

EIGHTH DIVISION

[CA-G.R. CV NO. 59751, August 16, 2006]

**HIPOLITO MEDEL, REPRESENTED BY GALO MEDEL, PLAINTIFF-
APPELLEE, VS. DIONISIO BARROGA AND HEDELYSSA BARROGA,
DEFENDANTS-APPELLANTS.**

D E C I S I O N

BERSAMIN, J.:

The defendants appeal the adverse decision of the Regional Trial Court (RTC) in Quezon City, dated April 30 1998.

Through his complaint filed on May 17, 1994, the plaintiff sought to recover from the defendants the possession of the following described motor vehicles:

1. Kia Ceres, Model 1991, Engine No. S2-330346 Frame No. KNCSB1114KSO47018 valued at P180,000.00;
2. Nissan Double Cab, pick-Up, Motor No. SD23-26675, Serial No. UA720-E82315, License Plate No. PMX-109 valued at P120,000.00; and
3. Nissan Patrol Type SD-23-068094, Plate No. ACS 489, Chassis No. WRJ160-B36286 valued at P400,000.00.

claiming to have bought the vehicles from the defendants who did not deliver the vehicles to him despite repeated demands. He attached xerox copies of the alleged corresponding deeds of absolute sale as annexes A, B and C of the complaint.^[1]

Upon the plaintiff's application, the RTC issued a writ of replevin for the seizure and delivery of the motor vehicles on May 31, 1994.^[2] The writ was partially enforced on June 1, 1994 with the seizure of the Nissan Patrol.^[3] The defendants objected to the enforcement of the writ by citing a substantial discrepancy between the engine and chassis numbers of the vehicle described in the writ and those of the unit actually seized by the sheriff.^[4]

In the meanwhile, on June 8, 1994, the defendants filed their answer, averring that:

2. During the period covering March, 1992 to February, 1994, plaintiff and defendants had several business transactions and dealings wherein the latter would borrow sums of money from the former;
3. To secure the loans mentioned in the next preceding paragraph, defendants executed blank and undated motor vehicle deeds of sale subject to the following condition: that the blank deeds of sale will be duly accomplished with the mutual knowledge of the parties involved, and shall become effective only

if defendants shall fail to pay the loans secured by them from plaintiff and, also, only up to the extent of the unpaid balance of defendants' obligation.

4. Defendants have been able to pay in full the various loans secured by them from plaintiff but in all good faith, trustingly allowed the blank motor vehicle deeds of sale to remain in the possession of plaintiff to serve as security for any and future loans they may secure from plaintiff;
5. Despite full payment and satisfaction of defendants' obligations to plaintiff, the latter, without the knowledge and consent of the former, malevolently and in gross bad faith, accomplished the signed, but otherwise blank motor vehicle deeds of sale and, without any valid justification is now claiming to be owner of the motor vehicles subject of the spurious deeds of sale;
6. Annex "C" of the Complaint, is a spurious Deed of Sale over a Nissan Patrol Type SL-23-068094 T, Chassis No. WRJ 160-B36286, Plate No. ACS 489 with no File and Registration Certificate Numbers since the one owned by the defendants is a motor vehicle with the following description:

Nissan Patrol Station Wagon, Model 1992, with Motor No. SD-33-068122T and with Serial Chassis No. WRG160-B36281.

Moreover, the consideration of P400,000.00 for the make and model of subject motor vehicle is grossly inadequate. Also, while a notarial page can contain only five (5) documents, Annex "C" is designated as Doc. No. 403, page 43, Book No. XX, Series of 1994 of Notary Public G.P. Zulueta, yet on the same date, May 13, 1994, the same notary public allegedly notarized Annexes "A" and "B" and designated the same as Doc. No. 205, page 43, Book No. XX, Series of 1994 and Doc. No. 203, page 43, Book No. XX, Series of 1994, respectively. Finally, defendant Dionicio S. Barroga, the registered owner of said motor vehicle, is not the one who signed as Vendor to Annex "C".

7. That because of the filing by plaintiff of this malicious and clearly unjustified suit, defendants have suffered serious anxiety, wounded feelings, mental anguish, besmirched reputation and similar injuries which, although incapable of pecuniary estimation, may be approximated at P150,000.00.
8. That likewise because of the filing of this malevolent suit, defendants were forced to hire the services of counsel for which they contracted to pay P20,000.00.^[5]

On June 28, 1994, the RTC ruled on the defendants' objection against the writ, pertinently stating:

Apparently, the motor/engine and chassis numbers of the vehicle taken into custody are different from the motor/engine and chassis numbers appearing on the plaintiff's application for Replevin, although the plate number is the same.

However, this Court observes that at the time of sale, defendant Dionicio Barroga failed to disclose to the plaintiff that he made corrections on the description of the vehicle as above-stated, so that, when the plaintiff purchased the vehicle for the sum of P400,000.00, he honestly, and in

good faith, believed that he was buying the vehicle as described in the deed of sale (Annex "C"). On the other hand, defendant Dionisio Barroga acted in bad by hiding from the plaintiff the corrections he made. Consequently, he cannot now claim the return of the vehicle in question without causing damage and prejudice to the defendant, a buyer in good faith and for value.

As regards the replevin bond, it is felt that the bond of P1,400,000.00 posted by the plaintiff is sufficient to cover the three(3) vehicles subject of the Writ of Replevin issued by this Court.

PREMISES CONSIDERED, defendants' Formal Objection is hereby DENIED/OVERRULED and the defendants are ordered to produce the other two (2) vehicles, the KIA CERES and NISSAN DOUBLE CAB PICK-UP, also subject of the Writ of Replevin.

SO ORDERED.^[6]

On September 26, 1994, the sheriff again served the writ and seized the Nissan Double Cab. At that occasion, defendant Dionisio Barroga related to the sheriff that the Kia Ceres was in Iloilo City but registered in the name of Power Electrical Co., Inc. (PELCO).^[7]

After declaring the defendants as in default due to their failure to appear at pre-trial on November 10, 1994 and to file their brief,^[8] the RTC reconsidered upon the defendants' motion for reconsideration and then set the pre-trial.^[9] The pre-trial was terminated on December 15, 1995, after which trial ensued.^[10]

The evidence adduced during trial is summarized in the RTC decision, as follows:

Plaintiff's evidence consists of the testimony of Galo Medel, brother and attorney-in-fact of plaintiff Hipolito Medel (Exhs. A, A-1 to A-2 – Special Power of Attorney) who testified that defendant Dionisio Barroga obtained a loan from the plaintiff and Galo Medel in the total amount of P1.2 million. To secure payment of this loan, Dionisio Barroga and Hedelissa Barroga executed three (3) Deeds of Sale in favor of the plaintiff Hipolito Medel involving certain vehicles namely, Kia Ceres Model 1991, Engine No. 52-330346, Frame No. KNCSB1114KS047018 for a consideration of One Hundred Eighty Thousand (P180,000.00) [Exhibits B, B-1 to B-3 – Deed of Absolute Sale]; Nissan Double Cab, Pick-Up, Motor No. SD23-266675, Serial No. UA720-E82315, License Plate No. PMX 109 valued at One Hundred Twenty Pesos (P120,000.00) [Exh. G]; and Nissan Patrol, Type SD-23-068094T, Plate No. ACS 489, Chassis No. WRJI60-B36286 valued at Four Hundred Thousand Pesos (P400,000.00) [Exh. H] [Pls. see TSN, pp. 13-17, 02/29/96]. The Official Receipt and the Certificate of Registration for the Kia Ceres were likewise surrendered by the defendants to the plaintiff. When the defendants failed to deliver the aforesaid vehicles to the plaintiff, the latter sent a demand letter dated April 7, 1994 (Exhibits E & E-1).

The loan of P1.2 million was later paid by the defendants (Exhs 1 & 1-A)

(TSN, p. 16, supra).

Plaintiff admits having executed and signed Memorandum Agreement dated February 23, 1995 (Exhs. 2 & 2-A; tsn, pp. 22, 02/29/96.)

Plaintiff likewise instituted a complaint for violation of BP 22 before Metropolitan Trial Court of this City where the plaintiff through his atty.-in-fact and the defendant-husband agreed that the former would turn over the possession of the Nissan Patrol provided the defendant pays the interest based on the bank rate and that the rental rate for the use of the car be deducted from the interest (Exhs. 5 & 5-A; Tsn, p. 8, 05/31/96)

The Nissan Patrol car had already been sold by the plaintiff sometime in 1995 for P50,000.00 (TSN, pp. 5-6, 05/31/96).

On the other hand, defendants evidence discloses that defendant-husband is a businessman for eighteen (18) years engaged in general construction under the firm name Power Electrical Company. Defendant-husband came to know the plaintiff through his brother and attorney-in-fact, Galo Medel whom he knows since 1985. The latter is also his neighbor. Defendant-husband does not remember to have entered into any transaction with the plaintiff. However, sometime in 1990, 1991 & 1992, defendant-husband obtained a loan from Galo Medel in the total sum of P1.2 million. To secure payment of the loan, he issued three (3) post-dated checks in the total amount P1.2 million, and blank deeds of sale, the number of copies of which he does not remember anymore as everytime he borrowed money he was always asked to sign five copies of deed of sale. The execution and signing of the deed of sale was for purposes of securing payment of the loan, i.e., in case he fails to pay his obligation, Galo Medel was authorized to fill up the blank deed of sale (TSN, pp. 9-12, 10/30/96). Due to the filing of this case, defendant-husband almost paid his obligation. He just left an outstanding balance of P25,000.00. Despite payment, Galo Medel refused to give back the signed deed of sale because the latter was demanding payment of interest in an exorbitant amount of P2million. When he refused to pay the amount demanded, he deposited the post-dated checks which the defendant-husband earlier issued. As expected, considering that the same were already staled, the checks bounced and they filed a criminal case against him. Meanwhile, the blank spaces in the deeds of sale were filled up without his authority. The same were notarized in his absence and the residence certificate number appearing therein was not his residence certificate number. As may be noted, the deeds of sale bear the same residence certificate number as that of the plaintiff's residence certificate stated in his Complaint. At any rate, in settlement of the civil aspect of the case, he paid Galo Medel the amount of P1.2 million (Exhibit 1), a Memorandum of Agreement was signed by him and his wife, and Galo Medel (Exhs 2 & 2-A). However, despite payment, Galo Medel refused to return the unit to him.

Defendant-husband denies having sold the subject vehicles to the plaintiff, much less did he sign any deed of sale conveying his Nissan Patrol car. However, he admits that his wife signed as a vendor in the

deed (Tsn, p. 27, 10/30/96). He insists that he owns the Nissan Patrol as evidenced by the Certificate of Registration issued in his favor by Land Transportation Office (Exh. 7) and the Commercial Vehicle Policy issued by the Utility Assurance Corporation (Exh. 6). Defendant likewise denies the signature appearing on the Deed of Sale involving a Nissan Double Cab (Exh. G) and the Deed of Sale of Motor Vehicle involving a Nissan Patrol (Exh. H) found above the typewritten word "vendee". Moreover, defendant-husband did not surrender the certificate of registration of the Nissan Patrol because at that time the same was still the financing institution, but he gave Galo Medel a copy of promissory note for the financing company.

On the other hand, the Kia Ceres is owned by Power Electrical Company as evidenced by the Certificate of Registration issued in its favor by the Land Registration Authority (Exhibit 8). Nonetheless, considering that the Kia Ceres was part of the collateral, he surrendered to the plaintiff the Certificate of Registration thereof. This holds true with that of the Nissan double cab, but it was his wife who surrendered the Certificate of Registration to Galo Medel because anyway it was registered in her name.

Prior to the filing of this case, defendants never received any demand letter from the plaintiff. In any case, as a result of this unwarranted filing of this case against him, the aforesaid defendant suffered sleepless nights and embarrassment which if quantified would amount to about a million, as well as legal fees amounting to P150,000.00 to P200,000.00, more or less.

Defendant-wife, on the other hand, is the treasurer of Power Electrical Company. She does not know the plaintiff herein, but she knew the latter's attorney-in-fact, Galo Medel, since 1985 the latter being their neighbor. Defendant-wife corroborated her husband's testimony, but further testified that the blank deed of sale given to them for signing was a sort of pro-forma, i.e., without any specifications. As per their agreement, in case they fail to pay their obligation, they would give Galo Medel the authority to fill up the blank Deed of Sale which the latter himself prepared. However, whatever amount that would be placed in the blank deed of sale would be shown to them. According to her, they have already paid the loan which they obtained from Galo Medel. But despite payment, the latter failed to return to them the deed of sale which they signed because they (plaintiff) wanted them to pay the alleged interest on the loan in the amount of P2million, more or less. Nonetheless, they were forced to pay the same when the plaintiff filed a criminal complaint for Violation of BP 22 as the post-dated checks which they earlier issued bounced (Exh. 1). The witness likewise testified that when the Deed of Sale (Exhibits H & 9) was signed by her, it did not contain any description of the motor vehicle. In fact, he signed the same in blank. Moreover, she never appeared before any notary public, neither did he give her residence certificate to the plaintiff herein. In sum, she never sold her husband's Nissan Patrol to the plaintiff.^[11]

On April 30, 1998, the RTC rendered judgment, to wit: