

## SECOND DIVISION

[ G.R. No. 182842, September 04, 2019 ]

**PCI LEASING & FINANCE, INC., PETITIONER, V. SPOUSES JAMES D. GUTIERREZ AND CATHERINE R. GUTIERREZ, RESPONDENTS.**

[G.R. No. 199393, September 4, 2019]

**SPOUSES DANTE R. GUTIERREZ AND LOURDES D. GUTIERREZ, DOING BUSINESS UNDER THE NAME AND STYLE OF CAPITOL ALLIED TRADING & TRANSPORT, PETITIONERS, V. PCI LEASING & FINANCE, INC., RESPONDENT.**

### D E C I S I O N

**REYES, J. JR., J.:**

Assailed in these consolidated Petitions for Review on *Certiorari* filed under Rule 45 of the Rules of Court are the October 30, 2007 Decision<sup>[1]</sup> and the May 7, 2008 Resolution<sup>[2]</sup> of the Court of Appeals (CA), Second Division in CA-G.R. SP No. 96847, and the June 8, 2011 Decision<sup>[3]</sup> and the November 10, 2011 Resolution<sup>[4]</sup> of the CA, Seventh Division in CA-G.R. SP No. 93391.

#### The Facts

Capitol Allied Trading & Transport (Capitol Allied) is a single proprietorship owned by the spouses Dante R. Gutierrez and Lourdes D. Gutierrez (spouses Gutierrez), the parents of spouses James Gutierrez and Catherine Gutierrez (spouses James and Catherine). Beginning December 14, 1999, the spouses Gutierrez obtained loans in the total amount of P48,246,000.00 from PCI Leasing & Finance, Inc. (PCI Leasing), covered by Promissory Note (PN) Nos. 15608, 15609, 16308, 16510, 16796, 16797, 15509, 15213, 15345, 16267, 16268, 16269, 16545, 16892, 16937 and 17028.<sup>[5]</sup>

To secure the payment of their loan obligations, the spouses Gutierrez mortgaged to PCI Leasing several real properties, including (1) under PN No. 15608, a condominium unit (Burgundy Condominium), covered by Condominium Certificate of Title (CCT) No. 10444-Registry of Deeds of Quezon City, owned by and registered in the names of spouses James and Catherine; (2) under PN No. 15609, a parcel of land and its improvements located in Blue Ridge Subdivision, Quezon City, covered by TCT No. 156111-Registry of Deeds of Quezon City owned by and registered in the names of spouses James and Catherine; and (3) under PN No. 15509, a condominium unit (Platinum 1000 Condominium), covered by CCT No. 9700-R-Registry of Deeds of San Juan.<sup>[6]</sup>

When the spouses Gutierrez defaulted in the payment of their obligations, PCI Leasing extrajudicially foreclosed the mortgages. As a result, the Quezon City properties were sold at a public auction held on July 30, 2003, while the San Juan

property was sold on July 31, 2003. The certificates of sale covering the properties were then issued to PCI Leasing as the highest bidder and were subsequently annotated on the titles.<sup>[7]</sup>

On October 15, 2003, PCI Leasing allowed the spouses Gutierrez to sell their properties located in San Fernando, Pampanga which were also mortgaged to PCI Leasing. Thus, for P14,500,000.00, said properties were sold to spouses Andy Paredes and Wendy Paredes. The proceeds of the sale were applied to the spouses Gutierrez's outstanding balance, which included the P12,426,676.36 obligation secured by the mortgage on the Quezon City and San Juan properties. The payment is evidenced by Official Receipt No. 228376,<sup>[8]</sup> dated October 27, 2003, issued by PCI Leasing and the Memorandum,<sup>[9]</sup> dated December 12, 2003, signed by PCI Leasing's Account Officer and Senior Assistant Manager Crispin Maniquis<sup>[10]</sup> (Maniquis). The application of payment is further borne out in the Affidavit<sup>[11]</sup> of Maniquis executed on August 29, 2005, to wit:<sup>[12]</sup>

x x x x

6. The only amount applied as payment against the aforestated Real Estate Mortgages was the proceeds of the sale of the San Fernando City, Pampanga properties of the Spouses Dante and Lourdes Gutierrez in the total amount of P14,500,000.00 which was used to fully pay the total outstanding loans of P12,426,676.36 against the Real Estate Mortgages covered by Promissory Notes No. 15509, 15608, 15609, 16308, 16510, 16796 and 16797. The excess was applied in partial payment of the loans covered by the Chattel Mortgages.

7. On July 12, 2004, I was requested to submit figures to support the Compromise Agreement to be entered into between the Spouses Dante and Lourdes Gutierrez and PCILFI in Civil Case Nos. Q-0349661 before Branch 45 of the Regional Trial Court of Quezon City. I submitted the same figure of P13,993,047.14 as the amount which was still due PCILFI from Spouses Dante and Lourdes Gutierrez. Said figure did not make any application of payment of the "proceeds" of the July 2003 foreclosure and sale of the properties covered by Promissory Notes Nos. 15509, 15608, 15609 and 16308.

8. This shows that PCILFI actually waived its rights over the foreclosure and sale of the properties covered by Promissory Notes Nos. 15509 (CCT No. 9700-R), 15608 (CCT No. N-10444), 15609 and 16308 (TCT No. 156111) and, in fact, the P14,500,000.00 which was received by PCILFI from the proceeds of the sale of the San Fernando City, Pampanga properties was applied as full payment of all loans covered by the Real Estate Mortgages, with an excess amount of over P2,000,000.00 which was applied as partial payment of the loans covered by the Chattel Mortgages.<sup>[13]</sup>

x x x x

As of December 12, 2003, therefore, the unpaid balance of the spouses Gutierrez was reduced to P13,993,047.14, which was secured by chattel mortgages on their personal properties.<sup>[14]</sup>

On March 25, 2004, the spouses Gutierrez wrote to PCI Leasing requesting, among others, the release of the real estate mortgages on the Quezon City and San Juan properties. They believed that the application of payment amounted to a redemption of the properties. PCI Leasing, however, did not immediately reply to the letter-request.<sup>[15]</sup>

Subsequently, PCI Leasing filed a complaint against the spouses Gutierrez in the RTC, Quezon City, Branch 105, docketed as Civil Case No. Q-03-049661. On October 11, 2004, PCI Leasing and the spouses Gutierrez filed a Joint Motion for Judgment based on a compromise agreement, the subject of which was the balance of P13,993,047.14. Hence, on November 10, 2004, the RTC rendered its decision in Civil Case No. Q-03-049661, to wit:<sup>[16]</sup>

Plaintiff PCI Leasing & Finance, Inc. (PCILF) and defendants Spouses Dante Gutierrez and Lourdes Gutierrez, with the assistance of their respective counsel, submitted a joint motion for judgment based on compromise agreement which read as follows:

WHEREAS, on various dates commencing December 14, 1999, PCILF extended various loans to SPS. GUTIERREZ in aggregate amount of PESOS: FORTY EIGHT MILLION TWO HUNDRED FORTY SIX THOUSAND (P48,246,000.00), Philippine Currency, as evidenced by Promissory Notes Nos. 15608, 15609, 16308, 16510, 16796, 16967, 15509, 15213, 15345, 16268, 16269, 16267, 16545, 16892, 16937, and 17028;

WHEREAS, as security for the payment of these loans, SPS. GUTIERREZ executed and signed in favour of PCILF Seven (7) Chattel Mortgages dated December 10, 1999, February 8, 2000, January 24, 2001, October 10, 2001, January 31, 2002, February 27, 2002 and March 14, 2002 ("SECURITY," for brevity);

WHEREAS, SPS. GUTIERREZ failed to pay in full the above-mentioned loans when the same fell due and demandable, despite repeated demands made upon it by PCILF. As of July 13, 2004, the indebtedness owned by SPS. GUTIERREZ to PCILF stands in the total amount of PESOS: THIRTEEN MILLION NINE HUNDRED NINETY THREE THOUSAND FORTY SEVEN AND 14/100 (P13,993.047.14), Philippine currency, inclusive of interest and penalties;

WHEREAS, upon the request of SPS. GUTIERREZ, PCILF has agreed to restructure the term of payment of the balance of these loans by giving SPS. GUTIERREZ an additional period of thirty-six (36) months;

NOW, THEREFORE, the parties hereto have agreed as follows:

1. SPS. GUTIERREZ shall pay PCILF the amount of PESO[S]: THIRTEEN MILLION NINE HUNDRED NINETY THREE THOUSAND FORTY SEVEN AND 14/100 (P13,993,047.14), Philippine currency ("OBLIGATION," for brevity) in the following manner:

- 1.1. For the first year beginning August 28, 2004, SPS. GUTIERREZ shall pay PCILF a monthly amortization of P225,000.00;

1.2. For the second year beginning July 28, 2005, SPS. GUTIERREZ shall pay PCILF a monthly amortization of P505,882.00; and

1.3 For the third year beginning August 28, 2006, SPS. GUTIERREZ shall pay PCILF a monthly amortization of P876,616.00.

2. PCILF agrees to waive in full the penalties that have accrued from January to August 2004 subject to the conditions stated in the fourth paragraph hereof.

3. The OBLIGATION shall remain secured by executing chattel mortgages. SPS. GUTIERREZ undertake to execute an Amendment of these mortgages as may be necessary in order to enforce the rights of PCILF over subject collateral securities.

4. In the event SPS. GUTIERREZ incurs default by failing to pay any two (2) monthly amortizations or by failing to comply with the terms and conditions under the original Promissory Notes and Chattel Mortgage contracts, the terms and conditions of which are incorporated hereto and made as integral parts hereof, and such default is not cured within thirty (30) days after the occurrence thereof, the OBLIGATION shall become due and demandable without need of demand and shall entitle PCILF to exercise its rights under the original loan and mortgage contracts. The waived penalties shall be reinstated and shall form part of the outstanding balance at the time of default. Furthermore, [PCILF] shall immediately be entitled to a Writ of Execution for the enforcement of the entire obligation as stated herein.

5. The parties hereto fully understand and agree that the foregoing arrangement is merely an accommodation granted by PCILF upon request of SPS. GUTIERREZ and shall not in any manner operate as a novation of the obligation of SPS. GUTIERREZ in favor of PCILF under the original loan and mortgage contracts.

6. The foregoing constitutes the latest agreement of the parties, and all previous agreements inconsistent herewith shall be deemed amended or modified accordingly.

WHEREFORE, there being nothing contrary to law, morals or public policy in the foregoing Compromise Agreement, the Court approves the same and renders judgment in accordance therewith.

SO ORDERED.<sup>[17]</sup>

Meanwhile, on October 27, 2004, the spouses Gutierrez received PCI Leasing's letter, dated October 26, 2004, advising that the ownership of the Quezon City and San Juan properties had been consolidated in PCI Leasing upon the expiration of the one-year redemption period and that as the new owner, it was entitled to the actual possession of the properties.<sup>[18]</sup>

*The RTC proceedings  
concerning the Quezon City  
properties*

On December 9, 2004, PCI Leasing filed in the RTC, Quezon City, Branch 219 a petition for the issuance of a writ of possession for the Quezon City properties. On January 13, 2005, however, PCI Leasing withdrew the petition, which was confirmed by the trial court in an Order, dated January 28, 2005.<sup>[19]</sup>

Then, on April 28, 2005, PCI Leasing wrote a letter to the Spouses Gutierrez demanding that the Quezon City properties be turned over under threat of legal action in case of refusal.<sup>[20]</sup>

On May 31, 2005, the spouses Gutierrez replied and insisted that the loans secured by the mortgages on the Quezon City properties had already been paid and that the mortgages should be considered as released.<sup>[21]</sup>

On June 24, 2005, PCI Leasing filed in the RTC, Quezon City, Branch 219 another petition for issuance of writ of possession, docketed as LRC Rec. No. Q-20070(05). The spouses James and Catherine filed a motion to suspend proceedings in LRC Rec. No. Q-20070(05), contending that the obligations for which their properties had been mortgaged were already fully paid, and as a consequence, PCI Leasing was not entitled to the issuance of a writ of possession.<sup>[22]</sup>

Meanwhile, on December 16, 2005, spouses James and Catherine initiated in the RTC, Quezon City, Branch 222 an action for the nullification of foreclosure, certificate of sale, and title and for the reconveyance of their properties (docketed as Civil Case No. 05-56950).<sup>[23]</sup>

On April 25, 2006, Judge Bayani V. Vargas (Branch 219) issued the first assailed order, denying the spouses James and Catherine's motion to suspend proceedings. Then, on September 11, 2006, Judge Evangeline Castillo-Marigomen (Branch 101) to whom LRC Rec. No. Q-20070(05) was reassigned, issued the second assailed order, allowing PCI Leasing to present evidence *ex parte* in support of the petition for the writ of possession.<sup>[24]</sup>

*The RTC proceedings  
concerning the San Juan  
property*

PCI Leasing filed a Petition for the Issuance of a Writ of Possession with the RTC, Pasig City, Branch 265, docketed as LRC Rec No. 6484. PCI Leasing, however, withdrew said petition, which was granted by the trial court in an Order, dated February 15, 2005. In a letter, dated April 28, 2005, PCI Leasing demanded from the spouses Gutierrez the delivery of possession of the San Juan property. Then, on June 27, 2005, PCI Leasing filed another Petition for the Issuance of a Writ of Possession before the RTC, Pasig City, Branch 68, docketed as LRC Rec. No. R-6557. The spouses Gutierrez filed a motion to dismiss. On August 30, 2005, the RTC Pasig conducted an *ex parte* presentation of evidence and on the following day, Judge Santiago G. Estrella rendered a decision granting the issuance of the writ of possession in favor of PCI Leasing.<sup>[25]</sup>