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shall also be considered a disciplinary action against the respondent judge as a member of the Bar. Thus, the respondent judge should also be required to show cause why he should not likewise be suspended, disbarred or otherwise proceeded against, as a member of the Bar.

WHEREFORE, as recommended by the Office of the Court Administrator, respondent Judge MANUEL A. DE CASTRO of the Municipal Circuit Trial Court of Jagna and Garcia-Hernandez, Bohol, is hereby *DISMISSED* from the service, with forfeiture of all retirement benefits, except accrued leave credits, and with prejudice to re-employment in any branch, agency or instrumentality of the government, including government-owned or controlled corporations. He shall forthwith *CEASE* and *DESIST* from performing any official act or function appurtenant to his office upon service on him of this Decision. Lastly, respondent Judge is *REQUIRED* to *SHOW CAUSE* why he should not be disbarred as a member of the Philippine Bar.

SO ORDERED.

Puno, C.J., Quisumbing, Sandoval-Gutierrez, Carpio, Austria-Martinez, Corona, Carpio Morales, Tinga, Chico-Nazario, Garcia, Velasco, Jr., Nachura, and *Reyes, JJ.,* concur.

Ynares-Santiago and *Azcuna, JJ.,* on official leave.

EN BANC

[A.M. No. RTJ-06-1971. October 17, 2007]
(Formerly OCA IPI No. 03-1775-RTJ)

QBE INSURANCE PHILS., INC., represented by MARCELINA VALLES, *complainant, vs.* **JUDGE CELSO D. LAVIÑA, Regional Trial Court, Branch 71, Pasig City,** *respondent.*

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SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; ACTIONS; PARTIES TO CIVIL ACTIONS; STRANGERS TO A CASE ARE NOT BOUND BY JUDGMENT RENDERED BY THE COURT; JUSTIFIED. — Generally accepted is the principle that no man shall be affected by any proceeding to which he is a stranger, and strangers to a case are not bound by judgment rendered by the court. In the same manner an execution can be issued only against a party and not against one who did not have his day in court. In *Lorenzana v. Cayetano*, this Court held that only real parties-in-interest in an action are bound by judgment therein and by writs of execution and demolition issued pursuant thereto. Indeed, a judgment cannot bind persons who are not parties to the action. It is elementary that strangers to a case are not bound by the judgment rendered by the court and such judgment is not available as an adjudication either against or in favor of such other person. A decision of a court will not operate to divest the rights of a person who has not and has never been a party to a litigation, either as plaintiff or as defendant. Verily execution of a judgment can only be issued against one who is a party to the action, and not against one who, not being a party to the action, has not yet had his day in court. That execution may only be effected against the property of the judgment debtor, who must necessarily be a party to the case.

2. ID.; ID.; JUDGMENTS; WRIT OF EXECUTION MUST CONFORM TO THE JUDGMENT WHICH IS TO BE EXECUTED; RATIONALE. — The writ of execution must conform to the judgment which is to be executed, as it may not vary the terms of the judgment it seeks to enforce. Nor may it go beyond the terms of the judgment which is sought to be executed. Where the execution is not in harmony with the judgment which gives it life and exceeds it, it has *pro tanto* no validity. To maintain otherwise would be to ignore the constitutional provision against depriving a person of his property without due process of law.

3. ID.; DISCIPLINE OF JUDGES; A JUDGE OWES IT TO HIMSELF AND HIS OFFICE TO KNOW BY HEART BASIC LEGAL PRINCIPLES AND TO HARNESS HIS LEGAL KNOW-HOW CORRECTLY AND JUSTLY; SUSTAINED. — As can be seen, the law involved is simple and elementary;

lack of conversance therewith constitutes gross ignorance of the law. Judges are expected to exhibit more than just cursory acquaintance with statutes and procedural laws. They must know the laws and apply them properly in all good faith. Judicial competence requires no less. A judge owes it to himself and his office to know by heart basic legal principles and to harness his legal know-how correctly and justly. When a judge displays utter unfamiliarity with the law and the rules, he erodes the confidence of the public in the courts. Ignorance of the law by a judge can easily be the mainspring of injustice. As an advocate of justice and a visible representation of the law, a judge is expected to be proficient in the interpretation of our laws. When the law is so elementary, not to know it constitutes gross ignorance of the law. Ignorance of the law, which everyone is bound to know, excuses no one — not even judges. *Ignorantia juris quod quisque scire tenetur non excusat.* As we held in *Monterola v. Judge Caoibes, Jr.*: Observance of the law, which respondent ought to know, is required of every judge. When the law is sufficiently basic, a judge owes it to his office to simply apply it; anything less than that is either deliberate disregard thereof or gross ignorance of the law. It is a continuing pressing responsibility of judge to keep abreast with the law and changes therein. Ignorance of the law, which everyone is bound to know, excuses no one — not even judges — from compliance therewith x x x. Canon 4 of the Canons of Judicial Ethics requires that the judge should be studious in the principles of law. Canon 18 mandates that he should administer his office with the regard to the integrity of the system of the law itself, remembering that he is not a depository of arbitrary power, but a judge under the sanction of law. **Indeed, it has been said that when the inefficiency springs from a failure to consider a basic and elementary rule, a law or principle in the discharge of his duties, a judge is either too incompetent and undeserving of the position and the title he holds or is too vicious that the oversight or omission was deliberately done in bad faith and in grave abuse of judicial authority.** Competence is a mark of a good judge. When a judge displays an utter lack of familiarity with the rules, he erodes the public's confidence in the competence of our courts. It is highly imperative that judges be conversant with the law and basic legal principles. Basic legal procedures must be at the palm of a judge's hands. x x x While judges should

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not be disciplined for inefficiency on account merely of occasional mistakes or errors of judgments, it is highly imperative that they should be conversant with fundamental and basic legal principles in order to merit the confidence of the citizenry.

4. ID.; ID.; SERIOUS CHARGES; KNOWINGLY RENDERING AN UNJUST INTERLOCUTORY ORDER; ELEMENTS; PRESENT IN CASE AT BAR. — We further hold that, for the same act, Judge Laviña is liable for Knowingly Rendering an Unjust Interlocutory Order. The facts show that all the necessary elements are present in the case at bar: (1) that the offender is a judge; and (2) that he performs any of the following acts: (a) he knowingly renders an unjust interlocutory order or decree; OR (b) he renders a manifestly unjust interlocutory order or decree through inexcusable negligence or ignorance. Judge Laviña cannot be said to be unaware that a hearing is required before issuing a writ of execution. The requirement or a hearing is a basic tenet. It was completely defiled when Judge Laviña, hastily and without hearing, directed the implementation of the writ of execution against QBE Insurance which was not a party to the case and was not given an opportunity to explain its side, upon mere manifestation of Branch Sheriff, Cresenciano Rabello, Jr., who stated that Rizal Surety had changed its corporate name to QBE Insurance. In fact, a notice of garnishment against the bank account of QBE Insurance was served almost one year later. Thus, his failure to oberve the basic requirements of due process is inexcusable.

5. ID.; ID.; ID.; ID.; PENALTIES. — Under Rule 140, Section 8, of the Rules of Court, as amended by A.M. No. 01-8-10 SC, Gross Ignorance of the Law and Knowingly Rendering Unjust Interlocutory Order are classified as serious charges. As to the penalty imposed, Section 11 of the same Rule provides: SEC. 11. Sanctions. — A. If the respondent is guilty of a serious charge, any of the following sanctions may be imposed: 1. Dismissal from the service, forfeiture of all or part of the benefits as the Court may determine, and disqualification from reinstatement or appointment to any public office, including government-owned or controlled corporations: Provided, however, that the forfeiture of benefits shall in no case include accrued leave credits; 2. Suspension from office without salary and other benefits for more than three (3) but not exceeding

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six (6) months; or 3. A fine of more than ₱20,000.00 but not exceeding ₱40,000.00.

APPEARANCES OF COUNSEL

Quasha Ancheta Pena and Nolasco for complainant.

D E C I S I O N

CHICO-NAZARIO, *J.*:

This is an administrative complaint[1] filed by QBE Insurance Phils., Inc. (QBE Insurance), represented by Marcelina Valles, against Judge Celso D. Laviña (Judge Laviña), Presiding Judge of the Regional Trial Court (RTC), Pasig City, Branch 71, for Grave Abuse of Discretion, Gross Ignorance of the Law and Knowingly Rendering Unjust Interlocutory Orders, relative to Civil Case No. 68287 entitled, "*Lavine Loungewear Mfg., Inc. v. Philippine Fire and Marine Insurance Corporation, Inc., Rizal Surety and Insurance Company, Tabacalera Insurance Company, First Lepanto-Taisho Insurance Corporation and Equitable Insurance Corporation.*"

Lavine Loungewear Manufacturing, Inc. (Lavine) insured its buildings and supplies against fire with Philippine Fire and Marine Insurance Corporation (PhilFire), Rizal Surety and Insurance Company (Rizal Surety), Tabacalera Insurance Company (TICO), First Lepanto-Taisho Insurance Corporation (First Lepanto), Equitable Insurance Corporation (Equitable Insurance), and Reliance Insurance Corporation (Reliance Insurance).

On 1 August 1998, a fire gutted Lavine's buildings and their contents. Thus, claims were made against the policies. As found by the Insurance Commission, the insurance proceeds payable to Lavine amounted to ₱112,245,324.34.

Lavine demanded payment of the insurance proceeds from the insurers. The latter paid minimal amounts but refused to pay the balance.

[1] *Rollo*, pp. 4-5.

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A complaint for collection of unpaid fire insurance proceeds was filed by Lavine against PhilFire, Rizal Surety, TICO, First Lepanto and Equitable Insurance before the RTC of Pasig, which was docketed as Civil Case No. 68287.

On 2 April 2002, the trial court rendered a Decision, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered:

x x x x x x x x x

B. Defendant Rizal Surety and Insurance Company to pay plaintiff through Intervenors the amount of ₱17,100,000.00 representing unpaid insurance proceeds as actual or compensatory damages, with twenty–nine (29%) per cent interest per annum from October 1, 1998 until full payment.[2]

On 3 April 2002, a motion for execution pending appeal was filed by certain intervenors (Harish C. Ramnani, Jose F. Manacop, Chandru P. Pessumal, Maureen M. Ramnani and Salvador Cortez) who claimed that they were Lavine's incumbent directors. The motion was granted by Judge Laviña in a Special Order dated 17 May 2002. As a consequence, a writ of execution was issued on 20 May 2002, directing, among other insurance companies, Rizal Surety and Insurance Company to pay Lavine the amount of ₱17,100,000.00 representing unpaid insurance proceeds as actual or compensatory damages, with twenty–nine per cent (29%) interest per annum from 1 October 1998 until full payment.

Apparently, notices of garnishment were served on all banks wherein Rizal Surety and TICO maintained bank accounts/deposits. On 24 May 2002, respondent's Branch Sheriff, Cresenciano Rabello, Jr., filed an "Urgent *Ex-Parte* Manifestation/Motion"[3] which states:

That in this particular case, due to deliberate haste by which simultaneous move to immediately implement said writ, the bank

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[2] *Id.* at 895-897.

[3] *Id.* at 53-54.

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deposits of Rizal Surety and Insurance Company and Tabacalera Insurance Company were inadvertently garnished/levied considering that both insurance companies were not properly served and/or they have not officially received and acknowledged copy of the writ of execution pending appeal, hence, the Court has no jurisdiction over them as far as the execution of the said writ is concerned;

That the copy of the writ of execution against Rizal Surety and Insurance Co., has not been served because said defendant recently changed its corporate name to QBE Insurance (Phils.) Inc., and that Tabacalera Insurance Company was under receivership with the Insurance Commission;

That under the circumstances, it is necessary that an Order be issued directing the Sheriff to lift and/or cancel the notice of garnishment served to all banks wherein Rizal Surety & Insurance Co., and Tabacalera Insurance Company maintained bank accounts/ deposits. (Underscoring supplied.)

On 27 May 2002, Judge Laviña issued an Order[4] directing the lifting of the previous notices of garnishment (with respect to Rizal Surety and TICO) since service of the Special Order and the Writ of Execution had yet to be made to the latter. **The Order also stated that the "writ may be implemented against said defendant Rizal Surety under its new name Q.B.E. Insurance Philippines, Inc."** Thus:

Considering that defendant Rizal Surety and Insurance Company has recently changed its name and transferred its operation to Q.B.E. Insurance Philippines, Inc., the writ may be implemented against said defendant Rizal Surety under its new name Q.B.E. Insurance Philippines, Inc.

The Urgent *Ex-parte* Manifestation/Motion filed by Branch Sheriff IV Cresenciano Rabello, Jr. to allow him to lift and/or cancel the notices of garnishment previously served upon banks wherein defendant Rizal Surety and Insurance Company and defendant Tabacalera Insurance Company maintained their bank accounts/ deposits, with its merit, is hereby NOTED and GRANTED. The previous notices of garnishment, without service yet of the special order and the writ are LIFTED.

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[4] *Id*. at 37.

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Almost a year later, or on 24 March 2003, notices of garnishment were served by the sheriff on several banks in Makati City levying on the bank accounts of "Rizal Surety and Ins. Co., and/or QBE Ins. (Phils.), Inc."

On 25 March 2003, QBE Insurance filed an "Urgent Motion[5] to lift the 27 May 2002 Order and the 24 March 2003 Notice of Garnishment," which were set for hearings and heard in March, April and May, 2003.

It appears that QBE Insurance also filed with the sheriff an affidavit[6] of third-party claim on 11 April 2003.

On 15 May 2003, Judge Laviña denied[7] QBE Insurance's urgent motion to lift the previously issued Order and Notice of Garnishment on the basis of his finding that QBE Insurance was merely a conduit or alter ego of Rizal Surety and they were one and the same, apparently basing his conclusion on the manifestation dated 24 May 2002 of Sheriff Rabello that Rizal Surety recently changed its corporate name to QBE Insurance. In the same Order, Judge Laviña deleted the phrase "recently changed its name" mentioned in his previous Order dated 27 May 2002. On 19 May 2003, Judge Laviña issued an Order[8] stating that the issue of QBE Insurance's third-party claim had been rendered moot by the aforementioned Order dated 15 May 2003; however, it also directed the lifting of the garnishment with respect to the excess money that may have been garnished on QBE Insurance's bank accounts.

The Orders dated 27 May 2002, 15 May 2003 and 19 May 2003 were the subjects of a Petition for *Certiorari* filed with the Court of Appeals in CA-G.R. SP No. 77073, wherein the Court of Appeals rendered a Decision dated 31 May 2004 nullifying said Orders on the basis of its finding that the same were issued with grave abuse of discretion. The Decision was elevated to

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[5] *Id.* at 38-43.

[6] *Id.* at 44-51.

[7] *Id.* at 143-150.

[8] *Id.* at 151-153.

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this Court, where it is now docketed as G.R. No. 165855 and is still pending up to this time.

It must be emphasized that although this case assails the orders of Judge Laviña (Orders dated 27 May 2002, 15 May 2003 and 19 May 2003), it is distinct from G.R. No. 165855. The latter is a petition for *certiorari* alleging grave abuse of discretion. The one before us is an administrative complaint alleging gross ignorance of the law, knowingly rendering unjust interlocutory orders, and grave abuse of discretion. To avoid conflicting conclusions, we refrain from ruling on the question anent the allegations of grave abuse of discretion as this is the subject of G.R. No. 165855.

QBE Insurance filed an administrative complaint[9] against Judge Laviña for Grave Abuse of Discretion, Gross Ignorance of the Law and Knowingly Rendering Unjust Interlocutory Orders. QBE Insurance alleged that on 24 March 2003, Deputy Sheriff Cresenciano Rabello, Jr. of Branch 71, RTC, Pasig City, served a notice of garnishment levying on the bank accounts of Rizal Surety and Insurance Company "and/or QBE Insurance, Phils., Inc.," as a result of which, QBE Insurance's bank accounts were frozen and were not allowed to earn interest by the banks. It was only then that QBE Insurance learned that the garnishment was in connection with the execution pending appeal of a Decision dated 2 April 2002 against Rizal Surety in Civil Case No. 68287 entitled, "*Lavine Loungewear Mfg., Inc. v. Philippine Fire and Marine Insurance Corporation, Inc., et al.*" of Branch 71, RTC, Pasig City. Judge Laviña allegedly acted with grave abuse of discretion when he issued the Order dated 27 May 2002, directing the execution of the judgment against QBE Insurance which was not a party to the case. The Order dated 27 May 2002 was based on the mere manifestation and motion of Judge Laviña's sheriff who was not required to present any evidence to prove that Rizal Surety had changed its corporate name to QBE Insurance Phils., Inc. Judge Laviña also rendered unjust interlocutory Orders dated 15 May 2003 and 19 May 2003 which respectively denied QBE Insurance's urgent motion

[9] *Id*. at 1-28.

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to lift the 27 May 2002 Order and the 24 March 2003 Notice of Garnishment and held that the motion to quash the third-party claim of QBE Insurance had been mooted. QBE Insurance also averred that Judge Laviña totally disregarded the overwhelming evidence it presented in support of said motion to lift the 27 May 2002 Order and 24 March 2003 Notice of Garnishment, as Judge Laviña mistakenly relied on the "Business Run-Off Agreement" between Rizal Surety and QBE Insurance. Said agreement was terminated in 2002, and it did not make QBE Insurance answerable for any of Rizal Surety's obligations. Further, QBE Insurance averred that Judge Laviña disregarded the certifications issued by the Securities and Exchange Commission and the Insurance Commission showing that Rizal Surety and QBE Insurance were separate entities.

In his Comment, Judge Laviña alleged that his Order dated 15 May 2003 denying QBE Insurance's motion to lift the Order dated 27 May 2002 and Notice of Garnishment dated 24 March 2003 were issued after hearing, wherein the parties presented their respective evidence; that he was personally convinced that there was sufficient proof to justify the piercing of the veil of corporate existence due to the close relationship between Rizal Surety and QBE Insurance. It was not correct for QBE Insurance to claim that his Order of 27 May 2002 authorized the sheriff to enforce the writ of execution, as said Order merely granted the sheriff's motion to allow him to lift the garnishment issued against the accounts of Rizal Surety and TICO with certain banks. From 27 May 2002 until the issuance of the notice of garnishment on 24 March 2003 against the accounts belonging to Rizal Surety and/or QBE Insurance, no execution of the writ had been made, and he rectified his previous Order dated 27 May 2002 by deleting therefrom the phrase "recently changed its name." He found, on the basis of the evidence presented during the hearings on QBE Insurance's motion to lift the Order dated 27 May 2002 and Notice of Garnishment dated 24 March 2003, that Rizal Surety had transferred the operation of its underwriting/insurance business to QBE Insurance by virtue of the "Business Run-Off Agreement" dated 3 December 1999 between Rizal Surety and QBE Insurance; and Rizal Surety's

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"Affidavit of Cessation of Underwriting Business Operation" dated 16 May 2001 stating that defendant Rizal Surety had ceased its underwriting business effective 31 December 1999. It was also only after a full dress hearing that Judge Laviña issued his Order of 19 May 2003 holding that the motion to quash a third-party claim had been rendered moot and academic by the Order of 15 May 2003. He believed that the circumstances surrounding the unpaid balance of the fire insurance proceeds which Rizal Surety admitted but failed and refused to pay, showed that the two entities, Rizal Surety and QBE Insurance, cannot be deemed as separate and distinct from each other as there was a showing that QBE Insurance was merely a continuation or conduit of Rizal Surety. The grounds of the Petition for *Certiorari* filed by QBE Insurance with the Court of Appeals, docketed as CA-G.R. SP No. 77073, assailing the Orders dated 27 May 2002, 15 May 2003 and 19 May 2003, are the very same grounds in the present administrative complaint and "it is more proper if judicial remedies would first be exhausted."

In its Reply[10] to the Comment of Judge Laviña, QBE Insurance alleged that his admission that he had taken the word of his sheriff that Rizal Surety had recently changed its corporate name to QBE Insurance, showed his abuse of discretion, gross ignorance of the law and deliberate issuance of the Order dated 27 May 2002. Judge Laviña's Order of 27 May 2002 clearly authorized the sheriff to execute the judgment against QBE Insurance. The fact that no execution was made from 27 May 2003 until the issuance of the Notice of Garnishment on 27 March 2003 is of no moment, because the non-service by the sheriff of the writ was pursuant to a request made by the judgment obligor not to proceed with its implementation. The Orders dated 15 May 2003 and 19 May 2003 were not based on the hearings conducted because Judge Laviña relied solely on the "Business Run-Off Agreement" and the "Affidavit of Cessation of Underwriting Business."

Pursuant to the report and recommendation of the Court Administrator, the case was re-docketed as an administrative

[10] *Id*. at 539-546.

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matter in a Resolution dated 13 February 2006 and referred to Court of Appeals Associate Justice Martin S. Villarama, Jr. for investigation, report and recommendation, but the latter inhibited himself from handling the case.

Per Resolution[11] dated 7 June 2006, the subject administrative matter was referred to Court of Appeals Associate Justice Fernanda Lampas-Peralta for investigation, report and recommendation. During the preliminary conference held on 15 August 2006, the main issue was defined as follows:

> Whether the issuance by respondent of the subject Ordered dated May 27, 2002, May 15, 2003 and May 19, 2003 in Civil Case No. 68287 were tainted with fraud, dishonesty, bad faith, corrupt motives or manifest partiality.

On 23 February 2007, Investigating Justice Lampas-Peralta submitted her report and recommended that:

> Re: Order dated May 27, 2002
>
> The foregoing considerations show that [Judge Laviña] acted with gross ignorance of the law and procedure (Section 8, paragraph 9, Rule 140, Rules of Court) when he denied [QBE Insurance] the opportunity to be heard before issuing the Order of May 27, 2002 on the basis solely of the sheriff's *ex parte* manifestation/motion. Under Section 11, paragraph (A) of Rule 140, Rules of Court, [Judge Laviña] may be dismissed, suspended or meted a fine of more than ₱20,000.00 but not exceeding ₱40,000.00.
>
> Since [Judge Laviña], as found by the Office of the Court Administrator, had been sanctioned to pay a fine of ₱5,000.00 in another case, A.M. RTJ-00-1553, it is recommended that [Judge Laviña] be meted a fine of ₱30,000.00 in the present case. This recommendation, however, is without prejudice to the Supreme Court's determination of the petition filed in G.R. No. 165855 involving the validity of the same Order dated May 27, 2002.
>
> Re: Orders dated May 15 and 19, 2003
>
> Inasmuch as [Judge Laviña] eventually afforded [QBE Insurance] the opportunity to be heard when the latter filed its motion to lift

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[11] *Id*. at 634.

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Order dated May 27, 2002 and notice of garnishment dated March 24, 2003, and there being no clear showing that [Judge Laviña] acted with fraud, dishonesty, bad faith, corrupt motives or manifest partiality, the Orders dated May 15, 2003 and May 19, 2003, even if they were issued with grave abuse of discretion, cannot be said to have been knowingly issued in bad faith. As noted in his Order dated May 15, 2003, [Judge Laviña] pierced the veil of corporate fiction and treated [QBE Insurance] and Rizal Surety as one and the same, not merely on the basis of one circumstance, such as the common directors of [QBE Insurance] and Rizal Surety, but also the several other circumstances borne by the Affidavit of Cessation of Underwriting Business, Business Run-off Agreement and lease contract, among others. Thus, [Judge Laviña] found that the notion of separate personality of a corporation was being used to evade payment of Rizal Surety's unpaid insurance liabilities to Lavine. Hence, the undersigned recommends the dismissal of the administrative charges against [Judge Laviña] insofar as the Orders dated May 15 and 19, 2003 are concerned.

Unlike the earlier recommendation for the imposition of fine with respect to the Order dated May 27, 2002, this recommendation is for the absolution of [Judge Laviña] and may stand independently of the Supreme Court's determination of the petition in G.R. No. 165855. For even if the Supreme Court rules in G.R. No. 165855 that [Judge Laviña] gravely abused his discretion in issuing the Orders dated May 15, 2003 and May 19, 2003, the same will not necessarily affect the undersigned's finding that there was absence of any showing of fraud, dishonesty, bad faith, corrupt motives or manifest partiality, for the same cannot be presumed but must be supported by clear and convincing evidence. [QBE Insurance] failed to rebut the presumption of good faith in favor of [Judge Laviña]. Apropos:

> We reiterate the rule that not every error or mistake that a judge commits in the performance of his duties renders him liable, unless he is shown to have acted in bad faith or with deliberate intent to do an injustice. Good faith and absence of malice, corrupt motives or improper considerations are sufficient defenses in which a judge charged with ignorance of the law can find refuge.

On the charge of knowingly rendering an unjust judgment, the OCA was correct in absolving respondent. As a rule, the acts of judges pertaining to their judicial functions are not subject to disciplinary power, unless such acts are committed with fraud,

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dishonesty, corruption or bad faith. In the absence of proof to the contrary, an erroneous decision or order is presumed to have been issued in good faith. [QBE Insurance], in this case, failed to show that [Judge Laviña] had rendered the questioned judgment with ill motives.[12]

We partially agree in the recommendation of the Investigating Justice, in the sense that we find Judge Laviña guilty of Gross Ignorance of Law in issuing the Order dated 27 May 2002. But since we find him also guilty of Knowingly Rendering an Unjust Interlocutory Order, thus, a stiffer penalty should be imposed as will be discussed later.

The issues for our consideration in this case are (1) whether Judge Laviña erred in issuing the following orders:

(1) Order dated 27 May 2002 allowing implementation of the writ of execution pending appeal against "Rizal Surety under its new name Q.B.E. Insurance Philippines, Inc."

(2) Order dated 15 May 2003 denying QBE Insurance's motion to lift the Order dated 27 May 2002 and 24 March 2003 notice of garnishment; and

(3) Order dated 19 May 2003 insofar as it considered moot QBE Insurance's third party claim as a consequence of the Order dated 15 May 2003.

and (2) whether Judge Lavina is administratively liable therefor.

The case hinges on the legal effects of the implementation of the writ of execution issued in Civil Case No. 68287 to which QBE Insurance was not a party. The writ was issued by virtue of the judgment rendered by the RTC, the pertinent portion of which reads:

B. Defendant Rizal Surety and Insurance Company to pay plaintiff through Intervenors the amount of ₱17,100,000.00 representing unpaid insurance proceeds as actual or compensatory damages, with twenty–nine (29%) per cent interest per annum from October 1, 1998 until full payment.[13]

[12] *Id*. at 1106-1108.

[13] *Id*. at 896.

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It must be noted that QBE Insurance was not a party to Civil Case No. 68287 wherein the writ of execution was issued. Neither was it included in the Writ of Execution issued by Judge Laviña.

Generally accepted is the principle that no man shall be affected by any proceeding to which he is a stranger, and strangers to a case are not bound by judgment rendered by the court. In the same manner an execution can be issued only against a party and not against one who did not have his day in court.[14] In *Lorenzana v. Cayetano*,[15] this Court held that only real parties-in-interest in an action are bound by judgment therein and by writs of execution and demolition issued pursuant thereto.

Indeed, a judgment cannot bind persons who are not parties to the action. It is elementary that strangers to a case are not bound by the judgment rendered by the court and such judgment is not available as an adjudication either against or in favor of such other person. A decision of a court will not operate to divest the rights of a person who has not and has never been a party to a litigation, either as plaintiff or as defendant. Verily, execution of a judgment can only be issued against one who is a party to the action, and not against one who, not being a party to the action, has not yet had his day in court.[16] That execution may only be effected against the property of the judgment debtor, who must necessarily be a party to the case.[17]

The writ of execution must conform to the judgment which is to be executed,[18] as it may not vary the terms of the judgment it seeks to enforce. Nor may it go beyond the terms of the judgment which is sought to be executed. Where the execution

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[14] *Vda. de Medina v. Cruz*, G.R. No. L-39272, 4 May 1988, 161 SCRA 36, 43.

[15] 168 Phil. 637, 643-644 (1977).

[16] *St. Dominic Corp. v. Intermediate Appellate Court*, G.R. No. 70623 and No. L-48630, 30 June 1987, 151 SCRA 577, 584.

[17] *De Guzman v. Ong*, 363 Phil. 548, 556-557 (1999).

[18] *Buan v. Court of Appeals*, G.R. No. 101614, 17 August 1994, 235 SCRA 424, 432.

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is not in harmony with the judgment which gives it life and exceeds it, it has *pro tanto* no validity. To maintain otherwise would be to ignore the constitutional provision against depriving a person of his property without due process of law.[19]

In the case at bar, there is no basis for the immediate issuance of the Order dated 27 May 2002, directing the implementation of the Writ of Execution against QBE Insurance. The same was issued hastily without giving QBE Insurance an opportunity to defend itself and oppose the request of the intervenors in Civil Case No. 68287 for the issuance of a writ of execution against it. In fact, it does not appear that QBE Insurance was at all furnished with a copy of intervenors' letter requesting for the Execution of Judge Laviña's Decision in Civil Case No. 68287. QBE Insurance was suddenly made liable upon the Order of Execution issued based on Judge Laviña's expedient conclusions that Rizal Surety and QBE Insurance are one and the same. Until the issuance of the Writ of Execution, QBE Insurance was not included or mentioned in the proceedings as having any participation in the insurance contract between Lavine and Rizal Surety. Hence, the action of Judge Laviña directing the implementation of a writ of execution against a person not party to the case disregards the most basic tenets of due process and elementary fairness.

There is no question that the writ of execution was issued against the judgment debtors (Rizal Surety, among other insurance companies) in Civil Case No. Q-68287, before the RTC of Pasig City. There was no mention of the name of QBE Insurance. However, Sheriff Rabello included the properties allegedly owned by QBE Insurance based on Judge Laviña's belief that Rizal Surety and the former are one and the same. QBE Insurance already asserted its ownership over the properties garnished in their Motion to Lift the Notice of Garnishment and Affidavit of Third-Party Claim before the RTC. QBE Insurance called Judge Laviña's attention to the following facts: that they were not the

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[19] *Matuguina Integrated Wood Products, Inc. v. Court of Appeals*, 331 Phil. 795, 811 (1996).

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original parties impleaded in Civil Case No. 68287; that they were not summoned to appear before the RTC; that they did not participate in any manner in the proceedings before the court and that the decision of the said court did not include them as judgment debtors who should pay the judgment debt. Therefore, to compel QBE Insurance to pay the obligation incurred by Rizal Surety will amount to a deprivation of property without due process of law. Being the owner of the property garnished, QBE Insurance possesses property rights entitled to be protected by law. Their property rights cannot be arbitrarily interfered with without running afoul of the due process rule enshrined in the Bill of Rights. In a real sense, it is a deprivation of property without due process of law. For failure to observe due process, Judge Laviña acted without jurisdiction.

Hence, QBE Insurance remains a third person to the judgment in Civil Case No. 68287 and cannot be bound by it. Nor can the writ of execution issued pursuant to said judgment be enforced against QBE Insurance since it was not afforded its day in court.

We agree with the Investigating Justice that Judge Laviña is guilty of gross ignorance of the law when he issued the 27 May 2002 Order allowing the implementation of the writ of execution pending appeal against Rizal Surety under its new name QBE Insurance. In disregarding the rules and settled jurisprudence, Judge Laviña showed gross ignorance of the law, amounting to bad faith.

As can be seen, the law involved is simple and elementary; lack of conversance therewith constitutes gross ignorance of the law. Judges are expected to exhibit more than just cursory acquaintance with statutes and procedural laws. They must know the laws and apply them properly in all good faith. Judicial competence requires no less.[20]

A judge owes it to himself and his office to know by heart basic legal principles and to harness his legal know-how correctly and justly. When a judge displays utter unfamiliarity with the

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[20] *Villanueva v. Almazan*, 384 Phil. 776, 786 (2000).

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law and the rules, he erodes the confidence of the public in the courts. Ignorance of the law by a judge can easily be the mainspring of injustice. As an advocate of justice and a visible representation of the law, a judge is expected to be proficient in the interpretation of our laws. When the law is so elementary, not to know it constitutes gross ignorance of the law. Ignorance of the law, which everyone is bound to know, excuses no one — not even judges. *Ignorantia juris quod quisque scire tenetur non excusat.*[21] As we held in *Monterola v. Judge Caoibes, Jr.*[22]:

> Observance of the law, which respondent ought to know, is required of every judge. When the law is sufficiently basic, a judge owes it to his office to simply apply it; anything less than that is either deliberate disregard thereof or gross ignorance of the law. It is a continuing pressing responsibility of judges to keep abreast with the law and changes therein. Ignorance of the law, which everyone is bound to know, excuses no one — not even judges — from compliance therewith x x x. Canon 4 of the Canons of Judicial Ethics requires that the judge should be studious in the principles of law. Canon 18 mandates that he should administer his office with due regard to the integrity of the system of the law itself, remembering that he is not a depository of arbitrary power, but a judge under the sanction of law. **Indeed, it has been said that when the inefficiency springs from a failure to consider a basic and elementary rule, a law or principle in the discharge of his duties, a judge is either too incompetent and undeserving of the position and the title he holds or is too vicious that the oversight or omission was deliberately done in bad faith and in grave abuse of judicial authority**.[23] (Emphasis supplied.)

Competence is a mark of a good judge. When a judge displays an utter lack of familiarity with the rules, he erodes the public's confidence in the competence of our courts.[24] It is highly imperative

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[21] *Español v. Mupas*, A.M. No. MTJ-01-1348, 11 November 2004, 442 SCRA 13, 44-45; *Lu v. Siapno,* 390 Phil. 489, 496-497 (2000).

[22] 429 Phil. 59 (2002).

[23] *Id.* at 66-67.

[24] *Fr. Guillen v. Judge Cañon,* 424 Phil. 81, 88 (2002).

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that judges be conversant with the law and basic legal principles.[25] Basic legal procedures must be at the palm of a judge's hands.[26]

Also, Judge Laviña had ignored QBE Insurance's fundamental right to due process. He acted too precipitately in ordering the implementation of the writ of execution issued in Civil Case No. 68287 against QBE Insurance, a corporation which was not a party to the said case, based on an unproven allegation that said corporation is one and the same as Rizal Surety, one of the defendants in said case against whom judgment was rendered. As a judge, Judge Lavina is expected to keep abreast of laws and prevailing jurisprudence.[27] Unfamiliarity with the rules is a sign of incompetence.

Clearly, in the case at bar, Judge Laviña displayed gross ignorance of the law in failing to observe the requirements of due process. He was ignorant of the basic and simple procedural rules in implementing the writ of execution in Civil Case No. 68287. Judge Laviña's actions visibly indicate his lack of sufficient grasp of the law.

While judges should not be disciplined for inefficiency on account merely of occasional mistakes or errors of judgments, it is highly imperative that they should be conversant with fundamental and basic legal principles in order to merit the confidence of the citizenry. Judge Laviña has shown lack of familiarity with our laws, rules and regulations as to undermine the public confidence in the integrity of the courts.[28]

With respect to the Orders dated 15 and 19 May 2003, Judge Laviña issued the same after conducting hearings and receiving

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[25] *Borja-Manzano v. Sanchez*, A.M. No. MTJ-00-1329, 8 March 2001, 354 SCRA 1, 6.

[26] *Pesayco v. Layague*, A.M. No. RTJ-04-1889, 22 December 2004, 447 SCRA 450, 459.

[27] *Office of the Court Administrator v. Judge Veneracion*, 389 Phil. 483, 493 (2000).

[28] *Rodriguez v. Bonifacio*, A.M. No. RTJ-99-1510, 6 November 2000, 344 SCRA 519, 536.

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evidence from the parties concerned, including Rizal Surety. Thus, QBE Insurance was not denied due process.

We further hold that, for the same act, Judge Laviña is liable for Knowingly Rendering an Unjust Interlocutory Order. The facts show that all the necessary elements are present in the case at bar: (1) that the offender is a judge; and (2) that he performs any of the following acts: (a) he knowingly renders an unjust interlocutory order or decree; OR (b) he renders a manifestly unjust interlocutory order or decree through inexcusable negligence[29] or ignorance.[30] Judge Laviña cannot be said to be unaware that a hearing is required before issuing a writ of execution. The requirement of a hearing is a basic tenet. It was completely defiled when Judge Laviña, hastily and without hearing, directed the implementation of the writ of execution against QBE Insurance which was not a party to the case and was not given an opportunity to explain its side, upon mere manifestation of Branch Sheriff, Cresenciano Rabello, Jr., who stated that Rizal Surety had changed its corporate name to QBE Insurance.[31] In fact, a notice of garnishment against the bank account of QBE Insurance was served almost one year later. Thus, his failure to observe the basic requirements of due process is inexcusable.

Moreover, Sections 36 and 37 of Rule 39 of the 1997 Rules of Civil Procedure already provide for the proper procedure if the judgment is unsatisfied against the judgment obligor, or if another person or other juridical entity has property of such judgment obligor. Whichever rule is applied, there is a requirement that the judgment obligor, or the person who has property of

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[29] There is inexcusable negligence on the part of the judge when he fails to observe in the performance of his duties that degree of diligence, prudence and circumspection which the law requires in the rendition of any public service. (*Cuaresma v. Enriquez,* A.M. No. MTJ-91-608, 20 September 1995.)

[30] *Layola v. Judge Gabo, Jr.,* 380 Phil. 318, 324 (2000).

[31] Notably, Sheriff Rabello was already held administratively liable precisely for that act in a Resolution dated 9 December 2004 in Administrative Matter No. P-04-1884.

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such judgment obligor, to appear before the court and be examined concerning the same. The failure of respondent to observe the procedure in Sections 36 and 37 of Rule 39 contributed to the finding of Gross Ignorance of the Law or Knowingly Rendering an Unjust Interlocutory Order.

The records show that this is not Judge Laviña's first administrative case. It may not be amiss to mention that Judge Celso Laviña has been administratively sanctioned by the Court in *A.M. No. RTJ-00-1553* wherein he was fined ₱5,000.00, for Grave Misconduct and Conduct Prejudicial to the Administration of Justice for Violation of Presidential Decree No. 1818[32] and Supreme Court Circulars No. 13-93[33] & No. 68-94[34]; and in A.M. No. RTJ-05-1957 where he was fined ₱20,000.00 for Ignorance of the Law and Grave Abuse of Authority.

Under Rule 140, Section 8, of the Rules of Court, as amended by A.M. No. 01-8-10 SC,[35] Gross Ignorance of the Law and Knowingly Rendering Unjust Interlocutory Order are classified as serious charges. As to the penalty imposed, Section 11 of the same Rule provides:

SEC. 11. Sanctions. — A. If the respondent is guilty of a serious charge, any of the following sanctions may be imposed:

1. Dismissal from the service, forfeiture of all or part of the benefits as the Court may determine, and disqualification from reinstatement or appointment to any public office, including government-owned or controlled corporations: Provided, however, that the forfeiture of benefits shall in no case include accrued leave credits;

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[32] Prohibiting courts from issuing restraining orders or preliminary injunctions in cases involving infrastructure and natural resource development projects of, and public utilities operated by, the Government.

[33] Subject: Presidential Decree No. 1818.

[34] Strict observance of Section 1 of Presidential Decree 1818 envisioned by Circular No. 13-93, dated March 5, 1993, and Circular No. 20-92 dated March 24, 1992.

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2. Suspension from office without salary and other benefits for more than three (3) but not exceeding six (6) months; or

3. A fine of more than ₱20,000.00 but not exceeding ₱40,000.00.

Judge Laviña is liable for two administrative offenses — first, for Gross Ignorance of the Law and second, for Knowingly Rendering an Unjust Interlocutory Order. As abovementioned, both offenses are classified as serious charges and carry the same penalty. Section 17, Rule XIV of the CSC Omnibus Rules Implementing Book V of Executive Order No. 292 provides that when the respondent is guilty of two or more charges, the penalty for the most serious charge should be imposed and the other charges may be considered as aggravating circumstances. Following said civil service rule, we thus impose only the penalty for the most serious charge. In other words, we only impose one penalty for the two charges.

Given the foregoing premises, we find that the imposition of the fine in the amount of ₱40,000.00, reasonable.

Judge Laviña compulsorily retired from the service on 24 April 2005, hence, he can no longer be suspended or dismissed.

WHEREFORE, Judge Celso Laviña is found *LIABLE* for Gross Ignorance of the Law and Knowingly Rendering an Unjust Interlocutory Order in issuing the Order dated 27 May 2002 directing the implementation of the writ of execution against Rizal Surety under its new name QBE Insurance in Civil Case No. Q-68287 and is hereby ordered to pay a *FINE* of FORTY THOUSAND (₱40,000.00) PESOS, to be deducted from his retirement benefits.

Let a copy of this Decision be attached to Judge Laviña's 201 File.

SO ORDERED.

Puno, C.J., Quisumbing, Sandoval-Gutierrez, Carpio, Austria-Martinez, Corona, Carpio Morales, Tinga, Garcia, Velasco, Jr., Nachura, and *Reyes, JJ.,* concur.

Ynares-Santiago and *Azcuna, JJ.,* on official leave.