



**Republic of the Philippines
Supreme Court
Manila**

FIRST DIVISION

**CENTENNIAL GUARANTEE
ASSURANCE CORPORATION,**
Petitioner,

G.R. No. 189358

Present:

- versus -

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PEREZ, and
PERLAS-BERNABE, JJ.

**UNIVERSAL MOTORS
CORPORATION, RODRIGO T.
JANELO, JR., GERARDO GELLE,
NISSAN CAGAYAN DE ORO
DISTRIBUTORS, INC.,
JEFFERSON U. ROLIDA, and
PETER YAP,**

Respondents.

Promulgated:

OCT 08 2014

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DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated February 25, 2009 and the Resolution³ dated August 14, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 02459-MIN which affirmed, in part, the Order⁴ dated May 13, 2008 of the Regional Trial Court of Cagayan de Oro City, Branch 39 (RTC) allowing the execution pending appeal of the Decision⁵ dated October 31, 2007 (October 31, 2007 Decision) of the RTC in Civil Case No. 2002-058, but limiting the amount of petitioner Centennial Guarantee Assurance Corporation's (CGAC) liability to only ₱1,000,000.00.

¹ *Rollo*, pp. 9-41.

² *Id.* at 45-56. Penned by Associate Justice Mario V. Lopez with Associate Justices Romulo V. Borja and Elihu A. Ybañez, concurring.

³ *Id.* at 58-59. Penned by Associate Justice Elihu A. Ybañez with Associate Justices Romulo V. Borja and Ruben C. Ayson, concurring.

⁴ See Writ of Execution Pending Appeal; *id.* at 89-90.

⁵ *Id.* at 122-177. Penned by Judge Downey C. Valdevilla.

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The Facts

The instant petition originated from a Complaint for Breach of Contract with Damages and Prayer for Preliminary Injunction and Temporary Restraining Order filed by Nissan Specialist Sales Corporation (NSSC) and its President and General Manager, Reynaldo A. Orimaco (Orimaco), against herein respondents Universal Motors Corporation (UMC), Rodrigo T. Janeo, Jr. (Janeo, Jr.), Gerardo Gelle (Gelle), Nissan Cagayan de Oro Distributors, Inc. (NCOD), Jefferson U. Rolida (Rolida), and Peter Yap (Yap). The case was raffled to the RTC and docketed as Civil Case No. 2002-058.⁶

The temporary restraining order (TRO) prayed for was eventually issued by the RTC upon the posting by NSSC and Orimaco of a ₱1,000,000.00 injunction bond⁷ issued by their surety, CGAC. The TRO enjoined respondents UMC, Rolida, Gelle, Janeo, Jr., NCOD, and Yap (respondents) from selling, dealing, and marketing all models of motor vehicles and spare parts of Nissan, and from terminating the dealer agreement between UMC and NSSC. It likewise restrained UMC from supplying and doing trading transactions with NCOD, which, in turn, was enjoined from entering and doing business on Nissan Products within the dealership territory of NSSC as defined in the Dealer Agreement. The TRO was converted to a writ of preliminary injunction on April 2, 2002.⁸

Respondents filed a petition for *certiorari* and prohibition before the CA, docketed as **CA-G.R. SP No. 70236**, to assail the issuance of the aforesaid injunctive writ. On July 24, 2002, the CA rendered a Decision holding that the RTC committed grave abuse of discretion in issuing the writ absent a clear legal right thereto on the part of NSSC and Orimaco. Consequently, **the April 2, 2002 Writ of Preliminary Injunction issued by the RTC was ordered dissolved**.⁹

On May 27, 2004, respondents filed an application for damages against the injunction bond issued by CGAC in the amount of ₱1,000,000.00.¹⁰

The RTC Ruling

On October 31, 2007, the RTC rendered a Decision¹¹ dismissing the complaint for breach of contract with damages for lack of merit.¹²

⁶ See *id.* at 46 and 122.

⁷ *Id.* at 79.

⁸ *Id.* at 80.

⁹ See *id.* at 163.

¹⁰ See *id.* at 164.

¹¹ *Id.* at 122-177.

¹² *Id.* at 176.

It further ruled that respondents were entitled to recover damages against the injunction bond following the CA's pronouncement in CA-G.R. SP No. 70236, *i.e.*, that NSSC and Orimaco had no clear legal right to justify the issuance of the April 2, 2002 Writ of Preliminary Injunction, warranting its dissolution.¹³

Accordingly, the RTC ordered NSSC, Orimaco, and CGAC to jointly and severally pay respondents the following amounts: actual damages and lost opportunities suffered by UMC in the amounts of ₱928,913.68 and ₱14,271,266.00, respectively; ₱50,000.00 as attorney's fees and ₱500,000.00 as lost income in favor of NCOD, Rolid, and Yap; and exemplary damages of ₱300,000.00 for each of the respondents.¹⁴

Upon respondents' motion,¹⁵ the RTC granted Execution Pending Appeal of its October 31, 2007 Decision through an **Order¹⁶ dated January 16, 2008**. It ruled that **there exists good reasons to justify the immediate execution of the Decision**, namely: (a) that NSSC is in imminent danger of insolvency being admittedly in a state of rehabilitation under the supervision of the Regional Trial Court of Misamis Oriental, Branch 40 through Special Proceeding No. 2002-095; (b) that it has ceased its business operation as the authorized dealer of Nissan Motor Philippines, Inc.; (c) that Orimaco, NSSC's President and General Manager, has migrated abroad with his family; and (d) that NSSC failed to file the necessary *supersedeas* bond to forestall the immediate execution of the Decision pending appeal.¹⁷ The RTC thereupon issued the corresponding writ.¹⁸

CGAC assailed the RTC's January 16, 2008 Order before the CA through a petition for *certiorari*, docketed as CA-G.R. SP No. 02459-MIN, questioning the existence of good reasons to warrant the grant of execution pending appeal and the propriety of enforcing it against one which is not the losing party in the case but a mere bondsman whose liability is limited to the surety bond it issued.

The CA Ruling

In a Decision¹⁹ dated February 25, 2009, the CA affirmed in part the assailed order by allowing the execution pending appeal of the RTC's October 31, 2007 Decision **but limiting the amount of CGAC's liability to only ₱1,000,000.00**.²⁰

¹³ See *id.* at 162-165.

¹⁴ *Id.* at 176-177.

¹⁵ *Id.* at 178-184.

¹⁶ *Id.* at 83-88.

¹⁷ *Id.* at 87-88.

¹⁸ *Id.* at 89-90.

¹⁹ *Id.* at 44-56.

²⁰ *Id.* at 55.

It upheld the trial court's findings that there are good reasons warranting the execution of the latter's Decision pending appeal, not only against NSSC and Orimaco, but also against CGAC whose liability, however, was declared to be limited only to the extent of the amount of the bond it issued in favor of its principals, NSSC and Orimaco.²¹

Aggrieved, CGAC filed a motion for reconsideration²² which was, however, denied in a Resolution²³ dated August 14, 2009, hence, this petition.

The Issues Before the Court

The central issues in this case are: (a) whether or not good reasons exist to justify execution pending appeal against CGAC which is a mere surety; and (b) whether or not CGAC's liability on the bond should be limited to ₱500,000.00.

The Court's Ruling

The petition is unmeritorious.

The execution of a judgment pending appeal is an exception to the general rule that only a final judgment may be executed; hence, under Section 2, Rule 39 of the Rules of Court (Rules), the existence of "good reasons" for the immediate execution of a judgment is an indispensable requirement as this is what confers discretionary power on a court to issue a writ of execution pending appeal.²⁴ Good reasons consist of compelling circumstances justifying immediate execution, lest judgment becomes illusory,²⁵ that is, the prevailing party's chances for recovery on execution from the judgment debtor are altogether nullified. The "good reason" yardstick imports a superior circumstance demanding urgency that will outweigh injury or damage to the adverse party²⁶ **and one such "good reason" that has been held to justify discretionary execution is the imminent danger of insolvency of the defeated party.**²⁷

The factual findings that NSSC is under a state of rehabilitation and had ceased business operations, taken together with the information that NSSC President and General Manager Orimaco had permanently left the

²¹ See *id.* at 54.

²² *Id.* at 60-77.

²³ *Id.* at 58-59.

²⁴ See *Archinet International, Inc. v. Becco Philippines, Inc.*, 607 Phil. 829, 843 (2009).

²⁵ *Id.*

²⁶ See *Government Service Insurance System v. Prudential Guarantee and Assurance, Inc.*, G.R. Nos. 165585 and 176982, November 20, 2013, 710 SCRA 337, 350.

²⁷ See *Phil. Nails & Wires Corp. v. Malayan Insurance Co., Inc.*, 445 Phil. 465, 473-477 (2203). See also *Philippine National Bank v. Puno*, 252 Phil. 234, 242-243 (1989).

country with his family, constitute such superior circumstances that demand urgency in the execution of the October 31, 2007 Decision because respondents now run the risk of its non-satisfaction by the time the appeal is decided with finality. Notably, as early as April 22, 2008, the rehabilitation receiver had manifested before the rehabilitation court the futility of rehabilitating NSSC because of the latter's insincerity in the implementation of the rehabilitation process.²⁸ **Clearly, respondents' diminishing chances of recovery from the favorable Decision is a good reason to justify immediate execution; hence, it would be improper to set aside the order granting execution pending appeal.**

That CGAC's financial standing differs from that of NSSC does not negate the order of execution pending appeal. As the latter's surety, CGAC is considered by law as being the same party as the debtor in relation to whatever is adjudged touching the obligation of the latter, and their liabilities are interwoven as to be inseparable.²⁹ Verily, in a contract of suretyship, one lends his credit by joining in the principal debtor's obligation so as to render himself directly and primarily responsible with him, and without reference to the solvency of the principal.³⁰ Thus, execution pending appeal against NSSC means that the same course of action is warranted against its surety, CGAC. The same reason stands for CGAC's other principal, Orimaco, who was determined to have permanently left the country with his family to evade execution of any judgment against him.

Now, going to the second issue as above-stated, the Court resolves that CGAC's liability should – as the CA correctly ruled – be confined to the amount of ₱1,000,000.00, and not ₱500,000.00 as the latter purports.

Section 4(b), Rule 58 of the Rules provides that the injunction bond is answerable for all damages that may be occasioned by the improper issuance of a writ of preliminary injunction.³¹ The Court has held in *Paramount Insurance Corp. v. CA*³² that:

The bond insures with all practicable certainty that the defendant may sustain no ultimate loss in the event that the injunction could finally be dissolved. Consequently, the bond may obligate the bondsmen to account to the defendant in the injunction suit for all: (1) such damages; (2) costs

²⁸ See *rollo*, pp. 216-217.

²⁹ See *Lim v. Security Bank Corporation*, G.R. No. 188539, March 12, 2014; citations omitted.

³⁰ *Palmares v. CA*, 351 Phil. 664, 681 (1998).

³¹ Sec. 4. x x x.

x x x x

(b) Unless exempted by the court, the applicant files with the court where the action or proceeding is pending, a bond executed to the party or person enjoined, in an amount to be fixed by the court, to the effect that the applicant will pay to such party or person all damages which he may sustain by reason of the injunction or temporary restraining order if the court should finally decide that the applicant was not entitled thereto. Upon approval of the requisite bond, a writ of preliminary injunction shall be issued;

x x x x


³² 369 Phil. 641 (1999).

and damages; (3) costs, damages and reasonable attorney's fees as shall be incurred or sustained by the person enjoined in case it is determined that the injunction was wrongfully issued.³³


In this case, the RTC, in view of the improvident issuance of the April 2, 2002 Writ of Preliminary Injunction, adjudged CGAC's principals, NSSC and Orimaco, liable not only for damages as against NCOD, Rolida, and Yap but also as against UMC. As may be gleaned from the dispositive portion of the RTC Decision, the amount adjudged to the former group was ₱500,000.00,³⁴ while it was found – this time, contained in the body of the same decision – that damages in the amount ₱4,199,355.00 due to loss of sales was incurred by UMC in the year 2002,³⁵ or the year in which the latter was prevented from selling their products pursuant to the April 2, 2002 Writ of Preliminary Injunction. Since CGAC is answerable jointly and severally with NSSC and Orimaco for their liabilities to the above-mentioned parties for all damages caused by the improvident issuance of the said injunctive writ, and considering that the total amount of damages as above-stated evidently exhausts the full ₱1,000,000.00 amount of the injunction bond, there is perforce no reason to reverse the assailed CA Decision even on this score.

WHEREFORE, the petition is **DENIED**. The Decision dated February 25, 2009 and the Resolution dated August 14, 2009 of the Court of Appeals in CA-G.R. SP No. 02459-MIN are hereby **AFFIRMED**.

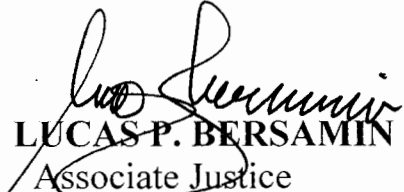
SO ORDERED.


ESTELA M. PERLAS-BERNABE
 Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
 Chief Justice
 Chairperson


TERESITA J. LEONARDO-DE CASTRO
 Associate Justice


LUCAS P. BERSAMIN
 Associate Justice

³³ Id. at 654; citation omitted.

³⁴ See *rollo*, p. 177.

³⁵ See id. at 164.



JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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