

**P.D.P. TRANSIT, INC. AND EUSEBIO DAPLAS,
PLAINTIFFS-APPELLANTS, VS. MUÑOZ (HI) MOTORS, INC., DM
TRANSIT, INC., AND ALFREDO ABEJA, IN HIS CAPACITY AS DEPUTY
SHERIFF OF QUEZON CIT...**

G.R. No. 26542. November 18, 1967

Ponente: CASTRO, J.

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CASTRO, J.:

The lone question of law tendered for resolution in this appeal is whether the Court of First Instance of Quezon City erred in dismissing the complaint, in civil case Q-8882, filed on June 25, 1966 by the P.D.P. Transit, Inc. and Eusebio Daplas against the Muñoz (Hi) Motors, Inc., D.M. Transit, Inc., and Alfredo Abeja as deputy sheriff of Quezon City, on the ground of lack of jurisdiction over the subject-matter of the complaint.

The pertinent portions of the complaint are hereun-der quoted:

"II

"That on July 27, 1961, and on various dates in 1962 and 1963, plaintiff corporation purchased from the defendant Muñoz (Hi) Motors, Inc., on installments, the following M-A-N Truck chassis and engines:

- a) July 27, 1961 Ten (10) units;
- b) 1962 Two (2) units but which were fore-closed by Muñoz (Hi) Motors, Inc. from Williams Lins;
- c) 1963 One (1) unit, second hand which could not be registered with the Public Land Transportation Office due to the dubious acquisition papers of the defendant Muñoz (Hi) Motors, Inc.

and to secure payment of the purchase price thereof, the former executed in favor of the latter chattel mortgages on the same units.

III

"That sometime in 1963, after plaintiff corporation has paid the defendant Muñoz (Hi) Motors, Inc. the total sum of P150,033.12 against its in-stallment obligation, the latter agreed on the abatement of the collection of the installments then outstanding until the final release of the former's loan of P584,000.00 with the Development Bank of the Philippines, as shown in Annex 'A', which is made an integral part hereof, P284,000.00 of which shall be applied once obtained on its (plaintiff's) installment account with the latter, and, as part collateral of the loan, plaintiff corporation shall mortgage the aforementioned ten (10) units of trucks with the said bank with the active cooperation and participation of the defendant Muñoz (Hi) Motors, Inc. as shown in the attached copy of a letter of the defendant corporation to the plaintiff which is made a part hereof as Annex 'B' to the complaint.

IV

"That on June 24, 1964, after the approval but before the release of the said loan of P584,000.00 to the plaintiff corporation, the defendant Muñoz (Hi) Motors, Inc., pursuing an illicit trade combination with the defendant DM. Transit, Inc., (which is also owned and control-led by the stockholders of the defendant Muñoz (Hi) Motors, Inc.) with the purpose of crippling and taking over the business of the plaintiff corporation, repossessed the thirteen (13) units of trucks together with the bodies constructed thereon by the plaintiff on the ten (10) units valued at P50,000.00, through the defendant Sheriff of Quezon City by extra-judicially foreclosing, without due notice, the chattel mortgages thereon mentioned in paragraph 2 hereof, in gross and malevolent derogation of its agreement with plaintiff corporation averred in the paragraph immediately preceding thereby affecting and causing the nullification of the said loan to the damage and prejudice of the plaintiff corporation.

V

"That in the auction sale of the chattel mortgages held on July 16, 1964, defendant corporation, in collusion with the defendant Sheriff who conducted the same, caused to be included thereat, not only the said thirteen (13) units of M-A-N trucks subject of the said chattel mortgages, but also the franchise of plaintiff Eusebio Daplas to operate the twelve (12) passenger buses (covering the line AMPARO SUBDIVISION TO DIVISORIA via NOVALICHES and vice versa) granted him in Public Service Commission Case No. 131334, which was not and never been included therein, by falsely making it appear as part of the subject of the said mortgages. A copy of the Certificate of Sale is attached hereto and made a part hereof as Annex 'C';

VI

"That subsequent to the award of the chattels heretofore mentioned and the franchise of the plaintiff Eusebio Daplas to the defendant Muñoz (Hi) Motors, Inc. by the defendant Sheriff of Quezon City, the defendant Muñoz (Hi) Motors, Inc. transferred the same to its co-defendant, DM Transit, Inc. in pursuant to its trade combination, considering that the former cannot operate the same under existing laws.

VII

"That the said auction sale was irregularly conducted by the defendant in violation of the prescribed procedure, no notice having been given to the plaintiff corporation.

VIII

"That the aforesaid sale and transfer of the thirteen (13) units together with the Certificate of Public Convenience of plaintiff Eusebio Daplas under Public Service Commission No. 131334 was accidentally discovered by the plaintiff corporation, through its president and General Manager, when defendant Muñoz (Hi) Motors, Inc. applied for the approval of the said sale and transfer with the Public Service Commission, which application is pending and opposed by the herein plaintiffs.

IX

"That since defendant Muñoz (Hi) Motors, Inc. elected to extra-judicially foreclosed the chattel mortgages on the thirteen (13) units of M-A-N trucks (chassis and engines only) purchased on installment by the plaintiff corporation, it has become illegal for it to recover the balance of the purchase price on the Certificate of Public Convenience of plaintiff Eusebio Daplas, considering the provision of Article 1484 of the new Civil Code.

X

"That as a direct, immediate and proximate cause of the illegal and iniquitous acts of the defendant corporation referred to in paragraph 4 hereof, plain-tiff corporation was unduly deprived of a much needed capital loan in the amount of P584,000.00 which it could have otherwise obtain from its Development Bank of the Philippines and utilized to prevent the col-lapse of its business operation that followed the loss thereof, and thereby sustained actual and compensatory damages to the extent of not less than P100,000.00.

XI

"That as a result of the sale and dispossession of the Certificate of Public Convenience caused by the unlawful conspiracy amongst defendants, plaintiff Eusebio Daplas stands to suffer the loss of P10,000.00 which represents his expenses in the procurement thereof.

XII

"That the defendant DM Transit, Inc. is pre-sently securing the authority of the Public Service Commission in PSC Case No. 651826 for the transfer of said franchise of plaintiff Eusebio Daplas for its eventual operations on the lines covered therein in its business as a common carrier. Unless there-fore immediately restrained, the planned or threat-ened action of the said defendant to operate in said lines over which plaintiff Daplas is presently operating shall cause great and irreparable loss or dam-age to the latter. For this purpose, said plaintiff is willing and able to post a bond in such amount as the Honorable Court may deem just and equitable con-ditioned to pay for whatever damages the said defendant may suffer by reason of the issuance of the writ applied for, should the Court finally adjudge that the said plaintiff is not entitled thereto.

XIII

"That on account of defendants' wrongful acts complained hereof, plaintiffs were compel-led to retain the services of counsel for a contingent fee of 20% of any amount collected from the defendants.

PRAYER

"WHEREFORE, it is respectfully prayed of the Honorable Court that:

"1) Immediately upon the filing of this complaint, a writ of preliminary injunction be issued restraining the defendant DM Transit, Inc. its assignee and all persons claiming rights or title under it, from transferring registering and operating or otherwise taking action on the said franchise of plaintiff Eu-sebio Daplas under Public Service Commission Case No. 131334 that would negate the rights of the latter as its registered holder pending resolution of this action.

"2) After due hearing, judgment be rendered annul-ling the auction sale of the properties subject of the chattel mortgages object of this complaint and all pro-ceedings held thereunder, particularly the award of the defendant Sheriff of the said Certificate of Public Convenience of plaintiff Eusebio Daplas to defendant Muñoz (Hi) Motors, Inc.;

"3) Ordering the defendant corporations to pay jointly and severally, the plaintiff corporation the sum of P100,000.00 for actual and compensatory damages for its business losses;

"4) Ordering the defendants to pay unto the plain-tiff Eusebio Daplas, jointly and severally, the sum of P10,000.00 for actual and compensatory damages for his lost income and profits;

"5) Defendants be made to pay the costs of suit."

On July 10, 1965 the defendants filed a motion to dismiss, the pertinent portions of which read as follows:

"The subject of the action is the validity of the foreclosure and sales of a PUB certificate of public convenience issued by the Public Service Commission to the plaintiff Eusebio Daplas in Case No. 131334. The subject certificate was mortgaged by the plaintiff P.D.P. Transit, Inc. to the defendant Muñoz (Hi) Motors, Inc. with the knowledge and consent of the plaintiff Eusebio Daplas. The terms of the mortgage were broken by non-payment so defendant Muñoz (Hi) Motors, Inc. foreclosed. The defendant Sheriff sold the certificate at auction to the defendant Muñoz (Hi) Motors, Inc. as the highest bidder. Defendant Muñoz (Hi) Motors, Inc. in turn sold the same to the defendant DM Transit Corporation.

"The corresponding application for the ap-proval of the sales was filed with the Public Service Commission pursuant to Sec. 20 of the Public Service Act on January 22, 1965 (Case No. 65-1826). Copy of the application as amended on June 23, 1965 is hereto attached as Annex 'A' and made a part hereof.

"Sec. 20 of the Public Service Act provides as follows:

'SEC. 20. Acts requiring the approval of the Commission. Subject to established limitations and exceptions and saving provisions to the contrary, it shall be unlawful for any public service or for the owner, lessee or operator thereof, without the approval and authorization of the Commission previously had -

'(g) To sell, alienate, mortgage, encumber or lease its property, franchises, any part thereof; or merge or consolidate its property, franchise, privileges or rights, or any part thereof, with those of any other public service. The approval herein required shall be given, after notice to the public and after hearing the persons interested at a public hearing, if it be shown that there are just and reasonable grounds for making the mortgage or encumbrance, for liabilities of more than one year maturity, or the sale, alienation, lease, merger, or consolidation to be approved, and that the same are not detrimental to the public interest, and in case of a sale, the date on which the same is to be consummated shall be fixed in the order of approval: Provided, however, that nothing herein contained shall be construed to prevent the transaction from being negotiated or completed before its approval by to prevent the sale, alienation, or lease by any public service of any of its property in the ordinary course of its business.

"In view of the foregoing provision, it is the Public Service Commission that has jurisdiction over the subject of the complaint and the exercise of such jurisdiction by the Commission, we respectfully submit, should not be interfered with by this Honorable Court."

On July 17, 1965 the plaintiffs filed their opposition to the motion to dismiss; a rejoinder to this opposition was filed on October 18, 1965.

On October 27, 1965, relying upon the provisions of Section 20 of the Public Service Act,[1] the court dismissed the complaint, reasoning as follows:

"This is an action involving the validity of the sheriff's sale of the public utilities and certificate of public convenience granted to plaintiff Eusebio Daplas in Public Service Commission Case No. 131334. Under the Public Service Act, owners and operators of public service utilities could not alienate or mortgage its properties or franchises without the approval of the Public Service Commission.

* * *

"Considering that the corresponding application for the approval of the aforementioned sale was already filed with the Public Service Commission, and considering that the Commission is the only entity empowered to withdraw a franchise or certificate of public convenience from its bona fide holder (Garcia vs. Bonifacio, et al., G. R. No. L11153, September 30, 1958), the exercise of the Commission of its function may not be interfered with."

The plaintiffs' motion for reconsideration of December 8, 1965 was denied on January 20, 1966.

Hence the present recourse.

The question squarely before us is whether the causes of action stated in the complaint may be legally taken cognizance of by the Public Service Commission or are matters within the exclusive province of the ordinary courts of Justice.

The Public Service Commission is not a judicial tribunal; its functions are limited and administrative in character; it possesses only such jurisdiction and power as are expressly or by necessary implication conferred upon it by statute; and it is without power or jurisdiction to pass upon questions that are within the exclusive province of the ordinary courts of justice.[2]

In the case at bar, the plaintiffs seek (1) the annul-ment, on the ground of fraud, of the extra-judicial foreclo-sure sale of not only the thirteen "M-A-N" trucks of the ap-pellant company but also the certificate of public convenience granted to the plaintiff Eusebio Daplas by the Public Service Commission, and (2) recovery of damages incurred by reason of the said allegedly vitiated sale in the amount of P100,000. The complaint especially places in focus the invalidity of the extra-judicial sale of the public service franchise, averring that this franchise is not part of or involved in the chattel mortgage that was executed by the plaintiffs in favor of the defendants, and that the foreclosure was conducted without the requisite prior notice.

It is of course beyond dispute that the Public Service Commission is authorized by law to pass upon the question of whether or not the transferee in a sale or assignment of a public service franchise is qualified to serve the public interest. But it is rather obvious that the questions tendered to the court a quo for determination under the allegations of the complaint, namely, the validity of the auction sale, especially and particularly in reference to the certificate of public convenience, the due execution and genuineness of the instrument covering the sale, and fraud in connection there-with, properly belong to the exclusive jurisdiction of the courts of justice.[3] From nothing in the delimited compass of the Public Service Act can be deduced legal authority that empowers the Public Service Commission to hear, determine and decide the aforementioned causes of action.[4]

ACCORDINGLY, the order of October 27, 1965 of the court a quo is hereby set aside, and this case is remanded to the court of origin for further proceedings in accordance with law. Costs against the defendants-appellees.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Bengzon, Zaldivar, Sanchez, Angeles, and Fernando, JJ., concur.

[1] Quoted in the defendants' motion to dismiss, *supra*.

[2] *Batangas Laguna Tayabas Bus Co. vs. Public Service Commis-sion*, L-25994 and L-26004 to L-26046, August 31, 1966, 17 Sup. Ct. Rep. Ann. 1115, and the cases therein cited.

[3] *Hoc Lian Dry Goods vs. Meralco*, 63 Phil. 804; *Dagdag, et al. vs. Public Service Comm.*, 104 Phil. 162; *Batangas Laguna Tayabas Bus Co. vs. PSC*, L-25994, L-26004 to L-26046, August 31, 1966, 17 Sup. Ct. Rep. Ann. 1111; *Darang vs. Ty Belizar, et al.*, L-19478, January 31, 1967.

[4] *Montoya vs. Ignacio*, 94 Phil. 182; *Dagdag, et al., vs. Public Service Comm.*, 104 Phil. 162; *Hoc Lian Dry Goods Club vs. Manila Elec. Co.*, 63 Phil. 804.

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