

CONSOLIDATED PLYWOOD INDUSTRIES, INC., HENRY WEE, AND RODOLFO T. VERGARA, PETITIONERS, VS. IFC LEASING AND ACCEPTANCE CORPORATION, RESPONDENT.

G.R. No. 72593. April 30, 1987

Ponente: GUTIERREZ, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-72593/>

GUTIERREZ, JR., J.:

This is a petition for certiorari under Rule 45 of the Rules of Court which assails on questions of law a decision of the Intermediate Appellate Court in AC-G.R. CV No. 68609 dated July 17, 1985, as well as its resolution dated October 17, 1985, denying the motion for reconsideration.

The antecedent facts culled from the petition are as follows:

The petitioner is a corporation engaged in the logging business. It had for its program of logging activities for the year 1978 the opening of additional roads, and simultaneous logging operations along the route of said roads, in its logging concession area at Baganga, Manay, and Caraga, Davao Oriental. For this purpose, it needed two (2) additional units of tractors.

Cognizant of petitioner-corporation's need and purpose, Atlantic Gulf & Pacific Company of Manila, through its sister company and marketing arm, Industrial Products Marketing (the "seller-assignor"), a corporation dealing in tractors and other heavy equipment business, offered to sell to petitioner-corporation two (2) "Used" Allis Crawler Tractors, one (1) an HD-21-B and the other an HD-16-B.

In order to ascertain the extent of work to which the tractors were to be exposed, (t.s.n., May 28, 1980, p. 44) and to determine the capability of the "Used" tractors being offered, petitioner-corporation requested the seller-assignor to inspect the jobsite. After conducting said inspection, the seller-assignor assured petitioner-corporation that the "Used" Allis Crawler Tractors which were being offered were fit for the job, and gave the corresponding warranty of ninety (90) days performance of the machines and availability of parts. (t.s.n., May 28, 1980, pp. 59-66).

With said assurance and warranty, and relying on the seller-assignor's skill and judgment, petitioner-corporation through petitioners Wee and Vergara, president and vice-president, respectively, agreed to purchase on installment said two (2) units of "Used" Allis Crawler Tractors. It also paid the down payment of Two Hundred Ten Thousand Pesos (P210,000.00).

On April 5, 1978, the seller-assignor issued the sales invoice for the two (2) units of tractors (Exh. "3-A"). At the same time, the deed of sale with chattel mortgage with promissory note was executed (Exh. "2").

Simultaneously with the execution of the deed of sale with chattel mortgage with promissory note, the seller-assignor, by means of a deed of assignment (Exh. "1"), assigned its rights and interest in the chattel mortgage in favor of the respondent.

Immediately thereafter, the seller-assignor delivered said two (2) units of "Used" tractors to the petitioner-corporation's jobsite and as agreed, the seller-assignor stationed its own mechanics to supervise the operations of the machines.

Barely fourteen (14) days had elapsed after their delivery when one of the tractors broke down and after another nine (9) days, the other tractor likewise broke down (t.s.n., May 28, 1980, pp. 68-69).

On April 25, 1978, petitioner Rodolfo T. Vergara formally advised the seller-assignor of the fact that the tractors broke down and requested for the seller-assignor's usual prompt attention under the warranty (Exh. "5").

In response to the formal advice by petitioner Rodolfo T. Vergara, Exhibit "5", the seller-assignor sent to the jobsite its mechanics to conduct the necessary repairs (Exhs. "6", "6-A", "6-B", "6-C", "6-C-1", "6-D", and "6-E"), but the tractors did not come out to be what they should be after the repairs were undertaken because the units were no longer serviceable (t.s.n., May 28, 1980, p. 78).

Because of the breaking down of the tractors, the road building and simultaneous logging operations of petitioner-corporation were delayed and petitioner Vergara advised the seller-assignor that the payments of the installments as listed in the promissory note would likewise be delayed until the seller-assignor completely fulfills its obligation under its warranty (t.s.n., May 28, 1980, p. 79).

Since the tractors were no longer serviceable, on April 7, 1979, petitioner Wee asked the seller-assignor to pull out the units and have them reconditioned, and thereafter to offer them for sale. The proceeds were to be given to the respondent and the excess, if any, to be divided between the seller-assignor and petitioner-corporation which offered to bear one-half (1/2) of the reconditioning cost (Exh. "7").

No response to this letter, Exhibit "7", was received by the petitioner-corporation and despite several follow-up calls, the seller-assignor did nothing with regard to the request, until the complaint in this case was filed by the respondent against the petitioners, the corporation, Wee, and Vergara.

The complaint was filed by the respondent against the petitioners for the recovery of the principal sum of One Million Ninety Three Thousand Seven Hundred Eighty Nine Pesos & 71/100 (P1,093,789.71), accrued interest of One Hundred Fifty One Thousand Six Hundred Eighteen Pesos & 86/100 (P151,618.86) as of August 15, 1979, accruing interest thereafter at the rate of twelve (12%) percent per annum, attorney's fees of Two Hundred Forty Nine Thousand Eighty One Pesos & 71/100 (P249,081.71) and costs of suit.

The petitioners filed their amended answer praying for the dismissal of the complaint and asking the trial court to order the respondent to pay the petitioners damages in an amount at the sound discretion of the court, Twenty Thousand Pesos (P20,000.00) as and for attorney's fees, and Five Thousand Pesos (P5,000.00) for expenses of litigation. The petitioners likewise prayed for such other and further relief as would be just under the premises.

In a decision dated April 20, 1981, the trial court rendered the following judgment:

"WHEREFORE, judgment is hereby rendered:

"1) ordering defendants to pay jointly and severally in their official and personal capacities the principal sum of ONE MILLION NINETY THREE THOUSAND SEVEN HUNDRED NINETY EIGHT PESOS & 71/100 (P1,093,798.71) with accrued interest of ONE HUNDRED FIFTY ONE THOUSAND SIX HUNDRED EIGHTEEN PESOS & 86/100 (P151,618.86) as of August 15, 1979 and accruing interest thereafter at the rate of 12% per annum;

"2) ordering defendants to pay jointly and severally attorney's fees equivalent to ten percent (10%) of the principal and to pay the costs of the suit.

"Defendants' counterclaim is disallowed." (pp. 45-46, Rollo)

On June 8, 1981, the trial court issued an order denying the motion for reconsideration filed by the petitioners.

Thus, the petitioners appealed to the Intermediate Appellate Court and assigned therein the following errors:

I

THAT THE LOWER COURT ERRED IN FINDING THAT THE SELLER ATLANTIC GULF AND PACIFIC COMPANY OF MANILA DID NOT APPROVE DEFENDANTS-APPELLANTS CLAIM OF WARRANTY.

II

THAT THE LOWER COURT ERRED IN FINDING THAT PLAINTIFF-APPELLEE IS A HOLDER IN DUE COURSE OF THE PROMISSORY NOTE AND SUED UNDER SAID NOTE AS HOLDER THEREOF IN DUE COURSE.

On July 17, 1985, the Intermediate Appellate Court issued the challenged decision affirming in toto the decision of the trial court. The pertinent portions of the decision are as follows:

x x x x x x x x

"From the evidence presented by the parties on the issue of warranty, We are of the considered opinion that aside from the fact that no provision of warranty appears or is provided in the Deed of Sale of the tractors and even admitting that in a contract of sale unless a contrary intention appears, there is an implied warranty, the defense of breach of warranty, if there is any, as in this case, does not lie in favor of the appellants and against the plaintiff-appellee who is the assignee of the promissory note and a holder of the same in due course. Warranty lies in this case only between Industrial Products Marketing and Consolidated Plywood Industries, Inc. The plaintiff-appellee herein upon application by appellant corporation granted financing for the purchase of the questioned units of Fiat-Allis Crawler Tractors.

x x x x x x x x

"Holding that breach of warranty, if any, is not a defense available to appellants either to withdraw from the contract and/or demand a proportionate reduction of the price with damages in either case (Art. 1567, New Civil Code). We now come to the issue as to whether the plaintiff-appellee is a holder in due course of the promissory note.

"To begin with, it is beyond arguments that the plaintiff-appellee is a financing corporation engaged in financing and receivable discounting extending credit facilities to consumers and industrial, commercial or agricultural enterprises by discounting or factoring commercial papers or accounts receivable duly authorized pursuant to R.A. 5980 otherwise known as the Financing Act.

"A study of the questioned promissory note reveals that it is a negotiable instrument which was discounted or sold to the IFC Leasing and Acceptance Corporation for P800,000.00 (Exh. "A") considering the following: it is in writing and signed by the maker; it contains an unconditional promise to pay a certain sum of money payable at a fixed or determinable future time; it is payable to order (Sec. 1, NIL); the promissory note was negotiated when it was transferred and delivered by IPM to the appellee and duly endorsed to the latter (Sec. 30, NIL); it was taken in the conditions that the note was complete and regular upon its face before the same was overdue and without notice, that it had been previously dishonored and that the note is in good faith and for value without notice of any infirmity or defect in the title of IPM (Sec. 52, NIL); that IFC Leasing and Acceptance Corporation held the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves and may enforce payment of the instrument for the full amount thereof against all parties liable thereon (Sec. 57, NIL); the appellants engaged that they would pay the note

according to its tenor, and admit the existence of the payee IPM and its capacity to endorse (Sec. 60, NIL).

"In view of the essential elements found in the questioned promissory note, We opine that the same is legally and conclusively enforceable against the defendants-appellants.

"WHEREFORE, finding the decision appealed from according to law and evidence, We find the appeal without merit and thus affirm the decision in toto. With costs against the appellants." (pp. 50-55, Rollo)

The petitioners' motion for reconsideration of the decision of July 17, 1985 was denied by the Intermediate Appellate Court in its resolution dated October 17, 1985, a copy of which was received by the petitioners on October 21, 1985.

Hence, this petition was filed on the following grounds:

I.

ON ITS FACE, THE PROMISSORY NOTE IS CLEARLY NOT A NEGOTIABLE INSTRUMENT AS DEFINED UNDER THE LAW SINCE IT IS NEITHER PAYABLE TO ORDER NOR TO BEARER.

II.

THE RESPONDENT IS NOT A HOLDER IN DUE COURSE: AT BEST, IT IS A MERE ASSIGNEE OF THE SUBJECT PROMISSORY NOTE.

III.

SINCE THE INSTANT CASE INVOLVES A NON-NEGOTIABLE INSTRUMENT AND THE TRANSFER OF RIGHTS WAS THROUGH A MERE ASSIGNMENT, THE PETITIONERS MAY RAISE AGAINST THE RESPONDENT ALL DEFENSES THAT ARE AVAILABLE TO IT AS AGAINST THE SELLER-ASSIGNOR, INDUSTRIAL PRODUCTS MARKETING.

IV.

THE PETITIONERS ARE NOT LIABLE FOR THE PAYMENT OF THE PROMISSORY NOTE BECAUSE:

A) THE SELLER-ASSIGNOR IS GUILTY OF BREACH OF WARRANTY UNDER THE LAW;

B) IF AT ALL, THE RESPONDENT MAY RECOVER ONLY FROM THE SELLER-ASSIGNOR OF THE PROMISSORY NOTE.

V.

THE ASSIGNMENT OF THE CHATTEL MORTGAGE BY THE SELLER-ASSIGNOR IN FAVOR OF THE RESPONDENT DOES NOT CHANGE THE NATURE OF THE TRANSACTION FROM BEING A SALE ON INSTALLMENTS TO A PURE LOAN.

VI.

THE PROMISSORY NOTE CANNOT BE ADMITTED OR USED IN EVIDENCE IN ANY COURT BECAUSE THE REQUISITE DOCUMENTARY STAMPS HAVE NOT BEEN AFFIXED THEREON OR CANCELLED.

The petitioners prayed that judgment be rendered setting aside the decision dated July 17, 1985, as well as the resolution dated October 17, 1985 and dismissing the complaint but granting petitioners' counterclaims before the court of origin.

On the other hand, the respondent corporation in its comment to the petition filed on February 20, 1986, contended that the petition was filed out of time; that the promissory note is a negotiable instrument and respondent a holder in due course; that respondent is not liable for any breach of warranty; and finally, that the promissory note is admissible in evidence.

The core issue herein is whether or not the promissory note in question is a negotiable instrument so as to bar completely all the available defenses of the petitioner against the respondent-assignee.

Preliminarily, it must be established at the outset that we consider the instant petition to have been filed on time because the petitioners' motion for reconsideration actually raised new issues. It cannot, therefore, be considered pro-forma.

The petition is impressed with merit.

First, there is no question that the seller-assignor breached its express 90-day warranty because the findings of the trial court, adopted by the respondent appellate court, that "14 days after delivery, the first tractor broke down and 9 days, thereafter, the second tractor became inoperable" are sustained by the records. The petitioner was clearly a victim of a warranty not honored by the maker.

The Civil Code provides that:

"ART. 1561. The vendor shall be responsible for warranty against the hidden defects which the thing sold may have, should they render it unfit for the use for which it is intended, or should they diminish fitness for such use to such an extent that, had the vendee been aware thereof, he would not have acquired it or would have given a lower price for it; but said vendor shall not be answerable for patent defects or those which may be visible, or for those which are not visible if the vendee is an expert who, by reason of his trade or profession, should have known them.

"ART. 1562. In a sale of goods, there is an implied warranty or condition as to the quality or fitness of the goods, as follows:

"(1) Where the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are acquired, and it appears that the buyer relies on the seller's skill or judgment (whether he be the grower or manufacturer or not), there is an implied warranty that the goods shall be reasonably fit for such purpose;

x x x x x x x x

"ART. 1564. An implied warranty or condition as to the quality or fitness for a particular purpose may be annexed by the usage of trade.

x x x x x x x x

"ART. 1566. The vendor is responsible to the vendee for any hidden faults or defects in the thing sold, even though he was not aware thereof.

"This provision shall not apply if the contrary has been stipulated, and the vendor was not aware of the hidden faults or defects in the thing sold." (Italics supplied).

It is patent then, that the seller-assignor is liable for its breach of warranty against the petitioner. This liability as a general rule, extends to the corporation to whom it assigned its rights and interests unless the assignee is a holder in due course of the promissory note in question, assuming the note is negotiable, in which case the latter's rights are based on the negotiable instrument and assuming further that the petitioner's defenses may not prevail against it.

Secondly, it likewise cannot be denied that as soon as the tractors broke down, the petitioner-corporation notified the seller-assignor's sister company, AG & P, about the breakdown based on the seller-assignor's express 90-day warranty, with which the latter complied by sending its mechanics. However, due to the seller-assignor's delay and its failure to comply with its warranty, the tractors became totally unserviceable and useless for the purpose for which they were purchased.

Thirdly, the petitioner-corporation, thereafter, unilaterally rescinded its contract with the seller-assignor.

Articles 1191 and 1567 of the Civil Code provide that:

"ART. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

"The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

x x x x x x x x

"ART. 1567. In the cases of articles 1561, 1562, 1564, 1565 and 1566, the vendee may elect between withdrawing from the contract and demanding a proportionate reduction of the price, with damages in either case."

(Italics supplied)

Petitioner, having unilaterally and extrajudicially rescinded its contract with the seller-assignor, necessarily can no longer sue the seller-assignor except by way of counterclaim if the seller-assignor sues it because of the rescission.

In the case of the *University of the Philippines v. De los Angeles* (35 SCRA 102) we held:

"In other words, the party who deems the contract violated may consider it resolved or rescinded, and act accordingly, without previous court action, but it proceeds at its own risk. For it is only the final judgment of the corresponding court that will conclusively and finally settle whether the action taken was or was not correct in law. But the law definitely does not require that the contracting party who believes itself injured must first file suit and wait for a judgment before taking extrajudicial steps to protect its interest. Otherwise, the party injured by the other's breach will have to passively sit and watch its damages accumulate during the pendency of the suit until the final judgment of rescission is rendered when the law itself requires that he should exercise due diligence to minimize its own damages (Civil Code, Article 2203)." (Italics supplied)

Going back to the core issue, we rule that the promissory note in question is not a negotiable instrument.

The pertinent portion of the note is as follows:

"FOR VALUE RECEIVED, I/we jointly and severally promise to pay to the INDUSTRIAL PRODUCTS MARKETING, the sum of ONE MILLION NINETY THREE THOUSAND EVEN HUNDRED EIGHTY NINE PESOS & 71/100 only (P1,093,789.71), Philippine Currency, the said principal sum, to be payable in 24 monthly installments starting July 15, 1978 and every 15th of the month thereafter until fully paid. x x x."

Considering that paragraph (d), Section 1 of the Negotiable Instruments Law requires that a promissory note "must be payable to order or bearer", it cannot be denied that the promissory note in question is not a negotiable instrument.

"The instrument in order to be considered negotiable must contain the so-called 'words of negotiability' — i.e., must be payable to 'order' or 'bearer'. These words serve as an expression of consent that the instrument may be

transferred. This consent is indispensable since a maker assumes greater risks under a negotiable instrument than under a non-negotiable one. x x x.

x x x x x x x x

"When instrument is payable to order.—

"SEC. 8. WHEN PAYABLE TO ORDER. — The instrument is payable to order where it is drawn payable to the order of a specified person or to him or his order. . . .

x x x x x x x x

"These are the only two ways by which an instrument may be made payable to order. There must always be a specified person named in the instrument. It means that the bill or note is to be paid to the person designated in the instrument or to any person to whom he has indorsed and delivered the same. Without the words 'or order' or 'to the order of,' the instrument is payable only to the person designated therein and is therefore non-negotiable. Any subsequent purchaser thereof will not enjoy the advantages of being a holder of a negotiable instrument, but will merely 'step into the shoes' of the person designated in the instrument and will thus be open to all defenses available against the latter." (Campos and Campos, Notes and Selected Cases on Negotiable Instruments Law, Third Edition, page 38).

(Italics supplied)

Therefore, considering that the subject promissory note is not a negotiable instrument, it follows that the respondent can never be a holder in due course but remains a mere assignee of the note in question. Thus, the petitioner may raise against the respondent all defenses available to it as against the seller-assignor, Industrial Products Marketing.

This being so, there was no need for the petitioner to implead the seller-assignor when it was sued by the respondent-assignee because the petitioner's, defenses apply to both or either of them.

Actually, the records show that even the respondent itself admitted to being a mere assignee of the promissory note in question, to wit:

"ATTY. PALACA:

"Did we get it right from the counsel that what is being assigned is the Deed of Sale with Chattel Mortgage with the promissory note which is as testified to by the witness was indorsed? (Counsel for Plaintiff nodding his head.) Then we have no further questions on cross.

"COURT:

"You confirm his manifestation? You are nodding your head? Do you confirm that?

"ATTY. ILAGAN:

"The Deed of Sale cannot be assigned. A deed of sale is a transaction between two persons; what is assigned are rights, the rights of the mortgagee were assigned to the IFC Leasing & Acceptance Corporation.

"COURT:

"He puts it in a simple way, — as one — deed of sale and chattel mortgage were assigned; . . . you want to make a distinction, one is an assignment of mortgage right and the other one is indorsement of the promissory note. What counsel for defendants wants is that you stipulate that it is contained in one single transaction?

"ATTY. ILAGAN:

"We stipulate it is one single transaction." (pp. 27-29, TSN., February 13, 1980).

Secondly, even conceding for purposes of discussion that the promissory note in question is a negotiable instrument, the respondent cannot be a holder in due course for a more significant reason.

The evidence presented in the instant case shows that prior to the sale on installment of the tractors, there was an arrangement between the seller-assignor, Industrial Products Marketing, and the respondent whereby the latter would pay the seller-assignor the entire purchase price and the seller-assignor, in turn, would assign its rights to the respondent which acquired the right to collect the price from the buyer, herein petitioner Consolidated Plywood Industries, Inc.

A mere perusal of the Deed of Sale with Chattel Mortgage with Promissory Note, the Deed of Assignment and the Disclosure of Loan/Credit Transaction shows that said documents evidencing the sale on installment of the tractors were all executed on the same day by and among the buyer, which is herein petitioner Consolidated Plywood Industries, Inc.; the seller-assignor which is the Industrial Products Marketing; and the assignee-financing company, which is the respondent. Therefore, the respondent had actual knowledge of the fact that the seller-assignor's right to collect the purchase price was not unconditional, and that it was subject to the condition that the tractors sold were not defective. The respondent knew that when the tractors turned out to be defective, it would be subject to the defense of failure of consideration and cannot recover the purchase price from the petitioners. Even assuming for the sake of argument that the promissory note is negotiable, the respondent, which took the same with actual knowledge of the foregoing facts so that its action in taking the instrument amounted to bad faith, is not a holder in due course. As such, the respondent is subject to all defenses which the petitioners may raise against the seller-assignor. Any other interpretation would be most inequitable to the unfortunate buyer who is not only saddled with two useless tractors but must also face a lawsuit from the assignee for the entire purchase price and all its incidents without being able to raise valid defenses available as against the assignor.

Lastly, the respondent failed to present any evidence to prove that it had no knowledge of any fact, which would justify its act of taking the promissory note as not amounting to bad faith.

Sections 52 and 56 of the Negotiable Instruments Law provide that:

"SEC. 52. WHAT CONSTITUTES A HOLDER IN DUE COURSE. — A holder in due course is a holder who has taken the instrument under the following conditions:

X X X X X X X X

X X X X X X X X

"(c) That he took it in good faith and for value;

"(d) That at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

X X X X X X X X

"SEC. 56. WHAT CONSTITUTES NOTICE OF DEFECT. — To constitute notice of an infirmity in the instrument or defect in the title of the person negotiating the same, the person to whom it is negotiated must have had actual knowledge of the infirmity or defect, or knowledge of such facts that his action in taking the instrument amounts to bad faith." (Italics supplied)

We subscribe to the view of Campos and Campos that a financing company is not a holder in good faith as to the buyer, to wit:

"In installment sales, the buyer usually issues a note payable to the seller to cover the purchase price. Many times, in pursuance of a previous arrangement with the seller, a finance company pays the full price and the note is indorsed to it, subrogating it to the right to collect the price from the buyer, with interest. With the increasing frequency of installment buying in this country, it is most probable that the tendency of the courts in the United States to protect the buyer against the finance company will find judicial approval here. Where the goods sold turn out to be defective, the finance company will be subject to the defense of failure of consideration and cannot recover the purchase price from the buyer. As against the argument that such a rule would seriously affect 'a certain mode of transacting business adopted throughout the State,' a court in one case stated:

"It may be that our holding here will require some changes in business methods and will impose a greater burden on the finance companies. We think the buyer — Mr. & Mrs. General Public — should have some protection somewhere along the line. We believe the finance company is better able to bear the risk of the dealer's insolvency than the buyer and in a far better position to protect his interests against unscrupulous and insolvent dealers. . . .

"If this opinion imposes great burdens on finance companies it is a potent argument in favor of a rule which will afford protection to the general buying public against unscrupulous dealers in personal property . . . ' (Mutual Finance Co. v. Martin, 63 So. 2d 649, 44 ALR 2d 1 [1953]) "(Campos and Campos, Notes and Selected Cases on Negotiable Instruments Law, Third Edition, p. 128)."

In the case of *Commercial Credit Corporation v. Orange Country Machine Works* (34 Cal. 2d 766) involving similar facts, it was held that in a very real sense, the finance company was a moving force in the transaction from its very inception and acted as a party to it. When a finance company actively participates in a transaction of this type from its inception, it cannot be regarded as a holder in due course of the note given in the transaction.

In like manner, therefore, even assuming that the subject promissory note is negotiable, the respondent, a financing company which actively participated in the sale on installment of the subject two Allis Crawler tractors, cannot be regarded as a holder in due course of said note. It follows that the respondent's rights under the promissory note involved in this case are subject to all defenses that the petitioners have against the seller-assignor, Industrial Products Marketing. For Section 58 of the Negotiable Instruments Law provides that "in the hands of any holder other than a holder in due course, a negotiable instrument is subject to the same defenses as if it were non-negotiable. x x x."

Prescinding from the foregoing and setting aside other peripheral issues, we find that both the trial and respondent appellate court erred in holding the promissory note in question to be negotiable. Such a ruling does not only violate the law and applicable jurisprudence, but would result in unjust enrichment on the part of both the seller-assignor and respondent assignee at the expense of the petitioner-corporation which rightfully rescinded an inequitable contract. We note, however, that since the seller-assignor has not been impleaded herein, there is no obstacle for the respondent to file a civil suit and litigate its claims against the seller-assignor in the rather unlikely possibility that it so desires.

WHEREFORE, in view of the foregoing, the decision of the respondent appellate court dated July 17, 1985, as well as its resolution dated October 17, 1986, are hereby ANNULLED and SET ASIDE. The complaint against the petitioner before the trial court is DISMISSED.

SO ORDERED.

Fernan, (Chairman), Paras, Padilla, Bidin, and Cortes, JJ., concur.

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.