

SECOND DIVISION

[G.R. No. 110597, May 08, 1996]

**SERVICEWIDE SPECIALISTS, INCORPORATED, PETITIONER, VS.
THE HON. COURT OF APPEALS, RICARDO TRINIDAD AND ELISA
TRINIDAD, RESPONDENTS.**

D E C I S I O N

ROMERO, J.:

Petitioner seeks review of the decision^[1] of the Court of Appeals affirming the decision of the Regional Trial Court of Manila which (1) dismissed the complaint for replevin and damages filed by petitioner before the Metropolitan Trial Court of Manila and (2) ordered petitioner to pay private respondents P10,000.00 as attorney's fees, P2,000.00 as litigation expenses plus costs of the suit.

The facts show that on August 1, 1983, private respondent spouses Ricardo and Elisa Trinidad purchased one unit Isuzu Gemini car, 1983 model, yellow in color, from Autoworld Sales Corporation. The price was P98,156.00 payable in 24 equal monthly installments of P4,089.00 every 15th of each month beginning September 1983 to August 15, 1985.

To secure payment thereof, the Trinidads executed on the same date a promissory note and a deed of chattel mortgage on the subject car in favor of Autoworld Sales Corporation.

Also on the same date, Autoworld assigned its interests on the promissory note and chattel mortgage to Filinvest Credit Corporation (Filinvest). These assignments were made with due notice to private respondents.

On April 15, 1984, private respondents delivered seventeen (17) checks to Filinvest Credit Corporation in full payment of the car. The checks were in the same amount of P3,969.00 each, sixteen of which were postdated to be applied for the remaining installments from April 15, 1984 to August 15, 1985. Proper receipts were issued by Filinvest Credit Corporation to private respondents and all documents regarding ownership of the car were released to them. Private respondents immediately used the car as a taxi, a fact known to the vendor.

On November 8, 1985, Filinvest assigned all its rights and interests on the promissory note and chattel mortgage in favor of petitioner.

On November 18, 1985, private respondent Ricardo Trinidad received a demand letter from petitioner dated November 8, 1985 stating that an assignment of credit had been made by Filinvest in its favor and that the Trinidads had not paid two successive installments on the car which had matured on July 15 and August 15, 1985. No mention was made in the letter that Filinvest had paid insurance premiums

to Perla Compania de Seguros to insure the car against loss and damage corresponding to two years, i.e., from July 29, 1984 to July 29, 1985 and July 29, 1985 to July 29, 1986. Private respondents were also never informed by Filinvest that their installment payments on the car were converted to premium payments on the insurance.

After informing private respondents that they failed to pay the last two consecutive monthly installments, petitioner demanded that either they pay the whole remaining balance of P6,977.67, including accrued interest, or return possession of the car to petitioner.

When private respondents refused to pay the amount demanded or to return the car, petitioner filed an action for replevin and damages with the Metropolitan Trial Court, Branch V, Manila. The sole issue resolved by the trial court was whether private respondents were liable for the payment of the insurance premiums effected by petitioner.

On July 24, 1990, a decision was rendered by the trial court in favor of petitioner, the dispositive portion of which states:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff ordering the defendants to pay plaintiff jointly and severally the sum of P6,977.67 plus interest thereon at the rate of 24% per annum from January 8, 1986 until fully paid. To pay the sum of P4,773.04 as attorney's fees.

SO ORDERED."^[2]

Private respondents appealed to the Regional Trial Court of Manila, Branch 46. The RTC found that a renewal of insurance (caused by Filinvest on the mortgaged chattel) was issued twice by Perla Compania de Seguros, Inc. in the name of Ricardo Trinidad for private car loss and damage. On both occasions, no notice was made whatsoever to private respondents that Filinvest was applying the installment payments made by them for the car to the payment of the insurance premiums. Furthermore, no notice was made to private respondents that Filinvest had assigned the promissory note and chattel mortgage to petitioner.

The RTC held that petitioner had no cause of action against private respondents because the latter issued the checks with the understanding that they were to be applied to the payment in full of the car and that the same were all duly encashed by petitioner. No prior demand having been made on private respondents for the payment of the insurance premiums, the RTC held that the complaint was not a just suit and dismissed the complaint, awarding P10,000.00 for attorney's fees, P2,000.00 as expenses for litigation plus costs of the suit to private respondents.

Petitioner appealed to the Court of Appeals, which affirmed the decision of the Regional Trial Court.

Hence, this petition.