

## SECOND DIVISION

[ G.R. No. 149695, April 28, 2004 ]

**WILLY G. SIA, APPELLEE, VS. PEOPLE OF THE PHILIPPINES,  
APPELLANT.**

### DECISION

**CALLEJO, SR., J.:**

On June 4, 1982, the Consolidated Orient Leasing and Finance Corporation (COLF), as Lessor, and Willy G. Sia, the sole proprietor of WGS Construction Specialists, as Lessee, executed a Lease Agreement,<sup>[1]</sup> for a period of eighteen (18) months, covering construction equipments described as follows:

ONE (1) UNIT KOMATSU PAYLOADER,  
JH65C MODEL, 2-3/4 cu. yd.  
Chassis No.: JH65C-0347  
Engine No.: 629676

ONE (1) UNIT KOMATSU BULLDOZER MODEL D80A-12  
Serial No.: D80A-12-19495  
Motor No.: NH220-0969N21515

ONE (1) UNIT YUTANI POCLAIN MODEL YS 650  
Serial No.: 1283  
Motor No.: 92621<sup>[2]</sup>

Under the lease agreement, Sia was obliged to deposit with the COLF, upon the execution thereof, the amount of P216,250.00 to guaranty the payment of, *inter alia*, the agreed rental of P44,980.00 a month payable in the COLF office.<sup>[3]</sup> On the custody and disposition of the guaranty deposit of P216,250.00, the parties agreed, as follows:

... The Deposit shall be retained by the LESSOR as security for the faithful observance and performance by the LESSEE of the terms and conditions and stipulations in this Agreement and any renewal thereof. The Deposit shall be returned to the LESSEE at the termination of lease without any interest, less such sums which may be due to the LESSOR under the terms of this Agreement without prejudice to whatever cause of action the LESSOR may have against the LESSEE under this Agreement.

2. The provision of paragraph 1 of this Article notwithstanding, if the LESSEE is in default under any of the provisions of this Agreement including the events of Article XV, then the LESSOR may, at its option, apply the Deposit or any part thereof to claims for money or damages it may have against the LESSEE, or to arrearages in the rents and/or the

Stipulated Lost Value as the LESSOR may deem necessary and, unless the LESSOR shall exercise its rights and terminate this lease hereby created under sub-paragraph 1.3 of paragraph 1 of Article XV, the LESSEE shall on written demand by the LESSOR pay to the LESSOR the full amount of the Deposit or such amount which shall cover the full amount referred to in Item 6 of the Schedule which shall serve as security and be considered the Deposit in accordance with the provisions of paragraph 1 of this Article.

3. In case the LESSEE gives the LESSOR other collaterals or securities in addition to the Deposit all of such securities or collaterals including the Deposit shall be deemed to secure all claims which are now or may hereafter be owing to the LESSOR by the LESSEE.<sup>[4]</sup>

The parties further agreed that, in case Sia defaulted in the payment of the agreed rentals or failed to observe the terms and conditions of the Agreement, the following provisions shall apply:

1. If the LESSEE fails to pay the rents as provided for in Article III hereof after the same becomes due and payable or any other sums and moneys due and payable under this Agreement or if the LESSEE fails to observe or perform any or all the provisions hereof, or if the LESSOR on reasonable grounds, considers the LESSEE as financially incapable of meeting its obligations herein, then the LESSOR shall, without prejudice to any pre-existing liability of the LESSEE to the LESSOR, have the right to avail of any or all of the following remedies without giving any prior notice or demand to the LESSEE;

- 1.1 To declare a part or the total amount of the rents and all other moneys, costs and expenses under this Agreement immediately due and payable by the LESSEE;
- 1.2 To take possession of the property or demand its return.
- 1.3 To terminate this lease and to demand from the LESSEE the full amount of the Stipulated Loss Value and to claim from the LESSEE compensation for all losses and damages including but not limited to loss of profits.

The remedies provided in sub-paragraph 1.1 and 1.2 of paragraph 1 of this Articles shall not relieve the LESSEE from any other liability under this Agreement, including but not limited to liability for damages.

2. Upon the occurrence of any of the following events, the LESSOR may, without any prior notice or demand to the LESSEE, avail of any or all of the remedies under paragraph 1 of this Article, and the effects thereof will be the same as those provided for herein:

- 2.1 suspension of business, bankruptcy or dissolution of the LESSEE; or
- 2.2 levy or attachment of all or substantially all of

- the assets of the LESSEE, regardless of whether or not the same affects the Property, or
- 2.3 assignment of or compromise affecting all or substantially all of the LESSEE's assets to or with its creditor; or
  - 2.4 If any judgment against the LESSEE shall remain unsatisfied for more than ten (10) days; or
  - 2.5 If the LESSEE shall abandon the Property.<sup>[5]</sup>

Sia and his wife, Judy, executed a surety agreement in which they bound and obliged themselves, jointly and severally, to insure the proper and due performance of Sia's obligations to the COLF under the lease agreement.<sup>[6]</sup>

Sia remitted to the COLF the agreed guaranty deposit of P216,250.00. He also issued and delivered to the COLF, upon the execution of the lease agreement in 1982, eighteen (18) postdated checks in the amount of P44,980.00 each, payable to the COLT, drawn against his account with the Rizal Commercial Banking Corporation (RCBC). Each check was to be encashed or deposited by the COLF in its account on their respective due dates in payment of the monthly rental of the equipment.<sup>[7]</sup> At the time, the bank had extended credit facilities to the petitioner.<sup>[8]</sup>

The COLF deposited the checks for the rentals of July to December 1992, and these checks were duly honored by the drawee bank.<sup>[9]</sup> The COLF thereafter deposited, in its account, Check No. 233533 postdated January 4, 1983 for the amount of P44,980.00 in payment for the January 1983 rental of the equipment.<sup>[10]</sup> This check was, however, dishonored by the drawee bank for "insufficient funds." The COLF wrote Sia on January 5, 1983, informing the latter of the dishonor of the check and requesting for the replacement thereof.<sup>[11]</sup>

On March 4, 1983, COLF deposited in its account Check No. 233534 postdated March 4, 1983 in the amount of P44,980.00 in payment for the March 1983 rental.<sup>[12]</sup> However, the check was, again, dishonored by the drawee bank, this time for the reason "account closed."<sup>[13]</sup> On March 7, 1983, the COLF wrote Sia informing him of the dishonor of the check.<sup>[14]</sup> The COLF finally decided to terminate the lease and, on March 10, 1983, wrote Sia informing him that it was terminating the lease agreement.<sup>[15]</sup> Sia received the letter but did not respond.<sup>[16]</sup>

Despite the termination of the lease, the COLF still deposited Check No. 233535 in the amount of P44,980.00 on April 4, 1983. The check, which was drawn by Sia against his account with the RCBC in payment for the April 1983 rental, was dishonored by the drawee bank, again for the reason "account closed." On April 6, 1983, COLF once more wrote to Sia, informing him of the dishonor of the check and requesting for a replacement as soon as possible.<sup>[17]</sup> The COLF did not receive any reply.

On May 17, 1983, the COLF filed a complaint for replevin and damages against Sia with the Regional Trial Court of Makati, docketed as Civil Case No. 3958. It prayed that, after due proceedings, judgment be rendered against Sia in its favor:

1. Directing the Sheriff to take over the possession and custody of the following:

One (1) Unit Komatsu Payloader JH65 C Model 2-3/4 cu. yd.  
Chassis No. JH65C-0347  
Engine No. 629676

One (1) Unit Bulldozer Model D80A-12 (Komatsu)  
Serial No. D80A-12-19495  
Motor No. NH220-0969N21515

One (1) Unit Yutani Poclain Model YS 650  
Serial No. 1283  
Motor No. 92621

2. Ordering defendant WGS Construction Specialists to pay the plaintiff:

- (a) Accrued rental in the amount of ONE HUNDRED SEVENTY-NINE THOUSAND NINE HUNDRED TWENTY PESOS (P179,920.00);
- (b) 3% of the above amount as penalty per month from January, 1983, up to the present;
- (c) 30% of the above amount as attorney's fees;
- (d) The value of the property, which is FOUR HUNDRED NINETY-FOUR THOUSAND SEVEN HUNDRED EIGHTY PESOS (P494,780.00), and the incidental charges above-mentioned in case the equipment are no longer available or the same have been impaired so substantially that recovery would be futile;
- (e) The costs of this suit; and

3. Ordering defendants-sureties Willy G. Sia and Judy A. Sia, jointly and severally, to pay the above-stated amounts to plaintiff in case defendant WGS Construction Specialists should fail to do so.<sup>[18]</sup>

On June 2, 1983, the court issued an Order in Civil Case No. 3958 granting the plaintiff's plea for a writ of replevin. The court thereafter issued a Writ of Seizure against the plaintiff's property with the requisite bond therefor. Sia received the complaint and summons on October 21, 1983, but failed to file an answer. On motion of the plaintiff, Sia was declared in default.<sup>[19]</sup> The plaintiff adduced its evidence, ex parte, on February 8, 1984. The sheriff, however, failed to locate the equipment declared in the complaint and failed to seize and take possession thereof.<sup>[20]</sup>

In the meantime, the COLF charged Sia with violating Batas Pambansa (B.P.) Blg. 22 by reason of the dishonor of the checks postdated January 4, 1983, March 4, 1983 and April 4, 1983, respectively. On August 3, 1984, three Informations were filed with the RTC of Makati charging Sia with violating B.P. Blg. 22, docketed as Criminal Cases Nos. 11865, 11866, and 11867. The accusatory portions of the said Informations are as follows:

That on or about June 1982, in the Municipality of Makati, Metro Manila, Philippines and within the jurisdiction of this Honorable Court, said accused did, then and there, willfully, unlawfully and feloniously make, draw and issue in favor of Consolidated Orient Leasing & Finance Corporation represented by Eduardo R. Alvarez, a check numbered 233532, drawn against the Rizal Commercial Banking Corporation (RCBC), a duly established domestic banking institution, in the amount of P44,980.00 Philippine Currency, dated January 4, 1983 in payment of an obligation, knowing fully well at the time of issue that he did not have any sufficient funds in the drawee bank for the payment of such check; that upon presentation of said check to the said bank for payment the same was dishonored for the reason that the drawer thereof accused Willy G. Sia did not have sufficient funds therein and despite notice of dishonor thereof, accused failed and refused and still fails and refuses to redeem or make good said check, to the damage and prejudice of the said Consolidated Orient Leasing & Finance Corporation is (sic) the aforesaid sum.

Contrary to law.  
Crim. Case No. 11865

That on or about June 1982, in the Municipality of Makati, Metro Manila, Philippines and within the jurisdiction of this Honorable court, said accused did, then and there, willfully, unlawfully and feloniously make, draw and issue in favor of Consolidated Orient Leasing & Finance Corporation represented by Eduardo R. Alvarez, a check numbered 233534 drawn against the Rizal Commercial Banking Corporation (RCBC), a duly established banking institution, in the amount of P44,980.00 Philippine Currency, dated March 4, 1983 in payment of an obligation, knowing fully well at the time of issue that he did not have any funds in the drawee bank for the payment of said check, that upon presentation of said check to the drawee bank the same was dishonored for the reason that the drawer thereof, accused Willy G. Sia did not have funds therein and despite notice of dishonor thereof, accused failed and refused and still fails and refuses to redeem or make good said check, to the damage and prejudice of the said Consolidated Orient Leasing & Finance Corporation in the aforesaid sum.

Contrary to law.  
Crim. Case No. 11866

That on or about June 1982, in the Municipality of Makati, Metro Manila, Philippines and within the jurisdiction of this Honorable Court, said accused did, then and there, willfully, unlawfully and feloniously make, draw and issue in favor of Consolidated Orient Leasing & Finance Corporation represented by Eduardo R. Alvarez, a check numbered 233535, drawn against the Rizal Commercial Banking Corporation (RCBC), a duly established domestic banking institution, in the amount of P44,980.00 Philippine Currency, dated April 4, 1983 in payment of an obligation, knowing fully well at the time of issue that he did not have any funds in the drawee bank for the payment of such check; that upon presentation of said check to said bank for payment the same was