

## **SECOND DIVISION**

**[ G.R. No. 123817, December 17, 1999 ]**

**IBAAN RURAL BANK INC., PETITIONER, VS. THE COURT OF APPEALS AND MR. AND MRS. RAMON TARNATE, RESPONDENTS.**

### **D E C I S I O N**

**QUISUMBING, J.:**

This petition for review under Rule 45 of the Rules of Court seeks to set aside the decision of the Court of Appeals in CA-G.R. CV No. 32984 affirming with modification the decision of the Regional Trial Court of Batangas, Branch 2, in Civil Case No. 534, as well as the resolution of the Court of Appeals denying petitioner's motion for reconsideration.

The facts are as follows:

Spouses Cesar and Leonila Reyes were the owners of three (3) lots covered by Transfer Certificate of Title (TCT) Nos. 33206, 33207 and 33208 of the Register of Deeds of Lipa City. On March 21, 1976, the spouses mortgaged these lots to Ibaan Rural Bank, Inc. [herein petitioner]. On June 11, 1976, with the knowledge and consent of the petitioner, the spouses as sellers, and Mr. and Mrs. Ramon Tarnate [herein private respondents] as buyers, entered into a Deed of Absolute Sale with Assumption of Mortgage of the lots in question. Private respondents failed to pay the loan and the bank extra-judicially foreclosed on the mortgaged lots. The Provincial Sheriff conducted a public auction of the lots and awarded the lots to the bank, the sole bidder. On December 13, 1978, the Provincial Sheriff issued a Certificate of Sale which was registered on October 16, 1979. The certificate stated that the redemption period expires two (2) years from the registration of the sale. No notice of the extrajudicial foreclosure was given to the private respondents. On September 23, 1981, private respondents offered to redeem the foreclosed lots and tendered the redemption amount of P77,737.45. However, petitioner Bank refused the redemption on the ground that it had consolidated its titles over the lots. The Provincial Sheriff also denied the redemption on the ground that private respondents did not appear on the title to be the owners of the lots.

Private respondents filed a complaint to compel the bank to allow their redemption of the foreclosed lots. They alleged that the extra-judicial foreclosure was null and void for lack of valid notice and demand upon them. They further argued that they were entitled to redeem the foreclosed lots because they offered to redeem and tendered the redemption price before October 16, 1981, the deadline of the 2-year redemption period.

The bank opposed the redemption, contending that the private respondents had no right to redeem the lots because they were not the real parties in interest; that at the time they offered to redeem on September 23, 1981, the right to redeem had

prescribed, as more than one year had elapsed from the registration of the Certificate of Sale on October 16, 1979; that there was no need of personal notice to them because under Section 3 of Act 3135, only the posting of notice of sale at three public places of the municipality where the properties are located was required.<sup>[1]</sup>

After trial on the merits, the lower court ruled in favor of herein private respondents and against the petitioner, thus:

"WHEREFORE, in view of the foregoing, the Court renders judgment in favor of the plaintiffs and against the defendants, to wit:

(a) Ordering the defendant Ibaan Rural Bank Inc., and Provincial Sheriff of Batangas for the redemption of the foreclosed properties covered by Transfer Certificate of Title Nos. T-33206, T-33207 and T-33208 of the Registry of Deeds, Lipa City by the plaintiffs by paying the mortgaged obligation.

(b) Ordering the Provincial Sheriff of Batangas to cancel the Transfer Certificate of Titles issued to defendant Ibaan Rural Bank, Inc. and its successors-in-interest and to issue the corresponding Transfer of Certificate of Titles to plaintiffs upon payment of the required legal fees.

(c) Ordering the defendant Ibaan Rural Bank, Inc., to pay plaintiffs moral damages in the amount of P200,000.00, and attorney's fees in the sum of P20,000.00.

All other claims not having been duly proved are ordered DISMISSED.

Without pronouncement as to costs.

SO ORDERED".<sup>[2]</sup>

On appeal, the Court of Appeals affirmed with modification the decision of the lower court. The dispositive portion of the CA decision reads:

"WHEREFORE, the decision appealed from is hereby AFFIRMED with the following modifications:

1. The register of Deeds of Lipa City is hereby ordered to cancel the Certificate of Titles issued to defendant Ibaan Rural Bank, Inc. and its successor-in-interest and to issue the corresponding Transfer Certificate of Title to plaintiffs-appellees upon proper redemption of the properties and payment of the required legal fees.

2. Defendant Ibaan Rural bank, is hereby ordered to pay to plaintiffs the amount of P15,000.00 as attorney's fees.

3. The moral damages awarded in favor of plaintiffs is hereby ordered deleted.

SO ORDERED".<sup>[3]</sup>