

## FIRST DIVISION

[ G.R. No. 231913, January 15, 2020 ]

### **SAMUEL ANG AND FONTAINE BLEAU FINANCE AND REALTY CORPORATION, PETITIONER, VS. CRISTETA ABALDONADO, RESPONDENT.**

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

#### **REYES, J. JR., J.:**

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the July 28, 2016 Decision<sup>[1]</sup> and April 20, 2017 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 05150, which reversed and set aside the September 26, 2013 Decision<sup>[3]</sup> of the Regional Trial Court, Branch 35, Iloilo City (RTC).

On August 27, 1998, respondent Cristeta Abaldonado (Abaldonado) obtained a P700,000.00 loan from petitioner Samuel Ang (Ang). The loan was subject to a compounded interest rate of four percent per month, with another four percent compounded interest as penalty in case of delay in the payment of the obligation.<sup>[4]</sup> The loan was secured by a Real Estate Mortgage<sup>[5]</sup> (REM) over Lot 334-C registered in Abaldonado's name under Transfer Certificate of Title (TCT) No. T-125491.

Unfortunately, Abaldonado failed to pay several installments of the loan. Thus, on July 18, 2001, she received a Demand Letter<sup>[6]</sup> from Ang requiring her to pay her total indebtedness amounting to P2,543,807.64, otherwise, he would be constrained to initiate foreclosure proceedings. Ang's demand fell on deaf ears and he was constrained to file a Petition for Extrajudicial Foreclosure of REM on August 16, 2002.

However, the intended foreclosure proceedings did not push through due to a case filed by Abaldonado's children against her and Ang. The said case sought to nullify the Extrajudicial Adjudication with Waiver of Rights allegedly executed by Abaldonado's children as well as the REM between Ang and Abaldonado. Abaldonado's children claimed that as a result of their mother's forgery of the waiver of interest, she made it appear that they were surrendering their right to the subject property they inherited from their deceased father in her favor. Nevertheless, the case filed by Abaldonado's children was eventually dismissed without prejudice for lack of interest.<sup>[7]</sup>

Subsequently, on December 1, 2005, Ang assigned his mortgage rights to petitioner Fontaine Bleau Finance and Realty Corporation (Fontaine Bleau), a domestic corporation of which Ang is the president. Another Petition for Extrajudicial Foreclosure was filed this time by Fontaine Bleau as the assignee of the REM. On March 28, 2006, a public bidding for the mortgaged property was conducted where Fontaine Bleau emerged as the winning bidder. On June 18, 2007 a Final Deed of

Sale was executed in its favor and it was able to consolidate its title to the property - TCT No. T-161718 was issued in its name on October 2, 2007.<sup>[8]</sup>

On June 18, 2010, Abaldonado filed a Complaint for Declaration of Nullity of Foreclosure Proceedings, Annulment of Interest Rate, Accounting and Damages against petitioners. She lamented that the interest rate under the REM was unconscionable and iniquitous. Abaldonado asserted that the debt should be deemed as without such interest stipulation, and the REM and the subsequent foreclosure proceeding should be declared void *ab initio*.

#### *RTC Decision*

In its September 26, 2013 Decision, the RTC dismissed Abaldonado's complaint. The trial court ruled that the stipulated interest and penalty in the REM must be equitably reduced for being excessive, iniquitous and unconscionable. It, however, explained that the nullity of the interest and its reduction do not affect the terms of the REM, and that the REM between Abaldonado and Fontaine Bleau and the foreclosure proceedings are left unaffected.

Nevertheless, the RTC found that Abaldonado was guilty of laches because she slept on her right when she failed to raise at the earliest opportunity the validity of the REM and of the stipulated interest. The trial court observed that Abaldonado questioned the loan and the REM only after twelve years from its execution, almost eleven years from the notice of demand, and almost six years from the initiation of the foreclosure proceedings. It opined that Abaldonado could have assailed the interest or filed an action to annul the REM from the moment she received the demand letter or when Fontaine Bleau had commenced the foreclosure proceedings. The RTC added that Abaldonado could have also questioned the loan and the REM in the case filed against her by her children. The trial court highlighted that while petitioners tried to amicably settle the matter, Abaldonado failed to take specific steps to challenge the exorbitant stipulated interest. The RTC disposed:

WHEREFORE, in view of the foregoing considerations, the complaint is hereby DISMISSED. For the failure of the defendants to support their counterclaim, the same is likewise ordered dismissed.

SO ORDERED.<sup>[9]</sup>

Aggrieved, petitioners appealed to the CA.

#### *CA Decision*

In its July 28, 2016 Decision, the CA reversed and set aside the RTC decision. The appellate court agreed with Abaldonado that the four percent interest and penalty were iniquitous and unconscionable. It, however, clarified that in usurious loans, the entire obligation does not become void as the unpaid principal debt remains valid with only the stipulation on the interest rate void. The CA further explained that the foreclosure proceedings were null and void because the usurious interest and penalty imposed on the obligation prevented Abaldonado from settling her debt at the correct amount without the iniquitous interest. The appellate court expounded that as a consequence of the nullity of the foreclosure proceedings, the ensuing registration of the foreclosure sale cannot transfer any rights or vest title over the mortgaged property to Fontaine Bleau. It, however, stressed that this was without prejudice to Fontaine Bleau's right to recover the principal loan with the appropriate

interest and to initiate all appropriate actions against Abaldonado in the event of her failure to pay the same.

Further, the CA disagreed that Abaldonado's complaint should be dismissed on account of laches. The appellate court elaborated that not all elements of laches were present highlighting that according to Ang's testimony itself, Abaldonado exerted many efforts to settle or redeem her property after the institution of the foreclosure proceedings. In addition, it pointed out that the element of injury was lacking considering that petitioners failed to prove any injury they would suffer if Abaldonado's action for nullification of foreclosure proceedings is not dismissed. Thus, it ruled:

WHEREFORE, the appeal is GRANTED. The Decision of the Regional Trial Court, Branch 35, Iloilo City, in Civil Case No. 10-30556, dated September 26, 2013, is SET ASIDE. Judgment is hereby rendered, as follows:

1. The extrajudicial foreclosure and auction sale on Lot No. 334-C that was held on March 28, 2006 is VOID;
2. The Certificate of Sale elated March 28, 2006, Final Deed of Sale dated June 18, 2007, and TCT No. T-161718, all issued in the name of Fontaine Bleau Finance and Realty Corporation, are ANNULLED. TCT No. T-125491 in the name of Cristeta Abaldonado is ORDERED REINSTATED;
3. The interest rate and penalty interests stipulated in the Real Estate Mortgage between Cristeta Abaldonado and Samuel Ang dated August 27, 1998, is VOID for being iniquitous and unconscionable. The obligation secured by the Real Estate Mortgage shall, instead, be subject to the legal interest rate of 6% per annum from July 18, 2001 until its full satisfaction;
4. This case is ordered REMANDED to the Regional Trial Court, Branch 35, Iloilo City, for proper accounting and computation, taking into consideration the foregoing dispositions; [and]
5. Cristeta Abaldonado is ORDERED to pay Fontaine Bleau Finance and Realty Corporation the amount of the recomputed obligation, within 60 days from the finality of this decision; otherwise, she shall be considered in default, and Fontaine Bleau Finance and Realty Corporation may initiate against her the appropriate action/s for a defaulted debtor.

The trial court is ORDERED to proceed with the above directives with dispatch.

SO ORDERED.<sup>[10]</sup>

Unsatisfied, petitioners moved for reconsideration but it was denied by the CA in its April 20, 2017 resolution.

Hence, this present Petition raising:

### **Issues**

WHETHER OR NOT THE COURT OF APPEALS ERRED IN FINDING THAT THE ALLEGED EFFORTS OF PRIVATE RESPONDENT CRISTETA ABALDONADO TO AMICABLY SETTLE HER UNPAID OBLIGATIONS TO THE PETITIONERS NEGATED THE EXISTENCE OF LACHES, AND, CONSEQUENTLY, DECLARING THE AUCTION SALE ON LOT 344-C HELD ON MARCH 28, 2006 AS VOID, WHEN SUCH FINDINGS ARE PREMISED ON THE ABSENCE OF EVIDENCE BUT CONTRADICTED BY THE EVIDENCE ON RECORD[;]

## II

WHETHER OR NOT THE PRIVATE RESPONDENT CRISTETA ABALDONADO HAS FORECLOSED ON HER RIGHT TO REDEEM OR RE-ACQUIRE LOT NO. 344-C BECAUSE OF HER FAILURE TO VALIDLY TENDER THE REDEMPTION PRICE PRIOR TO THE EXPIRATION OF THE PERIOD TO DO SO, AND, IF THE COURT OF APPEALS ERRED IN FAILING TO CONSIDER THE RELEVANCE OF THIS FACT WHICH, IF PROPERLY APPRECIATED, WOULD JUSTIFY A DIFFERENT CONCLUSION[; AND]

## III

WHETHER OR NOT THE COURT OF APPEALS ERRED IN IMPOSING THE INTEREST RATE OF SIX PERCENT (6%) PER ANNUM FROM JULY 28, 2001 UNTIL ITS FULL SATISFACTION AND WITHOUT IMPUTING PENALTY CHARGES BY WAY OF LIQUIDATED DAMAGES, FAILING TO TAKE INTO ACCOUNT THAT THE LOAN WAS OBTAINED ON AUGUST 27, 1998 BY PRIVATE RESPONDENT CRISTETA ABALDONADO WHO ADMITTEDLY INCURRED DELAY IN THE PAYMENT OF HER LOAN OBLIGATIONS TO THE PETITIONERS[.]<sup>[11]</sup>

Petitioners argue that the CA misappreciated Ang's testimony in concluding that Abaldonado had exerted efforts to settle her debt. They clarify that based on Ang's testimony, it was he who repeatedly offered to Abaldonado's children the chance to redeem the property and that Abaldonado had not participated in any attempt to amicably settle the loan obligation. Petitioners assail that Abaldonado had foreclosed her right to redeem the mortgaged property on account of her failure to tender the redemption price or to file the corresponding legal action to fix the redemption price. They insist that Abaldonado should have opposed the public auction or consigned the redemption price to establish her good faith in redeeming the property and then simultaneously file a case to fix the redemption price. On the other hand, petitioners lament that the CA erred in imposing an interest rate of six percent commencing on July 18, 2001 because the prevailing legal interest rate at the time the parties entered into the loan was twelve percent. They likewise assert that penalty charges, by way of liquidated damages, should be imposed on account of Abaldonado's neglect and delay in the payment of her loan obligations.

In her Comment<sup>[12]</sup> dated July 31, 2018, Abaldonado countered that petitioners' petition for review on *certiorari* should be denied as it raises questions of fact. She averred that the findings of the CA are supported by evidence and that it correctly ruled that laches was inapplicable in the present controversy. Abaldonado also claimed that she has not foreclosed the right to redeem the mortgaged property as she was not given the opportunity to settle her debt at the correct amount in view of the usurious interest imposed. Finally, she posited that the CA correctly reduced the

usurious interest to six percent per annum reckoned from July 18, 2001 until the satisfaction of the loan.

In their Reply<sup>[13]</sup> dated January 7, 2019, petitioners stated that the present petition falls under the exceptions to the rule that only questions of law may be raised in petitions for review on *certiorari*. They highlighted that findings of the CA that Abaldonado had exerted efforts to settle her claim was against the evidence on record. Petitioners reiterated that Abaldonado had foreclosed her right to redeem the property and that the CA erred in reckoning the six percent interest rate from July 18, 2001.

### **The Court's Ruling**

The petition is meritorious.

As a general rule, only questions of law may be entertained in petitions for review on *certiorari* under Rule 45 of the Rules of Court.<sup>[14]</sup> In *Far Eastern Surety and Insurance Co., Inc. v. People*,<sup>[15]</sup> the Court differentiated questions of law from questions of fact, to wit:

A question of law arises when there is doubt as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. For a question to be one of law, its resolution must not involve an examination of the probative value of the evidence presented by the litigants, but must rely solely on what the law provides on the given set of facts. **If the facts are disputed or if the issues require an examination of the evidence, the question posed is one of fact.** The test, therefore, is not the appellation given to a question by the party raising it, but whether the appellate court can resolve the issue without examining or evaluating the evidence, in which case, it is a question of law; otherwise, it is a question of fact. (Emphasis supplied)

However, the said rule admits of several exceptions where questions of fact may be raised in the said petition. The Court takes cognizance of questions of fact in the following scenarios:

- (1) When the conclusion is a finding grounded entirely on speculation, surmises, or conjectures;
- (2) When the inference made is manifestly mistaken, absurd or impossible;
- (3) Where there is a grave abuse of discretion;
- (4) When the judgment is based on a misapprehension of facts;
- (5) When the findings of fact are conflicting;
- (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee;
- (7) The findings of the Court of Appeals are contrary to those of the trial court;
- (8) When the findings of fact are conclusions without citation of specific evidence on which they are based;
- (9) When the facts set forth in the petition as well as in the