

DELTA MOTOR SALES CORPORATION, PLAINTIFF-APPELLEE, VS. NIU KIM DUAN AND CHAN FUE ENG, DEFENDANTS-APPELLANTS.*G.R. No. 61043. September 02, 1992*

Ponente: NOCON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-61043/>**NOCON, J.:**

Elevated to this Court by the Court of Appeals, in its Resolution of May 20, 1982, on a pure question of law,[1] is the appeal therein by defendants-appellants, Niu Kim Duan and Chan Fue Eng assailing the trial court's decision promulgated on October 11, 1977,[2] which ordered them to pay plaintiff-appellee, Delta Motor Sales Corporation, the amount of P6,188.29 with a 14% per annum interest which was due on the three (3) "Daikin" air-conditioners defendants-appellants purchased from plaintiff-appellee under a Deed of Conditional Sale, after the same was declared rescinded by the trial court. They were likewise ordered to pay plaintiff-appellee P1,000.00 for and as attorney's fees.

The events which led to the filing of the case in the lower court were summarized by the Court of Appeals, as follows:

"On July 5, 1975, the defendants purchased from the plaintiff three (3) units of 'DAIKIN' air-conditioner all valued at P19,350.00 as evidenced by the Deed of Conditional Sale, Exhibit A; that the aforesaid deed of sale had the following terms and conditions:

'(a) the defendants shall pay a down payment of P774.00 and the balance of P18,576.00 shall [be] paid by them in twenty four (24) installments; (b) the title to the properties purchased shall remain with the plaintiff until the purchase price thereof is fully paid; (c) if any two installments are not paid by the defendants on their due dates, the whole of the principal sum remaining unpaid shall become due, with interest at the rate of 14% per annum; and (d) in case of a suit, the defendants shall pay an amount equivalent to 25% of the remaining unpaid obligation as damages, penalty and attorney's fees; that to secure the payment of the balance of P18,576.00 the defendants jointly and severally executed in favor of the plaintiff a promissory note, Exhibit C; that the three (3) air-conditioners were delivered to and received by the defendants as shown by the delivery receipt, Exhibit B; that after paying the amount of P6,966.00, the defendants failed to pay at least two (2) monthly installments; that as of January 6, 1977, the remaining unpaid obligation of the defendants amounted to P12,920.08; that statements of accounts were sent to the defendants and the plaintiff's collectors personally went to the former to effect collections but they failed to do so; that because of the unjustified refusal of the defendants to pay their outstanding account and their wrongful detention of the properties in question, the plaintiff tried to recover the said properties extra-judicially but it failed to do so; that the matter was later referred by the plaintiff to its legal counsel for legal action; that in its verified complaint dated January 28, 1977, the plaintiff prayed for the issuance of a writ of replevin, which the Court granted in its Order dated February 28, 1977, after the plaintiff posted the requisite bond; that on April 11, 1977, the plaintiff, by virtue of the aforesaid writ, succeeded in retrieving the properties in question; that as of October 3, 1977, the outstanding account of the defendants is only in the amount of P6,188.29 as shown by the computation, Exhibit F, after deducting the interests in arrears, cover charges, replevin bond premiums, the value of the units repossessed and the like; and, that in view of the failure of the defendants to pay their obligations, the amount

of P6,966.00 which had been paid by way of installments were treated as rentals for the units in question for two (2) years pursuant to the provisions of paragraph 5 of the Deed of Conditional Sale, Exhibit A.' (pp. 5-7, Record; pp. 4-6, Appellant's Brief)."

As above-stated, the trial court ruled in favor of plaintiff-appellee.

Defendants-appellants assail the Deed of Conditional Sale under which they purchased the three (3) Daikin air-conditioners from plaintiff-appellee as being contrary to law, morals, good custom, public order or public policy. In particular, they point to the contract's paragraphs 5 and 7 as iniquitous, which paragraphs state that:

"5. Should BUYER fail to pay any of the monthly installments when due, or otherwise fail to comply with any of the terms and conditions herein stipulated, this contract shall automatically become null and void; and all sums so paid by BUYER by reason thereof shall be considered as rental and the SELLER shall then and there be free to take possession thereof without liability for trespass or responsibility for any article left in or attached to the PROPERTY;

x x x x x

"7. Should SELLER rescind this contract for any of the reasons stipulated in the preceding paragraph, the BUYER, by these presents obligates himself to peacefully deliver the PROPERTY to the SELLER in case of rescission, and should a suit be brought in court by the SELLER to seek judicial declaration of rescissions and take possession of the PROPERTY, the BUYER hereby obligates himself to pay all the expenses to be incurred by reason of such suit and in addition to pay the sum equivalent to 25% of the remaining unpaid obligation as damages, penalty and attorney's fees;"[3]

Defendants-appellants claim that for the use of the plaintiff-appellee's three air-conditioners, from July 5, 1975[4] to April 11, 1977,[5] or for a period of about 22 months, they, in effect, paid rentals in the amount of P6,429.92,[6] or roughly one-third (1/3) of the entire price of said air-conditioners which was P19,350.00. They also complain that for the said period the trial court is ordering them to pay P6,188.29 as the balance due for the three air-conditioners repossessed. Defendants-appellants were likewise ordered to pay P1,000.00 as attorney's fees when plaintiff-appellee never sought for attorney's fees in its complaint. They satirically pointed out that by putting "a few touches here and there, the same units can be sold again to the next imprudent customer"[7] by plaintiff-appellee. Thus, enforcement of the Deed of Conditional Sale will unjustly enrich plaintiff-appellee at the expense of defendants-appellants.

I

Defendants-appellants cannot complain that their downpayment of P774.00 and installment payments of P5,655.92[8] were treated as rentals -- even though the total amount of P6,429.92 which they had paid, approximates one-third (1/3) of the cost of the three (3) air-conditioners. A stipulation in a contract that the installments paid shall not be returned to the vendee is valid insofar as the same may not be unconscionable under the circumstances is sanctioned by Article 1486 of the New Civil Code.[9] The monthly installment payable by defendants-appellants was P774.00.[10] The P5,655.92 installment payments correspond only to seven (7) monthly installments. Since they admit having used the air-conditioners for twenty-two (22) months, this means that they did not pay fifteen (15) monthly installments on the said air-conditioners and were thus using the same FREE for said period -- to the prejudice of plaintiff-appellee. Under the circumstances, the treatment of the installment payments as rentals cannot be said to be unconscionable.

II

The vendor in a sale of personal property payable in installments may exercise one of three remedies, namely, (1) exact the fulfillment of the obligation, should the vendee fail to pay; (2) cancel the sale upon the vendee's failure to pay two or more installments; (3) foreclose the chattel mortgage, if one has been constituted on the property sold, upon the vendee's failure to pay two or more installments. The third option or remedy, however, is subject to the limitation that the vendor cannot recover any unpaid balance of the price and any agreement to the contrary is void (Art. 1484)[11]

The three (3) remedies are alternative and NOT cumulative. If the creditor chooses one remedy, he cannot avail himself of the other two.

It is not disputed that the plaintiff-appellee had taken possession of the three air-conditioners, through a writ of replevin when defendants-appellants refused to extra-judicially surrender the same. This was done pursuant to paragraphs 5 and 7 of its Deed of Conditional Sale when defendants-appellants failed to pay at least two (2) monthly installments, so much so that as of January 6, 1977, the total amount they owed plaintiff-appellee, inclusive of interest, was P12,920,08.[12] The case plaintiff-appellee filed was to seek a judicial declaration that it had validly rescinded the Deed of Conditional Sale.[13]

Clearly, plaintiff-appellee chose the second remedy of Article 1484 in seeking enforcement of its contract with defendants-appellants. This is shown from the fact that its Exhibit "F" which showed the computation of the outstanding account of defendants- appellants as of October 3, 1977 took into account "the value of the units repossessed." [14] Having done so, it is barred from exacting payment from defendants-appellants of the balance of the price of the three air-conditioning units which it had already repossessed. It cannot have its cake and eat it too.[15]

WHEREFORE, the judgment of the trial court in Civil Case No. 25578 is hereby SET ASIDE and the complaint filed by plaintiff-appellee Delta Motor Sales Corporation is hereby DISMISSED. No costs.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Melo, JJ., concur.

[1] Ponente, Acting Presiding Justice Ramon G. Gaviola, Jr., concurred in by Justices Serafin R. Cuevas and Juan A. Sison; Rollo, p. 30.

[2] Judge Leo D. Medialdea, former Court of First Instance of Rizal at Makati, Branch XXXVI, Civil Case, No. 25578.

[3] Record on Appeal, pp. 9, 10; Rollo, p. 14.

[4] Complaint, Civil Case No. 25578, p. 2; Rollo, p. 14.

[5] Decision, Civil Case No. 25578, p. 4; Rollo, p. 7.

[6] Appellants' Brief, CA-G.R. No. 62715, p. 7; Rollo, p. 21.

[7] Ibid., p. 8; Rollo, p. 21.

[8] Ibid., p. 7; Rollo, p. 21.

[9] Art. 1486. In the cases referred to in two preceding articles, a stipulation that the installments or rents paid

shall not be returned to the vendee or lessee shall be valid insofar as the same may not be unconscionable under the circumstances.

[10] Balance of P18,576.00 divided by twenty-four (24) monthly installments.

[11] Art. 1484. In a contract of sale of personal property the price of which is payable in installments, the vendor may exercise any of the following remedies:

(1) Exact fulfillment of the obligation, should the vendee fail to pay;

(2) Cancel the sale, should the vendee's failure to pay cover two or more installments;

(3) Foreclose the chattel mortgage on the thing sold, if one has been constituted, should the vendee's failure to pay cover two or more installments. In this case, he shall have no further action against the purchaser to recover any unpaid balance of the price. Any agreement to the contrary shall be void.

[12] Paragraph No. 6, Complaint, Civil Case No. 25578; Rollo, p. 14.

[13] Roman Catholic Archbishop of Manila vs. Court of Appeals, 198 SCRA 300.

[14] Decision, Civil Case No. 25578, p. 4; Rollo, p. 7.

[15] Nonato vs. Intermediate Appellate Court, 140 SCRA 255.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.