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FIRST DIVISION

[G.R. No. L-43059. October 11, 1979]

SAMPAGUITA PICTURES, INC., *plaintiff-appellant, vs.* **JALWINDOR MANUFACTURERS, INC.,** *defendant-appellee.*

SYLLABUS

1. **CIVIL LAW; SPECIAL CONTRACTS; SALES; OWNERSHIP IS ACQUIRED FROM THE MOMENT THE THING SOLD WAS DELIVERED TO THE VENDEE, AS WHEN IT IS PLACED IN HIS CONTROL AND POSSESSION.**— When the glass and wooden jalousies in question were delivered and installed in the leased premises, Capitol became the owner thereof. Ownership is not transferred by perfection of the contract but by delivery, either actual or constructive. This is true even if the purchase has been made on credit, as in the case at bar. Payment of the purchase price is not essential to the transfer of ownership as long as the property sold has been delivered. Ownership is acquired from the moment the thing sold was delivered to vendee, as when it is placed in his control and possession. (Arts. 1477, 1496 and 1497, Civil Code of the Phil.)

2. **REMEDIAL LAW; CIVIL PROCEDURE; ACTIONS; THIRD PARTY CLAIM; REMEDY OF A THIRD-PARTY WHO APPEARS TO CLAIM THE PROPERTY LEVIED UPON BY THE SHERIFF AND THE CLAIM IS DENIED IS FOR THE PARTY TO FILE A REINVINDICATORY ACTION AGAINST THE EXECUTION CREDITOR OR THE PURCHASER OF THE PROPERTY AFTER THE SALE IS COMPLETED OR A COMPLAINT FOR DAMAGES TO BE CHARGED AGAINST THE BOND FILED BY THE CREDITOR IN FAVOR OF THE SHERIFF.**— It is, likewise, recognized in the case of *Bayer Phil., Inc. vs. Agana, et al.*, 63 SCRA 358, wherein the Court declared, "that the rights of third party claimants over certain properties levied upon by the Sheriff to satisfy the judgment, may not be taken up in the case where such claims are presented but in a separate and independent action instituted by claimants . . .

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and should a third-party appear to claim the property levied upon by the Sheriff and the claim is denied, the remedy contemplated by the rules is the filing by said party of a reivindicatory action against the execution creditor or the purchaser of the property after the sale is completed or that a complaint for damages to be charged against the bond filed by the creditor in favor of the sheriff . . . Thus, when a property levied upon by the sheriff pursuant to a writ of execution is claimed by a third person in a sworn statement of ownership thereof, as prescribed by the rules, an entirely different matter calling for a new adjudication arises."

3. ID.; ID.; JUDGMENT; EXECUTION, SATISFACTION AND EFFECT OF JUDGMENTS; SHERIFF IS NOT AUTHORIZED TO ATTACH PROPERTY NOT BELONGING TO THE JUDGMENT DEBTOR; CASE AT BAR.— The items in question were illegally levied upon since they do not belong to the judgment debtor. The power of the Court in execution of judgment extends only to properties unquestionably belonging to the judgment debtor. The fact that Capitol failed to pay Jalwindor the purchase price of the items levied upon did not prevent the transfer of ownership to Capitol. The complaint of Sampaguita to nullify the Sheriff's sale is well-founded, and should prosper. Execution sales affect the rights of judgment debtor only, and the purchaser in the auction sale acquires only the right as the debtor has at the time of sale. Since the items already belong to Sampaguita and not to Capitol, the judgment debtor, the levy and auction sale are, accordingly, null and void. It is well-settled in this jurisdiction that the sheriff is not authorized to attach property not belonging to the judgment debtor.

D E C I S I O N

DE CASTRO, *J.*:

This case was certified to this Court by the Court of Appeals pursuant to the provisions of Section 17, paragraph (6) in relation to Section 31 of the Judiciary Act of 1948.

Plaintiff-appellant Sampaguita Pictures, Inc. (hereinafter referred to as Sampaguita) is the owner of the Sampaguita Pictures Building located at the corner of General Araneta and

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the building and all existing improvements thereon were leased by Sampaguita to Capitol "300" Inc. (Capitol for short), and it was agreed, among other things, that the premises shall be used by said club for social purposes exclusively for its members and guests; that all permanent improvements made by the lessee on the leased premises shall belong to the lessor without any obligation on the part of the lessor to reimburse the lessee for the sum spent for said improvements; that the improvements made by lessee have been considered as part of the consideration of the monthly rental and said improvements belong to the lessor; that any remodelling, alterations and/or addition to the premises shall be at the expense of the lessee and such improvements belong to the lessor, without any obligation to reimburse the lessee of any sum spent for said improvements. (pp. 29-32, Record on Appeal)

Capitol "300" purchased on credit from defendant-appellee Jalwindor Manufacturers, Inc. (hereinafter referred to as Jalwindor) glass and wooden jalousies which were delivered and installed in the leased premises by Jalwindor, replacing the existing windows. On June 1, 1964, Jalwindor filed with the Court of First Instance of Rizal, Quezon City, an action for collection of a sum of money with a petition for preliminary attachment against Capitol for its failure to pay its purchases. The parties submitted to the trial court a Compromise Agreement wherein Capitol acknowledged its indebtedness to Jalwindor in the amount of ₱9,531.09, exclusive of attorney's fees and interest, payable in monthly installments of at least P300.00 a month beginning December 15, 1964; and pending liquidation of the said obligation, all the materials purchased by Capitol will be considered as security for such undertaking. (p. 13, Record on Appeal)

In the meantime, Capitol "300" was not able to pay rentals to Sampaguita from March 1, 1964 to April 30, 1965, water, electric and telephone services. Sampaguita filed a complaint for ejectment and for collection of a sum of money against Capitol and on June 8, 1965, the City Court of Quezon City rendered judgment ordering Capitol to vacate the premises and to pay Sampaguita.

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On the other hand, Capitol likewise failed to comply with the terms of the Compromise Agreement, and on July 31, 1965, the Sheriff of Quezon City made levy on the glass and wooden jalousies in question. Sampaguita filed a third-party claim alleging that it is the owner of said materials and not Capitol. Jalwindor, however, filed an indemnity bond in favor of the Sheriff and the items were sold at public auction on August 30, 1965 with Jalwindor as the highest bidder for ₱6,000.00.

Sampaguita filed with the Court of First Instance of Rizal, Branch IV of Quezon City, an action to nullify the Sheriff's Sale and for the issuance of a writ of preliminary injunction against Jalwindor from detaching the glass and wooden jalousies. Jalwindor was ordered to maintain the *status quo* pending final determination of the case. No actual hearing was held and the parties submitted the following stipulation of facts for the consideration of the court.

"1. That plaintiff and defendant are both domestic corporations duly organized and existing by and under the laws of the Philippines;

"2. That plaintiff leased to the CAPITOL "300," Inc. the roofdeck of the Sampaguita building and all the existing improvements thereon for a monthly rental of ₱650.00; that the parties to the lease contract agreed that all permanent improvements made by the lessee on the leased premises shall belong to the lessor without any obligation on the part of the lessor to reimburse the lessee for the sum spent for said improvements; that it was agreed upon by the parties that the improvements made by the lessee have been considered as part of the consideration of the monthly rental;

"3. That CAPITOL "300," Inc. made alterations on the leased premises; that it removed the then existing windows and replaced them with the following items bought on credit from the JALWINDOR MANUFACTURERS, INC., valued at ₱9,531.09, to wit:

'J-21 (lever-type) Solex Bluepane Glass Jalousies

11 Sets 15'-1 3/4" x 47-7/8" (5 units)
4 Sets 13'-5 3/4" x 47-7/8" (5 units)

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3 Sets 10'-9 3/4" x 47-7/7" (4 units)
2 Sets 18'-1 3/4" x 65-3/8" (6 units)
1 Set 9'-1 3/4" x 65-3/8" (3 units)
1 Set 3'-0" x 65-3/8" (1 unit)
115 Pcs. Roto Operators for J-21

MODEL J-21 (Roto-type) Glass and Wood Jalousies

8 Sets 32-1/2" x 60" Solex Bluepane
19 Sets 31-l/4" x 48" Solex Bluepane
18 Sets 34"x 48" Wood`

"4. That after the CAPITOL "300," Inc. failed to pay the price of the items mentioned in the preceding paragraph, JALWINDOR MANUFACTURERS, Inc. filed a case for collection of a sum of money against CAPITOL "300," Inc. with the Court of First Instance of Rizal (Branch IV, Quezon City), Civil Case No. Q-8040; that by virtue of a Compromise Agreement, CAPITOL "300," Inc. acknowledged indebtedness in favor of JALWINDOR in the amount of ₱9,531.09, with a stipulation in the said Compromise Agreement, that the items forming part of the improvements will form as security for such an undertaking;

"5. That due to the non-compliance by CAPITOL "300," Inc., JALWINDOR executed judgment; that the Sheriff of Quezon City made levy on the items above-stated in paragraph 3 hereof and sold them at a public auction to JALWINDOR MANUFACTURERS, INC. as the highest bidder, on August 30, 1965, for the total amount of ₱6,000.00;

"6. That after CAPITOL "300," Inc. failed to pay the rentals in arrears from March 1, 1964 to April 30, 1965, water, electric and telephone services amounting to ₱10,772.90, the plaintiff SAMPAGUITA PICTURES, INC. filed with the City Court of Quezon City, Civil Case No. 11-13161 for ejectment and collection of a sum of money against the CAPITOL "300," Inc.; that the City Court rendered judgment in favor of the Sampaguita Pictures, Inc., on June 8, 1965, ordering the CAPITOL "300," Inc. to vacate the premises located at the Sampaguita Building and to pay the Sampaguita Pictures, Inc.;

"7. That after the Sheriff of Quezon City made levy on the items above-stated in paragraph 3 hereof situated on the roofdeck

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of the Sampaguita Building, plaintiff filed a Third Party Claim stated in its affidavit on the ground of its right and title to the possession of the items and that CAPITOL "300," Inc. has no right or title whatsoever to the possession over said items; that defendant filed a bond to indemnify the Sheriff against the claim, and the Sheriff sold the items to the defendant; that the JALWINDOR MANUFACTURERS, Inc., being the highest bidder and the execution creditor, considered itself paid to the amount of ₱6,000.00;

"8. That the parties herein agree that the matter of attorney's fees be left to the sound discretion of the Court, which shall not be less than ₱500.00." (Record on Appeal, pp. 11-14)."

On October 20, 1967, based on said Stipulation of Facts, the lower court dismissed the complaint and ordered Sampaguita to pay Jalwindor the amount of ₱500.00 as attorney's fees. Sampaguita filed a motion for reconsideration which was likewise denied, hence, the instant appeal.

Petitioner-appellant raised the following assignment of errors:

I

"The lower court erred in holding that Capitol "300" Inc. could not legally transfer or assign the glass and wooden jalousies in question to the plaintiff-appellant.

II

"The lower court erred in not holding that plaintiff-appellant was the rightful owner of the glass and wooden jalousies when they were sold by the Sheriff at the public auction.

III

"The lower court erred in not declaring as null and void the levy on execution and the Sheriff's sale at public auction of the glass and wooden jalousies.

IV

"The lower court erred in holding that defendant-appellee became the rightful owner of the glass and wooden jalousies."

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When the glass and wooden jalousies in question were delivered and installed in the leased premises, Capitol became the owner thereof. Ownership is not transferred by perfection of the contract but by delivery, either actual or constructive. This is true even if the purchase has been made on credit, as in the case at bar. Payment of the purchase price is not essential to the transfer of ownership as long as the property sold has been delivered. Ownership is acquired from the moment the thing sold was delivered to vendee, as when it is placed in his control and possession. (Arts. 1477, 1496 and 1497, Civil Code of the Phil.)

Capitol entered into a lease contract with Sampaguita in 1964, and the latter became the owner of the items in question by virtue of the agreement in said contract "that all permanent improvements made by lessee shall belong to the lessor and that said improvements have been considered as part of the monthly rentals." When levy or said items was made on July 31, 1965, Capitol, the judgment debtor, was no longer the owner thereof.

The action taken by Sampaguita to protect its interest is sanctioned by Section 17, Rule 39 of the Rules of Court, which reads:

"Section 17. Proceedings where property claimed by third person.

'x x x The officer is not liable for damages for the taking or keeping of the property to any third-party claimant unless a claim is made by the latter and unless an action for damages is brought by him against the officer within one hundred twenty (120) days from the date of the filing of the bond. *But nothing herein contained shall prevent claimant or any third person from vindicating his claim to the property by any action.*'"

It is, likewise, recognized in the case of *Bayer Phil., Inc. vs. Agana, et al.*, 63 SCRA 358, wherein the Court declared, "that the rights of third party claimants over certain properties levied upon by the Sheriff to satisfy the judgment, may not be taken up in the case where such claims are presented but in a separate and independent action instituted by claimants x x x and should

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a third-party appear to claim the property levied upon by the Sheriff and the claim is denied, the remedy contemplated by the rules is the filing by said party of a reivindicatory action against the execution creditor or the purchaser of the property after the sale is completed or a complaint for damages to be charged against the bond filed by the creditor in favor of the sheriff x x x. Thus, when a property levied upon by the sheriff pursuant to a writ of execution is claimed by a third person in a sworn statement of ownership thereof, as prescribed by the rules, an entirely different matter calling for a new adjudication arises."

The items in question were illegally levied upon since they do not belong to the judgment debtor. The power of the Court in execution of judgment extends only to properties unquestionably belonging to the judgment debtor. The fact that Capitol failed to pay Jalwindor the purchase price of the items levied upon did not prevent the transfer of ownership to Capitol. The complaint of Sampaguita to nullify the Sheriff's sale is well-founded, and should prosper. Execution sales affect the rights of judgment debtor only, and the purchaser in the auction sale acquires only the right as the debtor has at the time of sale. Since the items already belong to Sampaguita and not to Capitol, the judgment debtor, the levy and auction sale are, accordingly, null and void. It is well-settled in this jurisdiction that the sheriff is not authorized to attach property not belonging to the judgment debtor. (*Arabay, Inc. vs. Salvador, et al.*, 3 PHILAJUR, 413 [1978], *Herald Publishing vs. Ramos*, 88 Phil. 94, 100)

WHEREFORE, the decision appealed from is hereby reversed, and plaintiff-appellant Sampaguita is declared the lawful owner of the disputed glass and wooden jalousies. Defendant-appellee Jalwindor is permanently enjoined from detaching said items from the roofdeck of the Sampaguita Pictures Building, and is also ordered to pay plaintiff-appellant the sum of ₱1,000.00 for and as attorney's fees, and costs.

SO ORDERED.

Teehankee, Acting C.J. (Chairman), Makasiar, Fernandez, Guerrero, and *Melencio-Herrera, JJ.*, concur.