrong-doer for causing execution to issue. The judgment protects him while it remains in force. It may seem a hardship to the claimant in such a judgment that under it, his property may be sold for greatly less than its value, and his right of restitution be limited to what came into the hands of the defendant. But such hardship, when it occurs, will generally, if not always, be the result of his own acts. If, by failing to appeal, or to obtain a supersedeas on an appeal, he permits the judgment to remain in force and enforceable, he can hardly complain that the other party proceeds to enforce it.[41]

The CA's imposition of interest at 12% per annum, however, must be modified.

As clarified in *Nacar v. Gallery Frames*,[42] pursuant to Bangko Sentral ng Pilipinas-Monetary Board (BSP-MB) Circular No. 799 (Series of 2013), the legal rate of interest is currently at six percent (6%) regardless of the source of obligation.[43] Such new rate should be applied prospectively,[44] and the twelve percent (12%) legal interest shall apply only until June 30, 2013. Thereafter, the new rate of six percent (6%) per annum shall be the prevailing rate of interest. *Nacar*, thus, modified the previous guidelines laid down in *Eastern Shipping Lines, Inc. v. Court of Appeals*,[45] on the imposition of interest, to wit:

II.

With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

- When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
- When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
- When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

And, in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.[46] (Emphasis ours and italics in the original)

Pilipinas Bank v. Court of Appeals,[47] meanwhile, ruled that the rates of interest prescribed by the MB is also applicable to restitution cases where money is transferred from one person to another and the obligation to return the same or a portion thereof is subsequently adjudged in.[48] Consequently, the interest imposed by the CA must be modified in order to conform to the prevailing rate imposed by the BSP-MB and clarified by recent jurisprudence.

WHEREFORE, the petition is DENIED. The Decision dated April 26, 2010 and Resolution dated September 30, 2010 of the Court of Appeals in CA-G.R. SP No. 110178 are hereby AFFIRMED with the MODIFICATION in that the amount to be returned by Remington Industrial Sales Corporation to Maricalum Mining Corporation shall earn interest at the rate of twelve percent (12%) per annum, to be computed from the time Maricalum Mining Corporation filed its Motion for Restitution dated August 4, 2008 with the Regional Trial Court until June 30, 2013. Thereafter, it shall earn interest at the rate of six percent (6%) per annum until fully satisfied.

SO ORDERED.

Velasco, Jr. (Chairperson), Peralta, Villarama, Jr., and Jardeleza, JJ., concur.

July 6, 2015

NOTICE OF JUDGMENT

Sirs / Mesdames:

Please take notice that on June 22, 2015 a Decision, copy attached hereto, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on July 6, 2015 at 9:45 a.m.

Very truly yours,

(SGD.)

WILFREDO V. LAPITAN

Division Clerk of Court

[1] Penned by Associate Justice Vicente S.E. Veloso, with Associate Justices Francisco P. Acosta and Danton Q. Bueser concurring; rollo, pp. 43-57.

[2] Id. at 78-80.

[3] Id. at 44-45.

[4] Id. at 45.

[5] Id.

[6] Id. at 46.

[7] Hereinafter referred to as PNB case.

[8] Hereinafter referred to as DBP case.

[9] Rollo, p. 46.

[10] Id. at 47.

- [11] 415 Phil. 538 (2001).
- [12] Id. at 553.
- [13] 419 Phil. 480 (2001).
- [14] Id. at 493.
- [15] Rollo, pp. 36-40.
- [16] Id. at 48. Hereinafter referred to as Maricalum case.
- [17] Maricalum Mining Corp. v. Remington Industrial Sales Corp., 568 Phil. 219 (2008).
- [18] Id. at 232.
- [19] Rollo, p. 49.
- [20] Id. at 49-50.
- [21] Id. at 51.
- [22] Id.
- [23] Id. at 56-57.
- [24] Id. at 58-75.
- [25] Id. at 78-80.
- [26] Id. at 18-19.
- [27] Id. at 23-24.
- [28] Id. at 119.
- [29] Gomez v. Hon. Presiding Judge, RTC, Br. 15, Ozamis City, 319 Phil. 555, 562 (1995); Johnson & Johnson (Phils.), Inc., v. CA, 330 Phil. 856, 871 (1996).
- [30] Natalia Realty, Inc. v. Court of Appeals, 440 Phil. 1, 23 (2002).
- [31] Dy v. Bibat-Palamos, G.R. No. 196200, September 11, 2013, 705 SCRA 613, 626.
- [32] Silverio, Jr. v. Filipino Business Consultants, Inc., 504 Phil. 150, 162 (2005).
- [3] Supra note 17.
- [34] Id. at 231-232.
- [35] Sps. Bulaong v. Gonzales, 672 Phil. 315, 338 (2011).
- [36] Supra note 17, at 232.
- [37] Legaspi v. Spouses Ong, 498 Phil. 167, 189 (2005).
- [38] Urban Bank, Inc. v. Peña, 675 Phil. 474 578 (2011)
- [39] Id.
- [40] 49 Phil. 349 (1926).

[41] Id. at 357.

[42] G.R. No. 189871, August 13, 2013, 703, SCRA 439.

[43] Fil-Estate Properties, Inc. v. Ronquillo, G.R. No. 185798, January 13, 2014, 713 SCRA 91, 102.

[44] Federal Builders, Inc. v. Foundation Specialists, Inc., G.R. No. 194507, September 8, 2014.

[45] G.R. No. 97412, July 12, 1994, 234 SCRA 78.

[46] Supra note 42, at 457-458.

[47] G.R. No. 97873, August 12, 1993, 225 SCRA 268.

[48] Id. at 276.

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