

NICOS INDUSTRIAL CORPORATION, JUAN COQUINCO AND CARLOS COQUINCO, PETITIONERS, VS. THE COURT OF APPEALS, VICTORINO P. EVANGELISTA, IN HIS CAPACITY AS EX-OFFICIO SHERIFF OF BULACA...*G.R. No. 88709. February 11, 1992*

Ponente: CRUZ, J.

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We are asked once again to interpret the constitutional provision that no decision shall be rendered by any court without stating therein clearly and distinctly the facts and the law on which it is based,[1] this time in connection with an order of the trial court sustaining a demurrer to the evidence.[2] The order has been affirmed by the respondent Court of Appeals,[3] and the appellant has come to this Court in this petition for review on certiorari, invoking the said provision and alleging several reversible errors.

In the complaint filed by the petitioners before the Regional Trial Court of Bulacan, it was alleged that on January 24, 1980, NICOS Industrial Corporation obtained a loan of P2,000,000.00 from private respondent United Coconut Planters Bank and to secure payment thereof executed a real estate mortgage on two parcels of land located at Marilao, Bulacan. The mortgage was foreclosed for the supposed non-payment of the loan, and the sheriff's sale was held on July 11, 1983, without re-publication of the required notices after the original date for the auction was changed without the knowledge or consent of the mortgagor. UCPB was the highest and lone bidder and the mortgaged lands were sold to it for P3,558,547.64. On August 29, 1983, UCPB sold all its rights to the properties to private respondent Manuel Co, who on the same day transferred them to Golden Star Industrial Corporation, another private respondent, upon whose petition a writ of possession was issued to it on November 4, 1983. On September 6, 1984, NICOS and the other petitioners as chairman of its board of directors and its executive vice-president, respectively, filed their action for "annulment of sheriff's sale, recovery of possession, and damages, with prayer for the issuance of a preliminary prohibitory and mandatory injunction."

Golden Star and Victorino P. Evangelista, as ex officio sheriff of Bulacan, moved to dismiss the complaint on the grounds of lack of jurisdiction, prescription, estoppel, and regularity of the sheriff's sale. Co denied the allegations of the plaintiffs and, like the other defendants, counterclaimed for damages. In its answer with counterclaim, UCPB defended the foreclosure of the mortgage for failure of NICOS to pay the loan in accordance with its promissory note and insisted that the sheriff's sale had been conducted in accordance with the statutory requirements.

The plaintiffs presented two witnesses, including petitioner Carlos Coquingo, who testified at three separate hearings. They also submitted 21 exhibits. On April 30, 1986, Golden Star and Evangelista filed a 7-page demurrer to the evidence where they argued that the action was a derivative suit that came under the jurisdiction of the Securities and Exchange Commission; that the mortgage had been validly foreclosed; that the sheriff's sale had been held in accordance with Act 3135; that the notices had been duly published in a newspaper of general

circulation; and that the opposition to the writ of possession had not been filed on time. No opposition to the demurrer having been submitted despite notice thereof to the parties. Judge Nestor F. Dantes considered it submitted for resolution and on June 6, 1986, issued the following -

ORDER

Acting on the "Demurrer to Evidence" dated April 30, 1986 filed by defendants Victorino P. Evangelista and Golden Star Industrial Corporation to which plaintiff and other defendants did not file their comment/opposition and it appearing from the very evidence adduced by the plaintiff that the Sheriff's Auction Sale conducted on July 11, 1983 was in complete accord with the requirements of Section 3, Act 3135 under which the auction sale was appropriately held and conducted and it appearing from the allegations in paragraph 13 of the plaintiff's pleading and likewise from plaintiff Carlos Coquingo's own testimony that his cause is actually against the other officers and stockholders of the plaintiff Nicos Industrial Corporation "x x x for the purpose of protecting the corporation and its stockholders, as well as their own rights and interests in the corporation, and the corporate assets, against the fraudulent acts and devices of the responsible officials of the corporation, in breach of the trust reposed upon them by the stockholders x x x" a subject matter not within the competent jurisdiction of the Court, the court finds the same to be impressed with merit.

WHEREFORE, plaintiff's complaint is hereby dismissed. The Defendant's respective counterclaims are likewise dismissed.

The Writ of Preliminary Injunction heretofore issued is dissolved and set aside.

It is this order that is now assailed by the petitioners on the principal ground that it violates the aforementioned constitutional requirement. The petitioners claim that it is not a reasoned decision and does not clearly and distinctly explain how it was reached by the trial court. They also stress that the sheriff's sale was irregular because the notices thereof were published in a newspaper that did not have general circulation and that the original date of the sheriff's sale had been changed without its consent, the same having been allegedly given by a person not authorized to represent NICOS. It is also contended that the original P2 million loan had already been paid and that if there was indeed a second P2 million loan also secured by the real estate mortgage, it was for UCPB to prove this, as well as its allegation that NICOS had defaulted in the payment of the first quarterly installment on the first loan.

The petitioners complain that there was no analysis of their testimonial evidence or of their 21 exhibits, the trial court merely confining itself to the pronouncement that the sheriff's sale was valid and that it had no jurisdiction over the derivative suit. There was therefore no adequate factual or legal basis for the decision that could justify its review and affirmance by the Court of Appeals.

Rejecting this contention, the respondent court held:

In their first assignment of error, appellants faults the court for its failure to state clearly and distinctly the facts and the law on which the order of dismissal is based, as required by Section 1, Rule 36, of the Rules of Court and the Constitution.

An order granting a demurrer to the evidence is in fact an adjudication on the merits and consequently the requirements of Section 1, Rule 36, is applicable. We are not however prepared to hold that there is a reversible omission of the requirements of the rule in the Order appealed from, it appearing from a reading thereof that there is substantial reference to the facts and the law on which it is based.

The Order which adverts to the Demurrer to the Evidence expressly referred to the evidence adduced by the plaintiff as showing that the Sheriff's auction sale conducted on July 11, 1983, was in complete accord with the requisites of Section 3, Act 3135 under which the auction sale was apparently held and conducted. It likewise

makes reference to the allegations in paragraph 13 of plaintiff's pleadings and plaintiff Carlos Coquingo's own testimony that the case is actually against the other officers and stockholders of plaintiff NICOS Industrial Corporation and concludes rightly or wrongly, that the subject matter thereof is not within the competent jurisdiction of the Court.

We hold that the order appealed from as framed by the court a quo while leaving much to be desired, substantially complies with the rules.

This Court does not agree. The questioned order is an over-simplification of the issues and violates both the letter and spirit of Article VIII, Section 14, of the Constitution.

It is a requirement of due process that the parties to a litigation be informed of how it was decided, with an explanation of the factual and legal reasons that led to the conclusions of the court. The court cannot simply say that judgment is rendered in favor of X and against Y and just leave it at that without any justification whatsoever for its action. The losing party is entitled to know why he lost, so he may appeal to a higher court, if permitted, should he believe that the decision should be reversed. A decision that does not clearly and distinctly state the facts and the law on which it is based leaves the parties in the dark as to how it was reached and is especially prejudicial to the losing party, who is unable to pinpoint the possible errors of the court for review by a higher tribunal.

It is important to observe at this point that the constitutional provision does not apply to interlocutory orders, such as one granting a motion for postponement or quashing a subpoena, because it "refers only to decisions on the merits and not to orders of the trial court resolving incidental matters." [4] As for the minute resolutions of this Court, we have already observed in *Borromeo v. Court of Appeals* [5] that -

The Supreme Court disposes of the bulk of its cases by minute resolutions and decrees them as final and executory, as where a case is patently without merit, where the issues raised are factual in nature, where the decision appealed from is supported by substantial evidence and is in accord with the facts of the case and the applicable laws, where it is clear from the records that the petitions were filed merely to forestall the early execution of judgment and for non-compliance with the rules. The resolution denying due course or dismissing a petition always gives the legal basis.

x x x

The Court is not duty bound to render signed decisions all the time. It has ample discretion to formulate decisions and/or minute resolutions, provided a legal basis is given, depending on its evaluation of a case.

The order in the case at bar does not come under either of the above exceptions. As it is settled that an order dismissing a case for insufficient evidence is a judgment on the merits, [6] it is imperative that it be a reasoned decision clearly and distinctly stating therein the facts and the law on which it is based.

It may be argued that a dismissal based on lack of jurisdiction is not considered a judgment on the merits and so is not covered by the aforecited provision. There is no quarrel with this established principle. However, the rule would be applicable only if the case is dismissed on the sole ground of lack of jurisdiction and not when some other additional ground is invoked.

A careful perusal of the challenged order will show that the complaint was dismissed not only for lack of jurisdiction but also because of the insufficiency of the evidence to prove the invalidity of the sheriff's sale. Regarding this second ground, all the trial court did was summarily conclude "from the very evidence adduced by the plaintiff" that the sheriff's sale "was in complete accord with the requirements of Section 3, Act 3135." It did not bother to discuss what that evidence was or to explain why it believed that the legal requirements had been

observed. Its conclusion was remarkably threadbare. Brevity is doubtless an admirable trait, but it should not and cannot be substituted for substance. As the ruling on this second ground was unquestionably a judgment on the merits, the failure to state the factual and legal basis thereof was fatal to the order.

Significantly, the respondent court found that the trial court did have jurisdiction over the case after all. This made even more necessary the factual and legal explanation for the dismissal of the complaint on the ground that the plaintiff's evidence was insufficient.

In *People v. Escobar*,^[7] the trial court in a decision that covered only one and a half pages, single spaced, found the defendant guilty of murder and sentenced him to death. Holding that the decision violated the constitutional requirement, the Court observed through then Associate Justice Marcelo B. Fernan:

The above-quoted decision falls short of this standard. The inadequacy stems primarily from the respondent judge's tendency to generalize and to form conclusions without detailing the facts from which such conclusions are deduced. Thus, he concluded that the material allegations of the Amended Information were the facts without specifying which of the testimonies or the exhibits supported this conclusion. He rejected the testimony of accused-appellant Escobar because it was allegedly replete with contradictions without pointing out what these contradictions consist of or what "vital details" Escobar could have recalled as a credible witness. He also found the crime to be attended by the aggravating circumstances of cruelty, nighttime, superior strength, treachery, in band, "among others" but did not particularly state the factual basis for such findings.

While it is true that the case before us does not involve the life or liberty of the defendant, as in *Escobar*, there is still no reason for the constitutional short-cut taken by the trial judge. The properties being litigated are not of inconsequential value; they were sold for three and a half million pesos in 1983 and doubtless have considerably appreciated since then, after more than eight years. These facts alone justified a more careful and thorough drafting of the order, to fully inform the parties and the courts that might later be called upon to review it of the reasons why the demurrer to the evidence was sustained and the complaint dismissed.

In *Romero v. Court of Appeals*,^[8] the Court, somewhat reluctantly, approved a memorandum decision of the Court of Appeals consisting of 4 pages, single-spaced, which adopted by reference the findings of fact and conclusions of law of the Court of Agrarian Relations. While holding that the decision could be considered substantial compliance with PD 946, Section 18,^[9] and BP 129, Section 40,^[10] Justice Jose Y. Feria nevertheless expressed the misgiving that "the tendency would be to follow the line of least resistance by just adopting the findings and conclusions of the lower court without thoroughly studying the appealed case."

Obviously, the order now being challenged cannot qualify as a memorandum decision because it was not issued by an appellate court reviewing the findings and conclusions of a lower court. We note that, contrary to the impression of the respondent court, there is not even an incorporation by reference of the evidence and arguments of the parties, assuming this is permitted. No less importantly, again assuming *arguendo* that such reference is allowed and has been made, there is no immediate accessibility to the incorporated matters so as to insure their convenient examination by the reviewing court. In *Francisco v. Permskul*,^[11] which is the latest decision of the Court on the issue now before us, we categorically required:

x x x Although only incorporated by reference in the memorandum decision of the regional trial court, Judge Balita's decision was nevertheless available to the Court of Appeals. It is this circumstance, or even happenstance, if you will, that has validated the memorandum decision challenged in this case and spared it from constitutional infirmity.

That same circumstance is what will move us now to lay down the following requirement, as a condition for the proper application of Section 40 of BP Blg. 129. The memorandum decision, to be valid, cannot

incorporate the findings of fact and the conclusions of law of the lower court only by remote reference, which is to say that the challenged decision is not easily and immediately available to the person reading the memorandum decision. For the incorporation by reference to be allowed, it must provide for direct access to the facts and the law being adopted, which must be contained in a statement attached to the said decision. In other words, the memorandum decision authorized under Section 40 of BP Blg. 129 should actually embody the findings of fact and conclusions of law of the lower court in an annex attached to and made an indispensable part of the decision.

It is expected that this requirement will allay the suspicion that no study was made of the decision of the lower court and that its decision was merely affirmed without a proper examination of the facts and the law on which it was based. The proximity at least of the annexed statement should suggest that such an examination has been undertaken. It is, of course, also understood that the decision being adopted should, to begin with, comply with Article VIII, Section 14 as no amount of incorporation or adoption will rectify its violation.

In *Escobar*, the Court observed that the flawed decision "should have been remanded to the court a quo for the rendition of a new judgment" but decided nevertheless to decide the case directly, the records being already before it and in deference to the right of the accused to a speedy trial as guaranteed by the Bill of Rights. However, we are not so disposed in the case now before us.

It is not the normal function of this Court to rule on a demurrer to the evidence in the first instance; our task comes later, to review the ruling of the trial court after it is examined by the Court of Appeals and, when proper, its decision is elevated to us. In the present case, we find that the respondent court did not have an adequate basis for such examination because of the insufficiency of the challenged order. It must also be noted that we deal here only with property rights and, although we do not mean to minimize them, they do not require the same urgent action we took in *Escobar*, which involved the very life of the accused. All things considered, we feel that the proper step is to remand this case to the court a quo for a revision of the challenged order in accordance with the requirements of the Constitution.

Review by the Court of the other issues raised, most of which are factual, e.g., the allegation of default in the payment of the loan, the existence of a second loan, the nature of the newspaper where the notices of the sale were published, the authority of the person consenting to the postponement of the sale, etc., is impractical and unnecessary at this time. These matters should be discussed in detail in the revised order to be made by the trial court so that the higher courts will know what they are reviewing when the case is appealed.

In one case,[12] this Court, exasperated over the inordinate length of a decision rife with irrelevant details, castigated the trial judge for his "extraordinary verbiage." Kilometric decisions without much substance must be avoided, to be sure, but the other extreme, where substance is also lost in the wish to be brief, is no less unacceptable either. The ideal decision is that which, with welcome economy of words, arrives at the factual findings, reaches the legal conclusions, renders its ruling and, having done so, ends.

WHEREFORE, the challenged decision of the Court of Appeals is SET ASIDE for lack of basis. This case is REMANDED to the Regional Trial Court of Bulacan, Branch 10, for revision, within 30 days from notice, of the Order of June 6, 1986, conformably to the requirements of Article VIII, Section 14, of the Constitution, subject to the appeal thereof, if desired, in accordance with law. It is so ordered.

Narvasa, (Chairman), Griño-Aquino, and Medialdea, JJ., concur.

[1] 1987 Constitution, Article VIII, Section 14.

[2] Rollo, p. 9.

[3] Ibid., p. 43.

[4] Mendoza v. Court of First Instance, 51 SCRA 369 at 375.

[5] 186 SCRA 1 at 5.

[6] Nepomuceno v. Commission on Elections, 126 SCRA 472 at 478.

[7] 157 SCRA 541 at 555.

[8] 147 SCRA 183 at 194.

[9] Sec. 18. Appeals. - x x x

All cases of the Court of Agrarian Relations now pending before the Court of Appeals shall remain in the Divisions to which they have been assigned, and shall be within sixty (60) days from the effectivity of this Decree. Provided, however, That if the decision or order be an affirmance in toto of the dispositive conclusion of the judgment appealed from, then the Court of Appeals may, instead of rendering an extended opinion, indicate clearly the trial court's findings of fact and pronouncements of law which have been adopted as basis for the affirmance. x x x

[10] Sec. 40. Form of decision in appealed cases. - Every decision or final resolution of a court in appealed cases shall clearly and distinctly state the findings of fact and the conclusions of law on which it is based which may be contained in the decision or final resolution itself, or adopted by reference from those set forth in the decision, order or resolution appealed therefrom.

[11] 173 SCRA 335.

[12] People v. Molina, 184 SCRA 597.

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