



Republic of the Philippines
Supreme Court
Baguio City

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JUN 14 2016

THIRD DIVISION

MALAYAN INSURANCE
COMPANY, INC.,

Petitioner,

G.R. No. 209011

Present:

VELASCO, JR., J.,
Chairperson,
PERALTA,
PEREZ,
REYES, and
JARDELEZA, JJ.

- versus -

Promulgated:

DIANA P. ALIBUDBUD,

Respondent.

April 20, 2016

X-----*[Signature]*-----X

DECISION

REYES, J.:

Before this Court is a Petition for Review¹ under Rule 45 of the 1997 Rules of Court filed by Malayan Insurance Company, Inc. (Malayan) seeking to reverse and set aside the Decision² dated May 15, 2013 and Resolution³ dated September 6, 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 92940, which dismissed their complaint for replevin against Diana P. Alibudbud (Alibudbud) for lack of jurisdiction.

¹ Rollo, pp. 3-28.

² Penned by Associate Justice Danton Q. Bueser, with Associate Justices Amelita G. Tolentino and Ramon R. Garcia concurring; id. at 29-44.

³ Id. at 46-47.

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Factual Background

Alibudbud was employed by Malayan on July 5, 2004 as Senior Vice President (SVP) for its Sales Department. As SVP, she was issued a 2004 Honda Civic sedan bearing plate no. XPR 822 under Malayan's Car Financing Plan⁴ conditioned on the following stipulations: (1) she must continuously stay and serve Malayan for at least three full years from the date of the availment of the Car Financing Plan; and (2) that in case of resignation, retirement or termination before the three-year period, she shall pay in full 100% share of Malayan and the outstanding balance of his/her share of the cost of the motor vehicle.⁵

Relatively, Alibudbud also executed a Promissory Note⁶ and a Deed of Chattel Mortgage⁷ in favor of Malayan wherein it was expressly stated that: (1) the loan of ₱360,000.00 shall be payable in 60 equal monthly installments at the rate of ₱7,299.50 each, commencing on August 15, 2004 and every succeeding month thereafter until fully paid; (2) Alibudbud shall refund Malayan an amount equivalent to its 50% equity share in the motor vehicle, or ₱360,000.00 if she leaves Malayan within three years from the availment of the subject vehicle; (3) should Alibudbud resign, retire or otherwise be terminated or separated from Malayan's employ, any remaining unpaid balance on the principal obligation shall immediately fall due and demandable upon her who shall remit the same to Malayan within five days from effectivity of such separation/termination; (4) Malayan is authorized to apply to the payment of outstanding obligation of Alibudbud any such amounts of money that may be due her from the company; (5) interests on all amounts outstanding as of the date when all Alibudbud's obligations are treated immediately due and payable, shall be compounded every 30 days until said obligations are fully paid; (6) Alibudbud shall pay a penalty at the rate of 16% *per annum* on all amounts due and unpaid; (7) in case Alibudbud fails to pay any installment, or any interest, or the whole amount remaining unpaid which has immediately become due and payable upon her separation from the Malayan, the mortgage on the property may be foreclosed by Malayan, or it may take other legal action to enforce collection of the obligation; (8) upon default, Alibudbud shall deliver the possession of the subject vehicle to Malayan at its principal place of business; and (9) should Alibudbud fail or refuse to deliver the possession of the mortgaged property to Malayan, thereby compelling it to institute an action for delivery, Alibudbud shall pay Malayan attorney's fees of 25% of the

⁴ Id. at 104-106.

⁵ Id. at 30.

⁶ Id. at 109-111.

⁷ Id. at 112-117.

principal due and unpaid, and all expenses and cost incurred in relation therewith including the premium of the bond obtained for the writ of possession.⁸

On July 18, 2005, Alibudbud was dismissed from Malayan due to redundancy. In view thereof, Malayan demanded that she surrender the possession of the car to the company. Alibudbud sternly refused to do so.

On September 21, 2005, Malayan instituted a Complaint⁹ for replevin and/or sum of money before the Regional Trial Court (RTC) of Manila and prayed for the seizure of the car from Alibudbud, or that she be ordered to pay ₱552,599.93 representing the principal obligation plus late payment charges and ₱138,149.98 as attorney's fees, should said car be no longer in running and presentable condition when its return be rendered impossible.

On October 12, 2005, Alibudbud, in turn, filed a complaint¹⁰ for illegal dismissal against Malayan before the Labor Arbiter (LA) wherein she prayed for her reinstatement.

In her Answer with Compulsory Counterclaim,¹¹ Alibudbud asseverated that a reasonable depreciation of 20% should be deducted from the subject vehicle's book value of ₱720,000.00, or ₱576,000.00, which makes her liable to pay only ₱288,000.00 for the car's value.¹² She asserted a counterclaim of ₱17,809.00¹³ as compensatory damages and ₱40,000.00 as attorney's fees.¹⁴ She prayed for the suspension of the proceedings in view of the pendency of the labor dispute she filed. This was, however, questioned by Malayan in its reply¹⁵ as there was no prejudicial question¹⁶ raised in the labor dispute.

On January 30, 2006, Alibudbud filed a Motion to Suspend Proceedings¹⁷ to reiterate her prayer to defer the proceedings, asseverating that the labor case she filed presents a prejudicial question to the instant case. She explained that the resolution of the labor case will determine her rights and obligations, as well as that of Malayan.

⁸ Id. at 30-32.
⁹ Id. at 93-103.
¹⁰ Id. at 179-180.
¹¹ Id. at 127-130.
¹² Id. at 128.
¹³ Id.
¹⁴ Id. at 129.
¹⁵ Id. at 132-139.
¹⁶ Id. at 134.
¹⁷ Id. at 201-202.

In an Order¹⁸ dated February 17, 2006, the RTC of Manila, Branch 27, denied Alibudbud's motion. It was opined that: (1) reference shall be made only on the Promissory Note which Alibudbud executed in favor of Malayan in determining the rights and obligations of the parties; (2) the cause of action in the replevin case is rooted from the Promissory Note; and (3) the issue in the labor dispute is in no way connected with the rights and obligations of the parties arising out of the Promissory Note.

Trial on the merits ensued.

On July 13, 2006, Alibudbud moved for the dismissal¹⁹ of the action grounded on the impropriety of the bond put up by Malayan. This was, however, denied by the RTC in its Order²⁰ dated October 5, 2006 with the pronouncement that Malayan "can[,] by itself[,] file a surety bond in order to guaranty the return of the subject property to the adverse party if such return be finally adjudged x x x."²¹

Alibudbud sought for reconsideration,²² but it was denied in the RTC's Order²³ dated December 19, 2006.

Alibudbud then successively filed motions to suspend the proceedings in the civil case anchored on the same averment that suspension is necessary since she is seeking reinstatement in the labor case which, if granted, would result to irreconcilable conflict not contemplated by law, much less conducive to the orderly administration of justice.²⁴ However, both motions were denied in an Order²⁵ dated June 6, 2007. The RTC pointed out that the issue raised in the civil action is completely separable with the issue raised in the labor case.²⁶

Malayan applied for an *ex-parte* issuance of a writ of preliminary attachment,²⁷ which the RTC granted in its Order dated June 8, 2007.²⁸ The Honda Civic sedan was, accordingly, attached.

¹⁸ Id. at 213-214.

¹⁹ Id. at 264-272.

²⁰ Id. at 284-288.

²¹ Id. at 288.

²² Id. at 292-299.

²³ Id. at 304.

²⁴ Id. at 35.

²⁵ Id. at 317.

²⁶ Id.

²⁷ Id. at 318-325.

²⁸ Id. at 330-332.

Meanwhile, the complaint for illegal dismissal filed by Alibudbud was dismissed. The LA's Decision²⁹ dated February 19, 2008 held that the redundancy she suffered resulted from a valid re-organization program undertaken by Malayan in view of the downturn in the latter's sales.³⁰ It further ruled that Alibudbud failed to establish any violation or arbitrary action exerted upon her by Malayan, which merely exercised its management prerogative when it terminated her services.³¹

On November 28, 2008, the RTC rendered a Decision³² which granted the complaint for replevin. The RTC mentioned the following observations and conclusions, to wit: (1) Alibudbud is under obligation to pay in full the acquisition cost of the car issued to her by Malayan; (2) the LA's Decision dated February 19, 2008 which dismissed the illegal dismissal complaint settled the issue being banked upon by Alibudbud when she moved for the suspension of the proceedings in the civil action; (3) Alibudbud's ownership over the car is not yet absolute for it bears the notation "encumbered", thereby signifying her obligation to pay its value within the period set forth in the Promissory Note and Deed of Chattel Mortgage; and (4) the replevin action was converted into a money claim in view of Alibudbud's vehement refusal to surrender the possession of the car.

Ruling of the CA

On appeal, the CA ruled, in its Decision³³ dated May 15, 2013, to set aside the decision of the trial court. The CA explained that the RTC has no jurisdiction to take cognizance over the replevin action because of the "employer-employee" relations between the parties which Malayan never denied. Certainly, Alibudbud could not have availed of the benefits of the Car Financing Plan if she was not employed by Malayan. Citing Section 1,³⁴ Rule 9 of the 1997 Rules of Court, the CA upheld to dismiss the replevin action considering that the ground of lack of jurisdiction may be raised at any stage of the proceedings since jurisdiction is conferred by law.³⁵

²⁹ Id. at 336-348.

³⁰ Id. at 342.

³¹ Id. at 344.

³² Rendered by Judge Teresa P. Soriaso; id. at 49-59.

³³ Id. at 29-44.

³⁴ **Section 1. Defenses and objections not pleaded.** — Defenses and objections not pleaded either in a motion to dismiss or in the answer are deemed waived. However, when it appears from the pleadings or the evidence on record that the court has no jurisdiction over the subject matter, that there is another action pending between the same parties for the same cause, or that the action is barred by a prior judgment or by statute of limitations, the court shall dismiss the claim.

³⁵ *Rollo*, p. 43.

Malayan's motion for reconsideration³⁶ was denied.³⁷ Hence, this petition.

Ruling of the Court

The petition is impressed with merit.

It is well-settled that "(t)he jurisdiction of the Supreme Court in cases brought to it from the CA is limited to reviewing and revising the errors of law imputed to it, its findings of fact being conclusive. In several decisions, however, the Court enumerated the exceptional circumstances when the Supreme Court may review the findings of fact of the CA,"³⁸ such as in the instant case.

A careful study of the case would reveal that the RTC correctly took cognizance of the action for replevin contrary to the pronouncement of the CA.

"*Replevin* is an action whereby the owner or person entitled to repossession of goods or chattels may recover those goods or chattels from one who has wrongfully distrained or taken, or who wrongfully detains such goods or chattels. It is designed to permit one having right to possession to recover property in specie from one who has wrongfully taken or detained the property. The term may refer either to the action itself, for the recovery of personalty, or to the provisional remedy traditionally associated with it, by which possession of the property may be obtained by the plaintiff and retained during the pendency of the action."³⁹

In reversing the trial court's ruling, the CA declared that "[Alibudbud] could not have availed of the Car Financing Plan if she was not an employee of [Malayan]. The status of being an employee and officer of [Alibudbud] in [Malayan] was, therefore, one of the pre-condition before she could avail of the benefits of the Car Financing Plan. Such being the case, there is no doubt that [Alibudbud's] availing of the Car Financing Plan being offered by [Malayan] was necessarily and intimately connected with or related to her employment in the aforesaid Company."⁴⁰

³⁶ Id. at 376-380.

³⁷ Id. at 46-47.

³⁸ *Republic v. Bellate*, G.R. No. 175685, August 7, 2013, 703 SCRA 210, 218, citing *Remalante v. Tibe*, 241 Phil. 930, 935-936 (1988).

³⁹ *Smart Communications, Inc. v. Astorga*, 566 Phil. 422, 435 (2008).

⁴⁰ *Rollo*, p. 39.

It should be noted, however, that the present action involves the parties' relationship as debtor and creditor, not their "employer-employee" relationship. Malayan's demand for Alibudbud to pay the 50% company equity over the car or, to surrender its possession, is civil in nature. The trial court's ruling also aptly noted the Promissory Note and Deed of Chattel Mortgage voluntarily signed by Alibudbud to secure her financial obligation to avail of the car being offered under Malayan's Car Financing Plan.⁴¹ Clearly, the issue in the replevin action is separate and distinct from the illegal dismissal case. The Court further considers it justified for Malayan to refuse to accept her offer to settle her car obligation for not being in accordance with the Promissory Note and Deed of Chattel Mortgage she executed.⁴² Even the illegal dismissal case she heavily relied upon in moving for the suspension of the replevin action was settled in favor of Malayan which was merely found to have validly exercised its management prerogative in order to improve its company sales.

As consistently held, "[t]he characterization of an employee's services as superfluous or no longer necessary and, therefore, properly terminable, is an exercise of business judgment on the part of the employer. The wisdom and soundness of such characterization or decision is not subject to discretionary review provided, of course, that a violation of law or arbitrary or malicious action is not shown."⁴³

WHEREFORE, in view of the foregoing, the Decision dated May 15, 2013 and Resolution dated September 6, 2013 of the Court of Appeals in CA-G.R. CV No. 92940 are **REVERSED** and **SET ASIDE**. The Decision dated November 28, 2008 of the Regional Trial Court of Manila, Branch 27, in Civil Case No. 05-113528 is, accordingly, **REINSTATED**.

SO ORDERED.


BIENVENIDO L. REYES
Associate Justice


⁴¹ Id. at 57.

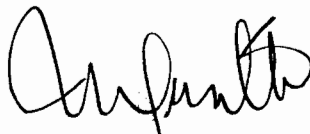
⁴² Id. at 58.

⁴³ *Smart Communications, Inc. v. Astorga*, supra note 39, at 437.


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WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson


DIOSDADO M. PERALTA
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court’s Division.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



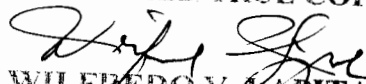
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JUN 14 2016

