Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

CENTRAL VISAYAS FINANCE CORPORATION, *Petitioner,*	**G.R. No. 212674**
	Present:
- versus -	BERSAMIN, *C.J.*, DEL CASTILLO, JARDELEZA,* GESMUNDO, *and* CARANDANG, *JJ.*
SPOUSES ELIEZER S. ADLAWAN and LEILA ADLAWAN, AND SPOUSES ELIEZER** ADLAWAN, SR. and ELENA ADLAWAN,** *Respondents.*	Promulgated: MAR 25 2019

x----------x

DECISION

DEL CASTILLO, *J.*:

This Petition for Review on *Certiorari*[1] assails the February 15, 2013 Decision[2] and April 24, 2014 Resolution[3] of the Court of Appeals (CA) which denied the appeal in CA-G.R. CEB-C.V. No. 02899 and affirmed the July 31, 2008 Order[4] of the Regional Trial Court of Cebu City, Branch 8 (RTC), in Civil Case No. CEB-24841.

Factual Antecedents

In 1996, respondents Eliezer and Leila Adlawan obtained a Php3,669,685.00 loan from petitioner Central Visayas Finance Corporation covered by a Promissory Note,[5] Chattel Mortgage[6] over a Komatsu Highway Dump Truck, and a Continuing Guaranty[7] executed by respondents Eliezer, Sr. and Elena Adlawan.

---

* On official leave.

** Also spelled as Eliezar/Eleazar in some parts of the records.

1 *Rollo*, pp. 9-28.

2 Id. at 30-37; penned by Associate Justice Ramon Paul L. Hernando (now a member of this Court) and concurred in by Associate Justices Carmelita Salandanan-Manahan and Maria Elisa Sempio Diy.

3 Id.at 38-39; penned by Associate Justice Ramon Paul L. Hernando (now a member of this Court) and concurred in by Associate Justices Ma. Luisa C. Quijano-Padilla and Marie Christine Azcarraga-Jacob.

4 Id. at 64-66; penned by Presiding Judge Macaundas M. Hadjirasul.

5 Id. at 49.

6 Id. at 50-51.

7 Id. at 52.

Eliezer and Leila Adlawan failed to pay the loan, prompting petitioner to file an action against respondents for replevin before Branch 58 of the Cebu Regional Trial Court, docketed as Civil Case No. CEB-22294.

In a June 22, 1999 decision, the trial court ruled in petitioner's favor, and respondents were ordered to deliver possession of the dump truck to petitioner. Petitioner then foreclosed on the chattel mortgage and caused the sale at public auction of the dump truck, which was then sold to it as the highest bidder for Php500,000.00.[8]

Ruling of the Regional Trial Court

In 2000, petitioner commenced a second case before the RTC - Civil Case No. CEB-24841 - this time for collection of sum of money and/or deficiency judgment relative to respondents' supposed unpaid balance on their loan, which petitioner claimed to be at Php2,104,604.97 - less the value of dump truck - with damages. This time, petitioner in its Amended Complaint[9] sought to hold respondents Eliezer, Sr. and Elena Adlawan liable on their continuing guaranty.

On July 31, 2008, the RTC issued an Order, decreeing as follows:

> This resolves the affirmative defenses of (a) *res judicata*; (b) violation of the rule against forum shopping; and (c) estoppel, pleaded by the defendants in their answer[10] and for which they were preliminarily heard as if a motion to dismiss had been filed.
>
> x x x x
>
> Contending that defendants Eliezer and Leila still have a balance of ₱2,104,604.97 as of July 12, 1999, exclusive of interest, penalty, attorney's fees, cost of the suit and collection expenses, it filed the instant case, to which the defendants pleaded the subject affirmative defenses.
>
> The Court agrees with the defendants that the instant complaint is barred by *res judicata* under Section 47(b), Rule 39 of the Rules of Court.
>
> The judgment of the 58th Branch of this Court in Civil Case No. CEB-22294, which involves, as in this case, the same parties, subject matter and cause of action, i.e., non-payment of the loan, secured by a mortgage over the above vehicle, obtained by defendants Eliezer and Leila from the plaintiff, was one on the merits, rendered by a court that had jurisdiction over the subject matter thereof and the parties therein, and had become final.

---

[8] Id. at 46, 53.
[9] Id. at 43-48.
[10] Id. at 54-63.

> The plaintiff's remedy should have been to appeal from the above judgment for its alleged failure to consider defendants Eliezer and Leila's whole obligation. If, for the sake of argument, the amount of said defendants' whole obligation to the plaintiff was not actually raised in said case, hence, the failure of the 58th Branch of this Court to consider it, it is still covered and barred by *res judicata* under the above-cited Rule because it is one that could have been raised therein.
>
> WHEREFORE, the plaintiff's complaint having been barred by *res judicata*, this case is hereby ordered DISMISSED.
>
> *SO ORDERED.*[11]

Petitioner moved to reconsider, but was rebuffed.

Ruling of the Court of Appeals

Petitioner appealed the above Order of the trial court before the CA, claiming that the trial court erred in ruling that *res judicata* applied, in that there is no identity of cause of action between Civil Case No. CEB-22294 and Civil Case No. CEB-24841, as the first was one for the recovery of personal property used as collateral in the loan, while the latter case was one for deficiency judgment and based on the continuing guaranty executed by Eliezer, Sr. and Elena Adlawan.

On February 15, 2013, the CA issued the assailed Decision, which contains the following pronouncement:

> Under the doctrine of *res judicata*, a complaint may be dismissed when, upon the comparison of the two actions, there is (1) an identity between the parties or at least such as representing the same interest in both actions; (2) a similarity of rights asserted and relief prayed for (that is, the relief is founded on the same facts); and (3) identity in the two actions is such that any judgment which may be rendered in the other action will, regardless of which party is successful, fully adjudicate or settle the issues raised in the action under consideration.
>
> x x x x
>
> A reading of the reliefs prayed for in Civil Case No. 22294 would show that the principal relief was for the recovery of the possession of the dump truck, which was used as a collateral in the mortgage contract between the parties. In the event that delivery thereof cannot be effected, plaintiff stated an alternative prayer, that is, for the defendants to pay the amount of Php2,604,604.97 which represented the outstanding obligation of the defendants. Since the first relief was granted by the trial court, which is the

[11] Id. at 64-66.

delivery of the dump truck, was it necessary for the trial court to pronounce the full monetary liability of the defendants in the said action? Moreover, may the plaintiff still recover the deficiency of the monetary obligation incurred by the defendants?

The issue presented in this case is not novel. The instant case has similar facts and circumstances with that of the case of *PCI Leasing v. Dai.*[12] In this case, the Supreme Court ruled that an action for replevin, which is both an action *in personam* and *in rem*, bars the deficiency suit because the deficiency could well be raised in the replevin case x x x

x x x x

Plaintiff also asserts that there is no identity of parties because Elena Adlawan was not sued in the first case. It is based on the *Continuing [Guaranty]* executed by Elena Adlawan for which she was sued. Hence, it is plaintiff's postulate that had the proceeds of the first action been sufficient, there would have been no need to file the second case against Elena Adlawan to enforce her guaranty.

However, it should be stressed that only substantial identity is necessary to warrant the application of *res judicata* and the addition or elimination of some parties would not even alter the situation. There is substantial identity of parties when there is a community of interest between the party in the first case and a party in the second case albeit the latter was not impleaded in the first case. In this case, there is no question that Elena Adlawan, acting as a guarantor, has the same interest and defenses as that of the principal debtors Spouses Eliezar and Leilani Adlawan. Her exclusion in the first case is therefore of no moment, *res judicata* still applies.

As to the damages and other fees being claimed by the defendants, We are inclined to deny it. It is the plaintiff-appellant's belief that it has a right to institute a deficiency judgment against the defendants and there should be no premium on its right to litigate however erroneous such presumption can be. Moreover, bad faith was not raised as an issue and none is evident in this case.

There being no reversible error committed by the trial court, We find no cogent reason to reverse its findings, thus, warranting the dismissal of this appeal.

WHEREFORE, this appeal is DENIED. The *Order* dated July 31, 2008 rendered by the Regional Trial Court, Branch 8, Cebu City dismissing Civil Case No. CEB-24841 is AFFIRMED. Costs against the plaintiff-appellant.

SO ORDERED.[13]

Petitioner moved to reconsider, but in its April 24, 2014 Resolution, the

[12] 560 Phil. 84, 92-96 (2007).
[13] *Rollo*, pp. 34-37.

CA stood its ground. Thus, the instant Petition.

Issues

In an August 24, 2015 Resolution,[14] this Court resolved to give due course to the Petition, which contains the following assignment of errors:

> I.
>
> THE COURT OF APPEALS GRAVELY ERRED IN APPLYING THE DOCTRINE OF RES JUDICATA TO THE AMENDED COMPLAINT OF PETITIONER FOR DEFICIENCY JUDGMENT UNDER CIVIL CASE NO. 24841 CONSIDERING THE ABSENCE OF IDENTITY OF PARTIES AND SIMILARITY OF CAUSES OF ACTION IN THE EARLIER COMPLAINT FOR REPLEVIN IN CIVIL CASE NO. 22294.
>
> II.
>
> THE COURT OF APPEALS GRAVELY ERRED IN APPLYING THE DECISION OF THIS HONORABLE COURT IN PCI LEASING VS. DAI, G.R. NO. 148980, SEPTEMBER 21, 2007 TO THE CASE OF HEREIN PETITIONER.[15]

Petitioner's Arguments

In praying that the assailed CA dispositions be set aside and that, instead, respondents be adjudged solidarily liable for its monetary claims in Civil Case No. CEB-24841, petitioner pleads in its Petition and Reply[16] that the CA erred in ruling that *res judicata* applies to the subsequent case for collection of deficiency against Eliezer, Sr. and Elena Adlawan as guarantors in the loan agreement between petitioner and respondents Eliezer and Leila Adlawan; that the causes of action, parties, and reliefs prayed for in Civil Case No. CEB-22294 - the case for replevin - are not identical or similar to the causes of action, parties, and reliefs prayed for in Civil Case No. CEB-24841 - which is a collection case founded on the liability on the continuing guaranty executed by respondents Eliezer, Sr. and Elena Adlawan; that the cause of action in Civil Case No. CEB-24841 arose only after the foreclosure sale of the dump truck recovered in the replevin case, when it became apparent that the proceeds from the auction sale were not enough to satisfy the outstanding obligation on the loan; and that the cited case of *PCI Leasing and Finance, Inc. v. Dai* does not apply to the instant case because there is no identity of causes of action and parties in the two cases - Civil Case No. CEB-22294 and Civil Case No. CEB-24841 - since petitioner in the latter case was seeking to hold respondents liable on the continuing guaranty executed by Eliezer, Sr.

[14] Id. at 114-115.
[15] Id. at 17.
[16] Id. at 109-110.

and Elena Adlawan, who were not parties to the replevin case.

Respondents' Arguments

Respondents, on the other hand, counter in their Comment[17] that the Petition is a mere rehash of the arguments presented in the trial and appellate courts; that the CA is correct in finding that *res judicata* applies in the subsequent case - Civil Case No. CEB-24841 - filed by petitioner; that the pronouncement in the *PCI Leasing* case applies, in that an action for replevin - which is both an action *in personam* and *in rem* - bars a deficiency suit because the deficiency could have been raised in the replevin case; and that it was erroneous for petitioner to have filed a collection/deficiency case, as it should have appealed the trial court's decision instead.

Our Ruling

The Court denies the Petition.

For reference and emphasis, we reproduce petitioner's prayer in Civil Case No. CEB-22294, or the case for replevin which is the first action filed by petitioner, *viz.*;

> a. to forthwith issue a writ of replevin ordering the seizure of the motor vehicle, with all its accessories and equipment, together with the registration certificate thereof, and direct the delivery thereof to plaintiff in accordance with law, and after due hearing, declare that plaintiff is entitled to the possession of the motor vehicle and confirm its seizure and delivery to plaintiff;
>
> b. or, in the event that manual delivery of the motor vehicle cannot be effected, to render judgment in favor of the plaintiff and against the defendants ordering them to pay to plaintiff, the sum of Php2,604,604.97 plus interest and penalty thereon from June 3, 1998 until fully paid as provided in the promissory note;
>
> c. In either case, to order defendant to pay jointly and severally:
>
> 1. The sum of Php651,151.24 as attorney's fees and liquidated damages, plus bonding fees and other expenses incurred in the seizure of the said motor vehicle; and
>
> 2. costs of suit.[18]

Clearly, petitioner's prayer for relief in its complaint in Civil Case No.

[17] Id. at 104-107.
[18] Id. at 35.

CEB-22294 was in the alternative, and not cumulative or successive, to wit: recover possession of the dump truck, or, if recovery is no longer feasible, a money judgment for the outstanding loan amount. Petitioner did not pray for both reliefs cumulatively or successively. "The rule is that a party is entitled only to such relief consistent with and limited to that sought by the pleadings or incidental thereto. A trial court would be acting beyond its jurisdiction if it grants relief to a party beyond the scope of the pleadings."[19]

By praying for recovery of possession with a money judgment as a mere alternative relief in Civil Case No. CEB-22294, and when it did not pursue a claim for deficiency ***at any time during the proceedings in said case, including appeal***, petitioner led the courts to believe that it was not interested in suing for a deficiency so long as it recovered possession of the dump truck; after all, the basis of its alternative relief for collection of the outstanding loan is the same as that of its prayer for replevin - the respondents' unpaid obligation in the amount of Php2,604,604.97, plus interest and penalty. Its actions were thus consistent with and limited to the allegations and relief sought in its pleadings. This consistency in action carried on until the dump truck was foreclosed and sold at auction.

In case of a loan secured by a mortgage, the creditor has a single cause of action against the debtor - the recovery of the credit with execution upon the security. The creditor cannot split his single cause of action by filing a complaint on the loan, and thereafter another separate complaint for foreclosure of the mortgage. This is the ruling in the case of *Bachrach Motor Co., Inc. v. Icarangal*,[20] where the Court held:

> For non-payment of a note secured by mortgage, the creditor has a single cause of action against the debtor. This single cause of action consists in the recovery of the credit with execution of the security. In other words, the creditor in his action may make two demands, the payment of the debt and the foreclosure of his mortgage. But both demands arise from the same cause, the non-payment of the debt, and for that reason, they constitute a single cause of action. Though the debt and the mortgage constitute separate agreements, the latter is subsidiary to the former, and both refer to one and the same obligation. Consequently, there exists only one cause of action for a single breach of that obligation. Plaintiff, then, by applying the rules above stated, cannot split up his single cause of action by filing a complaint for payment of the debt, and thereafter another complaint for foreclosure of the mortgage. If he does so, the filing of the first complaint will bar the subsequent complaint. By allowing the creditor to file two separate complaints simultaneously or successively, one to recover his credit and another to foreclose his mortgage, we will, in effect, be authorizing him plural redress for a single breach of contract at so much cost to the courts and with so much vexation and oppression to the debtor.

[19] *Spouses Gonzaga v. Court of* Appeals, 483 Phil. 424, 437 (2004).
[20] 68 Phil. 287, 293-294 (1939).

In *PCI Leasing and Finance, Inc. v. Dai*[21] cited by respondents, the specific issue of whether a judgment in a replevin case would bar a subsequent action for deficiency judgment was raised. The Court resolved the question in the affirmative, thus:

> For *res judicata* to apply, four requisites must be met: (1) the former judgment or order must be final; (2) it must be a judgment or an order on the merits; (3) it must have been rendered by a court having jurisdiction over the subject matter and the parties; and (4) there must be, between the first and second actions, identity of parties, of subject matter and cause of action.
>
> Petitioner denies the existence of identity of causes of action between the replevin case and the case for deficiency judgment or collection of sum of money x x x
>
> x x x x
>
> Petitioner's position fails.
>
> Petitioner ignores the fact that it prayed in the replevin case that in the event manual delivery of the vessel could not be effected, the court render judgment in its favor by ordering [herein respondents] to pay . . . the sum of ₱3,502,095.00 plus interest and penalty thereon from October 12, 1994 until fully paid as provided in the Promissory Note.
>
> **Since petitioner had extrajudicially foreclosed the chattel mortgage over the vessel even before the pre-trial of the case, it should have therein raised as issue during the pre-trial the award of a deficiency judgment. After all, the basis of its above-stated alternative prayer was the same as that of its prayer for replevin – the default of respondents in the payment of the monthly installments of their loan. But it did not.**
>
> Section 49 of Rule 39 of the 1964 Rules of Court, which governed petitioner's complaint for replevin filed on October 27, 1994, and which Section is reproduced as Section 47 of the present Rules, reads:
>
> > SEC. 49. Effect of judgments or final orders. – The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:
> >
> > (a) In case of a judgment or final order against a specific thing, or in respect to the probate of a will, or the administration of the estate of a deceased person, or in respect to the personal, political, or legal condition or status of a particular person or his relationship to another, the judgment or final order is conclusive upon the title to the thing, the will or administration, or the condition, status or relationship of the person; however, the probate of a will or

[21] Supra note 12.

> granting of letters of administration shall only be prima facie evidence of the death of the testator or intestate;
>
> **(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and**
>
> **(c) In any other litigation between the same parties or their successors-in-interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.**

Paragraph (a) is the rule on *res judicata* in judgments *in rem*. Paragraph (b) is the rule on *res judicata* in judgments *in personam*. Paragraph (c) is the rule on conclusiveness of judgment.

Petitioner contends that Section 9 of Rule 60 of the 1997 Rules of Court which reads:

> Sec. 9. Judgment. – After trial of the issues, the court shall determine who has the right of possession to and the value of the property and shall render judgment in the alternative for the delivery thereof to the party entitled to the same, or for its value in case delivery cannot be made, and also for such damages as either party may prove, with costs,

does not authorize the court to render judgment on the deficiency after foreclosure, citing *BA Finance Corp. v. CA*.

But replevin is, as the above-cited *BA Finance Corp.* case holds, usually described as a mixed action.

> **Replevin, broadly understood, is both a form of principal remedy and of a provisional relief. It may refer either to the action itself, i.e., to regain the possession of personal chattels being wrongfully detained from the plaintiff by another, or to the provisional remedy that would allow the plaintiff to retain the thing during the pendency of the action and hold it *pendente lite*. The action is primarily possessory in nature and generally determines nothing more than the right of possession. Replevin is so usually described as a mixed action, being partly *in rem* and partly *in personam* – *in rem* insofar as the recovery of specific property is concerned, and *in personam* as regards to damages involved. As an action *in rem*, the gist of the replevin action is the right of the plaintiff to obtain possession of specific personal**

> **property by reason of his being the owner or of his having a special interest therein.**
>
> **Petitioner's complaint for replevin was doubtless a mixed action – *in rem* with respect to its prayer for the recovery of the vessel, and *in personam* with respect to its claim for damages. And it was, with respect to its alternative prayer, clearly one *in personam.***
>
> **Following paragraph (b) of Section 49, Rule 39 of the 1964 Rules of Court, now [Section] 47 of Rule 39 of the present Rules, petitioner's second complaint is unquestionably barred by *res judicata.***[22] (Emphasis supplied; citations omitted)

The *Bachrach Motor Co., Inc. v. Icarangal* and *PCI Leasing & Finance, Inc. v. Dai* rulings were reiterated in *Allandale Sportsline Inc. v. The Good Development Corporation*,[23] where this Court ruled that –

> By causing the auction sale of the mortgaged properties, respondent effectively adopted and pursued the remedy of extra-judicial foreclosure, using the writ of replevin as a tool to get hold of the mortgaged properties. **As emphasized in *Bachrach*, one effect of respondent's election of the remedy of extra-judicial foreclosure is its waiver of the remedy of collection of the unpaid loan.**
>
> x x x x
>
> **However, another effect of its election of the remedy of extra-judicial foreclosure is that whatever deficiency remains after applying the proceeds of the auction sale to the total loan obligation may still be recovered by respondent.**
>
> **But to recover any deficiency after foreclosure, the rule is that a mortgage creditor must institute an independent civil action. However, in *PCI Leasing & Finance, Inc. v. Dai*[,] the Court held that the claim should at least be included in the pre-trial brief. In said case, the mortgage-creditor had foreclosed on the mortgaged properties and sold the same at public auction during the trial on the action for damages with replevin. After judgment on the replevin case was rendered, the mortgage-creditor filed another case, this time for the deficiency amount. The Court dismissed the second case on the ground of *res judicata*, noting that:**
>
> > **Petitioner ignores the fact that it prayed in the replevin case that in the event manual delivery of the vessel could not be effected, the court render judgment in its favor by ordering [herein respondents] to pay x x x the sum of ₱3,502,095.00 plus interest and penalty thereon from October 12, 1994 until fully paid as provided in the Promissory Note.**

---

[22] Id. at 92-96.

[23] 595 Phil. 265, 280-282 (2008).

> **Since petitioner had extrajudicially foreclosed the chattel mortgage over the vessel even before the pre-trial of the case, it should have therein raised as issue during the pre-trial the award of a deficiency judgment. After all, the basis of its above-stated alternative prayer was the same as that of its prayer for replevin – the default of respondents in the payment of the monthly installments of their loan. But it did not.** (Emphasis and underscoring supplied; citations omitted)

Finally, in *Marilag v. Martinez*,[24] the *Bachrach* ruling was once more referenced, and the Court therein ruled, as follows:

> Petitioner's contention that the judicial foreclosure and collection cases enforce independent rights must, therefore, fail because the Deed of Real Estate Mortgage and the subject PN both refer to one and the same obligation, i.e., Rafael's loan obligation. As such, there exists only one cause of action for a single breach of that obligation. **Petitioner cannot split her cause of action on Rafael's unpaid loan obligation by filing a petition for the judicial foreclosure of the real estate mortgage covering the said loan, and, thereafter, a personal action for the collection of the unpaid balance of said obligation not comprising a deficiency arising from foreclosure, without violating the proscription against splitting a single cause of action, where the ground for dismissal is either *res judicata* or *litis pendentia***, as in this case.
>
> x x x x
>
> Further on the point, the fact that no foreclosure sale appears to have been conducted is of no moment because the remedy of foreclosure of mortgage is deemed chosen upon the filing of the complaint therefor. In *Suico Rattan & Buri Interiors, Inc. v. CA*, it was explained:
>
> x x x **In sustaining the rule that prohibits mortgage creditors from pursuing both the remedies of a personal action for debt or a real action to foreclose the mortgage, the Court held in the case of *Bachrach Motor Co., Inc. v. Esteban Icarangal, et al.* that a rule which would authorize the plaintiff to bring a personal action against the debtor and simultaneously or successively another action against the mortgaged property, would result not only in multiplicity of suits so offensive to justice and obnoxious to law and equity, but also in subjecting the defendant to the vexation of being sued in the place of his residence or of the residence of the plaintiff, and then again in the place where the property lies. Hence, a remedy is deemed chosen upon the filing of the suit for collection or upon the filing of the complaint in an action for foreclosure of mortgage, pursuant to the provisions of Rule 68 of the Rules of Court. As to extrajudicial foreclosure, such remedy is deemed elected by the mortgage creditor upon filing of the petition not with any court of justice but with the office of the sheriff of the province where the sale is to be made, in accordance with the provisions of Act No. 3135, as amended by Act No. 4118.**

[24] 764 Phil. 576, 589-590 (2015).

> **As petitioner had already instituted judicial foreclosure proceedings over the mortgaged property, she is now barred from availing herself of an ordinary action for collection, regardless of whether or not the decision in the foreclosure case had attained finality. In fine, the dismissal of the collection case is in order.** (Emphasis supplied; citations omitted)

Contrary to petitioner's stance, the pronouncements in *Bachrach Motor Co., Inc. v. Icarangal* and *PCI Leasing & Finance, Inc. v. Dai* apply to the instant case. Particularly, the *PCI Leasing* case is squarely applicable; the CA committed no error in invoking the ruling in said case. By failing to seek a deficiency judgment in Civil Case No. CEB-22294 after its case for recovery of possession was resolved, petitioner is barred from instituting another action for such deficiency. Pursuant to Section 47, Rule 39 of the 1997 Rules of Civil Procedure, on the effect of judgments or final orders cited in the *PCI Leasing* case, the judgment in Civil Case No. CEB-22294 is, with respect to the matter directly adjudged *or as to any other matter that could have been raised in relation thereto*, conclusive between the petitioner and respondents.

Petitioner's final claim to reversal is that there could be no identity of causes of action between Civil Case No. CEB-22294 and Civil Case No. CEB-24841 since the latter case was instituted for the specific purpose of recovering the deficiency from respondents Eliezer, Sr. and Elena Adlawan, who were supposedly liable as guarantors on the continuing guaranty that accompanied the loan agreement between petitioner and respondents Eliezer and Leila Adlawan. However, with the final resolution of Civil Case No. CEB-22294, petitioner's cause of action against respondents Eliezer, Sr. and Elena Adlawan is likewise barred. The contract of guaranty is merely accessory to a principal obligation; it cannot survive without the latter. Under Article 2076 of the Civil Code, "(t)he obligation of the guarantor is extinguished at the same time as that of the debtor, and for the same causes as all other obligations." The resolution of Civil Case No. CEB-22294 and the consequent satisfaction of petitioner's claim therein bars further recovery via a deficiency judgment as against respondents Eliezer and Leila Adlawan, who are deemed to have paid their loan obligation. For this reason, their obligation has been extinguished which should, in turn, operate to the benefit of their co-respondents, Eliezer, Sr. and Elena Adlawan whose liability is based on guaranty, a mere accessory contract to the loan obligation that cannot survive after the extinguishment of the latter.

WHEREFORE, the Petition is **DENIED**. The February 15, 2013 Decision and April 24, 2014 Resolution of the Court of Appeals in CA-G.R. CEB-C.V. No. 02899 are **AFFIRMED**.

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

LUCAS P. BERSAMIN
Chief Justice

(On official leave)
FRANCIS H. JARDELEZA
Associate Justice

ALEXANDER G. GESMUNDO
Associate Justice

ROSMARI D. CARANDANG
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.

LUCAS P. BERSAMIN
Chief Justice