

**ALEJANDRA TORRES ET AL., PLAINTIFFS AND APPELLEES, VS.
FRANCISCO LIMJAP, SPECIAL ADMINISTRATOR OF THE ESTATE OF
THE DECEASED JOSE B. HENSON, DEFENDANT AND APPELLANT.**

G. R. No. 34385. September 21, 1931

Ponente: JOHNSON, J.

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JOHNSON, J.:

These two actions were commenced in the Court of First Instance of Manila on April 16, 1930, for the purpose of securing from the defendant the possession of two drug stores located in the City of Manila, covered by two chattel mortgages executed by the deceased Jose B. Henson in favor of the plaintiffs.

In the first case the plaintiffs alleged that Jose B. Henson, in his lifetime, executed in their favor a chattel mortgage (Exhibit A) on his drug store at Nos. 101-103 Calle Rosario, known as Farmacia Henson, to secure a loan of P7,000, although it was made to appear in the instrument that the loan was for P20,000.

In the second case the plaintiffs alleged that they were the heirs of the late Don Florentino Torres; and that Jose B. Henson, in his lifetime, executed in favor of Don Florentino Torres a chattel mortgage (also Exhibit A) on his three drug stores known as Henson's Pharmacy, Farmacia Henson and Botica Hensonina, to secure a loan of P50,000, which was later reduced to P26,000, and for which, Henson's Pharmacy at Nos. 71-73 Escolta, remained as the only security by agreement of the parties.

In both cases the plaintiffs alleged that the defendant violated the terms of the mortgage and that, in consequence thereof they became entitled to the possession of the chattels and to foreclose their mortgages thereon. Upon the petition of the plaintiffs and after the filing of the necessary bonds, the court issued in each case an order directing the sheriff of the City of Manila to take immediate possession of said drug stores.

The defendant filed practically the same answer to both complaints. He denied generally and specifically the plaintiffs' allegations, and set up the following special defenses:

- (1) That the chattel mortgages (Exhibit A, in G. R. No. 34385 and Exhibit A, in G. R. No. 34386) are null and void for lack of sufficient particularity in the description of the property mortgaged; and
- (2) That the chattels which the plaintiffs sought to recover were not the same property described in the mortgage.

The defendant also filed a counterclaim for damages in the sum of P20,000 in the first case and P100,000 in the second case.

Upon the issue thus raised by the pleadings, the two causes were tried together by agreement of the parties. After hearing the evidence adduced during the trial and on July 17, 1930, the Honorable Mariano Albert, judge, in a very carefully prepared opinion, arrived at the conclusion (a) that the defendant defaulted in the payment of interest on the loans secured by the mortgages, in violation of the terms thereof; (6) that by reason of said failure

said mortgages became due, and (c) that the plaintiffs, as mortgagees, were entitled to the possession of the drug stores Farmacia Henson at Nos. 101-103 Calle Rosario and Henson's Pharmacy at Nos. 71-73 Escolta. Accordingly, a judgment was rendered in favor of the plaintiffs and against the defendant, confirming the attachment of said drug stores by the sheriff of the City of Manila and the delivery thereof to the plaintiffs. The dispositive part of the decision reads as follows:

"En virtud de todo lo expuesto, el Juzgado dicta sentencia confirmando en todas sus partes las 6rdenes de fechas 16 y 17 de abril del presente afio, dictadas en las causas Nos. 37096 y 37097, respectivamente, y declara definitiva la entrega hecha a los demandantes por el Sheriff de Manila de las boticas en cuesti6n. Se condena en costas al demandado en ambas causas."

From that judgment the defendant appealed, and now makes the following assignments of error:

"I. The lower court erred in failing to make a finding on the question of the sufficiency of the description of the chattels mortgaged and in failing to hold that the chattel mortgages were null and void for lack of particularity in the description of the chattels mortgaged.

"II. The lower court erred in refusing to allow the defendant to introduce evidence tending to show that the stock of merchandise found in the two drug stores was not in existence or owned by the mortgagor at the time of the execution of the mortgages in question.

"III. The lower court erred in holding that the administrator of the deceased is now estopped from contesting the validity of the mortgages in question.

"IV. The lower court erred in failing to make a finding on the counterclaims of the defendant."

With reference to the first assignment of error, we deem it unnecessary to discuss the question therein raised, inasmuch as according to our view on the question of estoppel, as we shall hereinafter set forth in our discussion of the third assignment of error, the defendant is estopped from questioning the validity of these chattel mortgages.

In his second assignment of error the appellant attacks the validity of the stipulation in said mortgages authorizing the mortgagor to sell the goods covered thereby and to replace them with other goods thereafter acquired. He insists that a stipulation authorizing the disposal and substitution of the chattels mortgaged does not operate to extend the mortgage to after-acquired property, and that such stipulation is in contravention of the express provision of the last paragraph of section 7 of Act No. 1508, which reads as follows:

"A chattel mortgage shall be deemed to cover only the property described therein and not like or substituted property thereafter acquired by the mortgagor and placed in the same depository as the property originally mortgaged, anything in the mortgage to the contrary notwithstanding."

In order to give a correct construction to the above-quoted provision of our Chattel Mortgage Law (Act No. 1508), the spirit and intent of the law must first be ascertained. When said Act was placed on our statute books by the United States Philippine Commission on July 2, 1906, the primary aim of that law-making body was undoubtedly to promote business and trade in these Islands and to give impetus to the economic development of the country. Bearing this in mind, it could not have been the intention of the Philippine Commission to apply the provision of section 7 above quoted to stores open to the public for retail business, where the goods are constantly sold and substituted with new stock, such as drug stores, grocery stores, dry-goods stores, etc. If said provision were intended to apply to this class of business, it would be practically impossible to constitute a mortgage on such stores without closing them, contrary to the very spirit and purpose of said Act. Such a construction would bring about a handicap to trade and business, would restrain the circulation of capital, and would defeat the

purpose for which the law was enacted, to wit, the promotion of business and the economic development of the country.

In the interpretation and construction of a statute the intent of the law-maker should always be ascertained and given effect, and courts will not follow the letter of a statute when it leads away from the true intent and purpose of the Legislature and to conclusions inconsistent with the spirit of the Act. On this subject, Sutherland, the foremost authority on statutory construction, says:

"The Intent of a Statute is the Law.—If a statute is valid it is to have effect according to the purpose and intent of the lawmaker. The intent is the vital part, the essence of the law, and the primary rule of construction is to ascertain and give effect to that intent. The intention of the legislature in enacting a law is the law itself, and must be enforced when ascertained, although it may not be consistent with the strict letter of the statute. Courts will not follow the letter of a statute when it leads away from the true intent and purpose of the legislature and to conclusions inconsistent with the general purpose of the act. Intent is the spirit which gives life to a legislative enactment. In construing statutes the proper course is to start out and follow the true intent of the legislature and to adopt that sense which harmonizes best with the context and promotes in the fullest manner the apparent policy and objects of the legislature." (Vol. II Sutherland, Statutory Construction, pp. 693-695.)

A stipulation in the mortgage, extending its scope and effect to after-acquired property, is valid and binding—

"* * * where the after-acquired property is in renewal of, or in substitution for, goods on hand when the mortgage was executed, or is purchased with the proceeds of the sale of such goods, etc." (11 C. J., p. 436.)

Cobbey, a well-known authority on Chattel Mortgages, recognizes the validity of stipulations relating to after-acquired and substituted chattels. His views are based on the decisions of the supreme courts of several states of the Union. He says:

"A mortgage may, by express stipulations, be drawn to cover goods put in stock in place of others sold out from time to time. A mortgage may be made to include future acquisitions of goods to be added to the original stock mortgaged, but the mortgage must expressly provide that such future acquisitions shall be held as included in the mortgage. * * * Where a mortgage covering the stock in trade, furniture, and fixtures in the mortgagor's store provides that 'all goods, stock in trade, furniture, and fixtures hereafter purchased by the mortgagor shall be included in and covered by the mortgage,' the mortgage covers all after-acquired property of the classes mentioned, and, upon foreclosure, such property may be taken and sold by the mortgagee the same as the property in possession of the mortgagor at the time the mortgage was executed." (Vol. I, Cobbey on Chattel Mortgages, sec. 361, pp. 474, 476.)

In harmony with the foregoing, we are of the opinion (a) that the provision of the last paragraph of section 7 of Act No. 1508 is not applicable to drug stores, bazars and all other stores in the nature of a revolving and floating business; (6) that the stipulation in the chattel mortgages in question, extending their effect to after-acquired property, is valid and binding; and (c) that the lower court committed no error in not permitting the defendant-appellant to introduce evidence tending to show that the goods seized by the sheriff were in the nature of after-acquired property.

With reference to the third assignment of error, we agree with the lower court that, from the facts of record, the defendant-appellant is estopped from contesting the validity of the mortgages in question. This feature of the case has been very ably and fully discussed by the lower court in its decision, and said discussion is made, by reference, a part of this opinion.

As to the fourth assignment of error regarding the counterclaims of the defendant-appellant, it may be said that in view of the conclusions reached by the lower court, which are sustained by this court, the lower court committed no error in not making any express finding as to said counterclaims. As a matter of form, however, the

counterclaims should have been dismissed, but as the trial court decided both cases in favor of the plaintiffs and confirmed and ratified the orders directing the sheriff to take possession of the chattels on behalf of the plaintiffs, there was, in effect, a dismissal of the defendant's counterclaims.

For all of the foregoing, we are of the opinion and so hold that the judgment appealed from is in accordance with the facts and the law, and the same should be and is hereby affirmed, with costs. So ordered.

Avanceña, C. J., Street, Malcolm, Villamor, Ostrand, Romualdez, Villa-Real, and Imperial, JJ., concur.

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