

LEONIDES C. PENGSON, PETITIONER, VS. THE INTERMEDIATE APPELLATE COURT, REYNOLDS PHILIPPINE CORPORATION, WILLIAM W. DUNCAN, JR., PACIFIC MERCHANDISING CORPORATION AND SHERIFF OF ...

G.R. No. 65622. June 29, 1984

Ponente: ABAD SANTOS, J.

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ABAD SANTOS, J.:

In the defunct Court of First Instance of Rizal, Leonides C. Pengson filed a suit against Reynolds Philippine Corporation and others (Civil Case No. Q-15060) for DECLARATION OF NULLITY AND INEFFECTIVITY OF SALE OR RESCISSION OF SALE AND MORTGAGE WITH DAMAGES. The trial court decided for the plaintiff whereupon Reynolds Philippine Corporation appealed to the Court of Appeals whose successor, the Intermediate Appellate Court reversed the decision. The instant petition was filed by Pengson with the following prayers:

1. that the decision of the Intermediate Appellate Court be reversed and another entered affirming that of the trial court;
2. that alternatively a writ of mandamus be issued commanding the Intermediate Appellate Court to make complete findings of facts.

The decision of the appellate court which is sought to be reviewed gives the following factual background:

"The defendant Pacific Merchandising Corporation, hereinafter known as PMC, is the owner of shares in the Aluminum Products (Alpro) to the extent of 96% of its capital (share) holdings. PMC was indebted to defendant Reynolds Philippines Corporation, hereinafter referred to as Reynolds, in the sum of more than P800,000.00, because of which indebtedness its shares in the Alpro were pledged with Reynolds as a collateral of its loan. Because PMC needed some money, it decided to sell its shares with the Alpro to the herein plaintiff Leonides C. Pengson, the deed of sale being evidenced by Exhibit A. Among other things, the plaintiff assumed the obligation of PMC to Reynolds, which amount however was reduced from more than P800,000.00 to only P500,000.00. Since the certificates covering the shares were then held by Reynolds in pledge as security for PMC's obligation, the former's consent to the sale with assumption had to be obtained. As a security for the payment to Reynolds of the aforesaid P500,000.00 in five (5) annual installments, the first installment being P125,000.00, Pengson mortgaged to Reynolds a parcel of land. While Pengson paid the first installment in the sum of P125,000.00 in three (3) installments and a bit late, the next installments which fell due were not paid for in spite of demands. Consequently, Reynolds foreclosed by considering all unpaid installments due and demandable." (Rollo, pp. 25-26.)

The trial court in its decision said:

"In other words, it is the considered opinion of this Court that the sale having been rendered in effective by Reynolds' refusal and failure to deliver the certificates, subject of the sale, the mortgage, Exhibit B, and the

promissory note embodied therein were likewise rendered ineffective. As stated earlier, Reynolds' refusal and failure to deliver the certificates were tantamount to its withdrawing the conformity it had previously given to the sale. Without its conformity the sale, Exhibit A, was nothing but a mere scrap of paper." (R. A. p. 235.)

The dispositive portion of the trial court's decision states:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff and against defendant Reynolds Philippines:

1. Declaring the sale, Exhibit A, ineffective or ineffectual for failure or refusal of Reynolds to deliver the certificates of stocks subject of the sale after having previously given its consent to the sale, tantamount to its withdrawing the formity or consent it had previously given;
2. Declaring the accessory contract of mortgage (Exh. B) similarly ineffective or ineffectual as a consequence of the ineffectivity or ineffectuality of the sale in consideration of which it was executed;
3. Declaring illegal, and null and void, the foreclosure of the mortgage and the sale at public auction of the property covered by T.C.T. No. 77093 of the Registry of Deeds of Quezon City;
4. Declaring null and void the certificate of sale, Exhibit G, and the transfer certificate of title which the Register of Deeds of Quezon City may have issued as a result of said certificate of sale;
5. Ordering the Register of Deeds of Quezon City to reinstate in the records of the Registry of Deeds, T.C.T. No. 77093, and to cancel the mortgage encumbrance thereon as a result of the execution of the mortgage, Exhibit B;
6. Ordering and sentencing defendant Reynolds Philippines to return and pay back to plaintiff the sum of P125,300.00;
7. Ordering and sentencing defendant Reynolds Philippines to pay plaintiff the amount of P5,000.00 for attorney's fees; and
8. Ordering defendant Reynolds Philippines to pay the costs." (R.A. pp. 239-241.)

In reversing the appealed decision, the Intermediate Appellate Court in part said:

"3. Because of the said decision, defendant Reynolds and the Sheriff of Quezon City appealed upon errors which boil down to a resolution of the question: Was Reynolds under any obligation (on account of the deed of sale of PMC's holdings in Alpro in favor of the plaintiff) to surrender the said certificates of stocks to the plaintiff, failing in which plaintiff was entitled to the relief of nullification of the deed of sale, Exhibit A; a declaration of ineffectivity of the mortgage contract, Exhibit B; and the other collateral incidents adverted to in the appealed decision.

Our answer is negative.

To start with, Reynolds was not a party to the contract of sale between PMC and the herein plaintiff. This being so, it had no obligation whatsoever on the strength of the contract in favor of the plaintiff. By the terms of the contract, however, since plaintiff undertook to pay PMC's obligation to Reynolds, plain-tiff was under obligation with the PMC on account of the said undertaking. Otherwise, there is absolutely no reciprocal obligation between the herein plaintiff and the appellant Reynolds.

The stock certificates which PMC owned were in the possession of Reynolds because of PMC's indebtedness to Reynolds in the sum of more than P800,000.00. PMC's stock certificates in Alpro which were about 96% of Alpro's shareholding was in fact pledged by PMC to Reynolds as a collateral for the plaintiff's indebtedness to the latter. The indebtedness of PMC to Reynolds was reduced to the sum of P500,000.00 on account of an arrangement it had with the herein plaintiff. Otherwise said, the new debtor of Reynolds was the plaintiff and no

longer PMC. To argue now, as the plaintiff contends, that Reynolds was under an obligation to return the certificates of stocks pledged to it by PMC is to put the plaintiff in a better footing than PMC was with Reynolds. There is absolutely no agreement by Reynolds to that effect in the consent it gave to the sale by PMC of the said shares in favor of the plaintiff.

By resolving the said principal issue, further discussion of the other errors assigned is hereby rendered moot and academic." (Rollo, p. 28.)

Accordingly, the appellate court rendered a judgment ordering Pengson's estate to pay Reynolds:

- "a) The amount of P255,494.16, plus 8% interest thereon per annum from December 10, 1970 when Reynolds' counterclaim was filed, until its full payment;
- b) P951.98 representing stipulated interest on P255,494.16 from November 23, 1970 when the foreclosure sale took place up to December 10, 1970, with legal rate of interest thereon until full payment;
- c) P239.00 as expenses for the foreclosure proceeding, plus legal rate of interest thereon from November 23, 1970, until full payment;
- d) 10% of the amount due as stipulated attorney's fees." (Rollo, pp. 28-29.)

The petitioner urges reversal of the decision under review on four counts but in the alternative prays that the appellate court be ordered to make complete findings of facts such as those made by the trial court.

The alternative prayer is impressed with merit. The decision of the appellate court in respect of the facts is indeed sketchy compared to the facts stated in the decision of the trial court which is found in the Record on Appeal. The deficiency of the appellate court's decision is made more manifest by the extensive factual statements made by private respondent Reynolds in its Opposition to Petition to Review on Certiorari.

WHEREFORE, this case is returned to the Intermediate Appellate Court which is hereby ordered to make complete findings of fact and on the basis thereof to render another decision. The Intermediate Appellate Court is also ordered to scrutinize more closely the legal aspects of Exhibit A and its conclusion that Reynolds was not a party to the contract of sale between Pengson and the Pacific Merchandising Corporation (PMC) in the light of Reynold's foreclosure of the mortgage executed by Pengson to secure the payment of PMC's debt to Reynolds. No costs.

SO ORDERED.

Makasiar, (Chairman), Concepcion, Jr., Guerrero, and Cuevas, JJ., concur.

Aquino and Escolin, JJ., no part.

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