

THIRD DIVISION

[G.R. No. 102692, September 23, 1996]

JOHNSON & JOHNSON (PHILS.), INC., PETITIONER, VS. COURT OF APPEALS AND ALEJO M. VINLUAN, RESPONDENTS.

DECISION

PANGANIBAN, J.:

May a husband be held liable for the debts of his wife which were incurred without his consent and which did not benefit the conjugal partnership? May a judgment declaring a wife solely liable, be executed upon *conjugal* property, over the objection of the husband?

These are the main questions raised in the instant petition for review on certiorari under Rule 45 of the Rules of Court which seeks nullification of the Decision^[1] in CA-G.R. SP No. 19178 of the Court of Appeals,^[2] the dispositive portion of which reads:

"WHEREFORE, in view of all the foregoing, the instant petition is hereby GRANTED, and the orders dated July 24, 1989 and October 4, 1989 of the Regional Trial Court of Makati, Branch 137, in Civil Case No. 4186, as well as the notices of levy issued by the Provincial Sheriff of Rizal dated February 8, 1989, are hereby declared null and void and set aside. No costs."

The Facts

This case was initiated in the trial court by a complaint^[3] filed by petitioner against spouses Delilah A. Vinluan, owner of Vinluan Enterprises, and her husband Capt. Alejo M. Vinluan (the private respondent before us), for collection of a sum of money with damages, which was docketed as Civil Case No. 4186 and tried in the Regional Trial Court of Makati, Branch 137.^[4] The respondent appellate Court found the antecedent facts, to be as follows:^[5]

"The plaintiff-respondent Johnson & Johnson (Phils.), Incorporated (hereinafter referred to as the corporation) is engaged in the manufacturing and selling of various cosmetics, health, and body care products, as well as medical drugs. On several occasions in the year 1982, the defendant, Delilah Vinluan, purchased products of the plaintiff-respondent corporation, as she was also engaged in the business of retailing Johnson products, among others. The defendants, under the name and style of 'Vinluan Enterprises,' thus incurred an obligation of Two Hundred Thirty-Five Thousand Eight Hundred Eighty Pesos and Eighty-Nine (P235,880.89) Centavos, for which she issued seven (7) Philippine Banking Corporation checks of varying amounts and due

dates. When presented on their respective due dates, however, the checks given in payment of the obligation bounced and were dishonored for having been drawn against insufficient funds.

Several demands thereafter for payment were to no avail, despite the accommodations given by the plaintiff-respondent corporation by granting several extensions to the defendant spouses to settle the obligation. It was only on January 5, 1983 that the defendants made a partial payment of Five Thousand (P5,000.00) Pesos, thereby reducing their principal obligation to P230,880.89. When no further payments were made to settle the obligation despite repeated demands, the plaintiff-respondent corporation was constrained to file a complaint (Annex 'A') on June 8, 1983 against defendant spouses Vinluan, for collection of the principal obligation plus interest, with damages. Filed before the respondent Regional Trial Court of Makati, Branch 137, it was docketed as Civil Case No. 4186.

After trial on the merits, on February 5, 1985, the respondent court rendered its Decision (Annex 'C'), the dispositive portion of which reads:

'WHEREFORE, judgment is hereby rendered sentencing the defendant DELILAH A. VINLUAN to pay plaintiff Johnson & Johnson (Phils.), Inc., the sum of P242,482.40, with interest and penalty charges at the rate of 2% per month from 30 January 1983 until fully paid, and the sum of P30,000.00 as attorney's fees, and to pay the costs.

Defendants' counterclaim is hereby dismissed for lack of sufficient merit."

In arriving at the sole liability of defendant Delilah A. Vinluan, the trial court found after "meticulous scrutiny and careful evaluation of the evidence on record" that there was "no privity of contract, whether direct or indirect, between plaintiff and defendant-husband regarding the obligations incurred by defendant-wife." According to the trial court, "(i)n fact, the acts performed, and the statements made, by defendant-husband, and from which plaintiff derived the notion that said defendant is a co-owner of VINLUAN ENTERPRISES, took place after the obligations involved in this action had been incurred or contracted by the defendant-wife, albeit without the husband's knowledge or consent, as there was no allegation in the complaint that said obligations were incurred by defendant-wife with her husband's consent, or that it was incurred for the benefit of the family. x x x."^[6]

The trial court also found that private respondent never intimidated in his conversations or meetings with, or in any of his letters to, petitioner that "he was a co-owner of VINLUAN ENTERPRISES, much less did he represent himself as such co-owner, to the plaintiff and to plaintiff's counsel x x x." When private respondent personally negotiated with petitioner and proposed a settlement of the subject obligations, these actuations were not to be considered as admission of co-ownership of VINLUAN ENTERPRISES for "(a)fter all, common sense and our inborn mores of conduct dictate that a husband must give aid and comfort to his distressed wife."^[7] The trial court further held that the defendant spouses had sufficiently established that the defendant wife was sole owner of the business venture, that the conjugal partnership never derived any benefit therefrom, and that the same closed

due to continued losses. In sum, the court *a quo* held that private respondent could not legally be held liable for the obligations contracted by the wife.

Thus, the court below issued a writ of execution^[8] on February 3, 1989, directing the Provincial Sheriff of Rizal to execute the judgment on the properties of the defendant-wife. However, the two notices of levy on execution^[9] issued on February 8, 1989 covered not only her exclusive or paraphernal properties, but also the real and personal properties of the conjugal partnership of the spouses Vinluan. The next day, her husband (herein private respondent) filed a third-party claim^[10] seeking the lifting of the levy on the conjugal properties, followed by another third-party claim reiterating the same demand with threat of possible law suit. Subsequently, petitioner corporation filed a motion dated February 14, 1989 asking the court to fix the value of the properties levied upon by the sheriff. In response to the third-party claims of private respondent, a comment and/or opposition dated March 6, 1989 was filed by petitioner.

Private respondent moved on July 1, 1989 to quash the levy on execution on the ground that the notices of levy on execution did not conform to the final decision of the court and to the writ of execution. As expected, petitioner opposed the motion. On July 24, 1989, the trial court issued the first assailed Order fixing the value of the levied personal properties at P300,000.00, and *denying* the third-party claim and the motion to quash the levy on execution. Citing the last sentence of Article 117^[11] of the Civil Code, the court *a quo* ruled that:^[12]

"Since Alejo Vinluan did not seek the intervention of the Court to air his objections in his wife's engaging in business, coupled by the fact that he made several representations for the settlement of his wife's account, Alejo Vinluan's consent thereto became evident. As such, even his own capital may be liable, together with the conjugal and paraphernal property (I Paras 363, 1978 ed., p. 6; Art. 6-10, Code of Commerce). Withal, Article 172 of the New Civil Code categorically declares that -

'The wife cannot bind the conjugal partnership without the husband's consent, except in the cases provided by law.'

Granting *arguendo* that Alejo Vinluan did not give his consent, expressly or impliedly, the paraphernal and conjugal property may still be held liable but not his capital (I Paras 363, 1978 ed.)."

Petitioner's motion for reconsideration of the abovequoted first order (on the ground that it directly contravened the decision itself which had already become final and executory) was *denied* via the second contested Order dated October 4, 1989, where the trial court ruled:^[13]

"The Court finds untenable movant-defendant's assertion that Art. 172 of the New Civil Code is not in point. The consent of the husband is indeed vital in determining what properties shall be subsidiarily liable in the event the paraphernal properties of Delilah Vinluan should turn out to be insufficient to cover the judgment debt, as fully explained in the Order dated 24 July 1989.

Art. 122 of the Family Code which partly provides that --

'Art. 122. The payment of personal debts contracted by the husband or the wife before or during the marriage shall not be charged to the conjugal partnership except insofar as they redounded to the benefit of the family.

x x x

x x x

x x x.'

is not applicable in that --

'This Code (Family Code) shall have retroactive effect insofar as it does not prejudice or impair vested or acquired rights in accordance with the Civil Code or other laws (Art. 255, Family Code; underscoring supplied).'

Plaintiff (petitioner herein), having acquired a vested right prior to the effectivity of the Family Code, said code is not a propos (sic). Even granting arguendo that the same is befitting, movant defendant failed to realize that although Delilah Vinluan suffered losses in her legitimate business, the experience she has gained redounded to the benefit of the family, and as such, the conjugal partnership must bear the indebtedness and losses (I Paras 464, 1981 ed.). Moreover, had the business Delilah Vinluan engaged in been a success, all profits would have been considered conjugal; it is therefore but fair that the risks of the business should be borne by the conjugal partnership (Miravite, Bar Review Materials in Commercial Law, 1986 ed., p. 89; J. N. Nollado, Commercial Law Reviewer, 1985 ed., pp. 6, 7; U.P. Law Complex, Answers to Bar Questions in Commercial Law, 1986 ed., pp. 174, 175; Vitug, Commercial Law Reviewer, 1984, ed., p. 5).

There is a wide-embracing oversight when movant-defendant asserted that to hold the conjugal partnership property liable for the indebtedness incurred solely by his wife would in effect modify the Decision dated 5 Feb, 1985 which is now final and executory. As afore-discussed, the conjugal property is subsidiarily liable."

As indicated above, the private respondent elevated the matter to the respondent appellate Court, charging the trial court with grave abuse of discretion for effectively reversing its own final judgment. The respondent Court upheld the private respondent in its now-assailed Decision, and denied herein petitioner's subsequent motion for reconsideration. Thus, petitioner is now before us seeking review under Rule 45.

The Issues

Petitioner raised the following "Issues of law" for consideration of this Court, to wit:

[14]

"1. Whether or not the decision of the honorable trial court dated February 5, 1985 exonerating (sic) defendant husband, private respondent herein, from the obligation contracted by the wife in the pursuit of her business also absolves the conjugal partnership from liability.

2. Whether or not the subsequent order of the honorable trial court

dated July 24, 1989 and October 4, 1989 is a reversal of its own original decision as found out by the honorable public respondent."

The pivotal issues in this case may be re-stated thus: whether or not the order of the trial court denying private respondent's third-party claim and motion to quash levy on execution in effect amended the dispositive portion of the trial court's decision which had long become final and executory, and if so, whether same is proper or not. These issues shall be ruled upon together.

The Court's Ruling

Petitioner contends^[15] that the purpose of impleading private respondent as co-defendant in petitioner's complaint was to bind not only the defendant-spouses' conjugal partnership but also private respondent's capital. The trial court resolved that it was not necessary that private respondent (as husband) be joined as party-defendant in the suit below. Inasmuch as it appeared from the allegations in the complaint that private respondent may be a co-owner of Vinluan Enterprises, the trial court nonetheless did not exclude private respondent but passed upon the issue of such co-ownership to determine whether he may be held liable in the same manner as his wife. Petitioner insists that the trial court in its decision merely made a finding that the private respondent husband was not a co-owner of the business venture of his wife, which conclusion ("exoneration") only exempted his capital from the adjudged liability, but not the conjugal properties of the spouses. Petitioner further argues that nowhere in the trial court's decision can there be found any pronouncement absolving the conjugal property from liability, contrary to the findings of the respondent Court.

Also, petitioner reasons that the enforcement of the decision against the conjugal property is merely compliance with law, and that this Court in a long line of cases^[16] held that a judgment is not confined to what appears upon the face of the decision but also those necessarily included therein or necessary thereto.^[17] Additionally, petitioner pleads that the trial court's order did not modify its final and executory decision but only clarified an ambiguity in the decision as to What properties are liable. As authority, it cites *Republic vs. De los Angeles*.^[18]

Petitioner's contentions are devoid of merit.

Respondent Court correctly ruled that the trial court cannot, in the guise of deciding the third-party claim, reverse its final decision. Commenting on the trial court's very patent "about-face" on the issues of consent of the husband, benefit to the family, and the husband's liability for obligations contracted by his wife, the appellate Court held, and we quote:^[19]

"We see in these stark contradictions an attempt by the respondent Court to reverse itself, even when the decision sought to be executed had already become final. The respondent Court has no authority to modify or vary the terms and conditions of a final and executory judgment (Vda. de Nabong vs. Sadang, 167 SCRA 232) and this attempt to thwart the rules cannot be allowed to pass. Even if the respondent Court feels that it needed to reverse its findings to correct itself, the decision, whether erroneous or not, has become the law of the case between the parties