

## THIRD DIVISION

[ G.R. No. 214939, June 08, 2020 ]

**BPI FAMILY SAVINGS BANK, INC., PETITIONER, vs. SPOUSES  
JACINTO SERVO SORIANO AND ROSITA FERNANDEZ SORIANO  
AS REPRESENTED BY THEIR ATTORNEY-IN-FACT, GLORIA  
SORIANO CRUZ, RESPONDENTS.**

### D E C I S I O N

**GAERLAN, J.:**

This is a Petition for Review on *Certiorari* assailing the January 28, 2014 Decision<sup>[1]</sup> and September 17, 2014 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 100039, which modified the decision of the Regional Trial Court (RTC) of Baguio City in a case for annulment of sale and reconveyance of certificate of title.

The facts, as summarized by the appellate court, are as follows:

Jacinto Servo Soriano and Rosita Fernandez Soriano (the spouses Soriano) owned two parcels of land in Chapis Village, Baguio City.<sup>[3]</sup> One parcel is one thousand four hundred and ninety-two square meters in area with a fair market value of Six Hundred Twenty-Six Thousand Six Hundred Forty Pesos (P626,640.00) and covered by TCT No. 85840 (previously TCT No. T-14467); while the other parcel is one thousand twenty one square meters, more or less, with a fair market value of Four Hundred Twenty-Eight Thousand Eight Hundred Twenty Pesos (P428,820.00); and covered by TCT No. 87113 (previously TCT No. T-14466).<sup>[4]</sup>

On April 21, 2004, Rey Viado (Viado) caused the execution of an Affidavit of Loss purportedly by the spouses Soriano, forged their signatures and caused the annotation of the said Affidavit on TCT Nos. T-14466 and T-14467.<sup>[5]</sup> Still using forged signatures of the spouses Soriano, Viado then caused the execution of a Special Power of Attorney, paving the way for the filing of a petition seeking a re-issuance of Owner's Duplicate Copies of Transfer Certificates of Title Nos. T-14466 and T-14467 before the Baguio City RTC, which granted the petition.<sup>[6]</sup> The Baguio City RTC declared the Owner's Duplicate Copies of TCT Nos. T-14466 and T-14467 to be legally lost and of no force and effect and ordered the Register of Deeds of Baguio City to issue new titles in lieu of the lost ones.<sup>[7]</sup>

Essentially, Viado, together with several other persons, used the reissued TCTs to secure loans from one Maria Luzviminda Patimo (Patimo) and petitioner BPI Family Bank (BPI Family). A more detailed account of the events is presented in the RTC Decision as follows:

In Civil Case No. 6210-R, plaintiffs alleged in their Amended Complaint that defendant Jessica Jose in confabulation with Viado executed a deed

of conveyance entitled 'Acknowledgment of Trust', making it appear that the plaintiffs executed the same and that the land covered by TCT No. T-14467 was acquired by the plaintiffs through the funds of Jose and the same way was only held in trust by them in favor of Jose as the legal owner. On March 22, 2005, TCT No. T-14467 was transferred and registered in the name of Jose under TCT No. T-85840 of the Register of Deeds in Baguio City. On March 31, 2005, Jose filed a petition with the Register of Deeds cancelling the liabilities imposed by Section 4, Rule 74 of the Rules of Court. On January 11, 2006, Attorney-in-fact, Gloria Cruz went to pay the realty taxes of TCT No. T-14467, but to her surprise she was informed that the said property has been transferred to Jose, now covered by TCT No. T-85840. At the time of the filing of the original complaint on January 24, 2006, there was no annotation on TCT No. T-85840 involving the mortgage lien in favor of Maria Luzviminda Patimo, which was annotated only on March 21, 2006, and the Sheriffs Certificate of Sale was annotated only on September 11, 2006. Hence, plaintiffs filed an amended complaint impleading Maria Luzviminda Patimo as additional defendant in Civil Case No. 6210-R. In this case, plaintiffs prayed that the abovementioned Acknowledgment of Trust be declared void and that the Court order the reconveyance of TCT No. T-85840 in the name of plaintiffs and award damages, attorney's fees and costs of litigation.

In Civil Case No. 6211-R, plaintiffs asserted that on July 20, 2005, defendant Vanessa P. Hufana secured a loan with defendant BPI Family Savings Bank, Inc. in the amount of Two Million Pesos. BPI through the negligence of its loan officer, failed to make a thorough background investigation of the person of its client, Hufana and the documents used by the latter as collateral to the loan extended by the bank, and further allowed the use of a forged deed of conveyance resulting to the fraudulent registration of TCT No. 87113 in the name of its client, Hufana. This is especially made obvious by the fact that a forged Special Power of Attorney was used in the Deed of Absolute Sale to convey the said property to Hufana after the issuance of a reconstituted title through a series of calculated fraudulent acts perpetuated by Viado and Hufana without so much ascertaining to the truth with respect to the identity of the persons of the immediate transferors of the property subject of loan with mortgage. On July 21, 2006, through a forged Deed of Absolute Sale, TCT No. T-14466 was conveyed to Hufana. On January 2006, Attorney-in-Fact Gloria Cruz went to pay the realty taxes of TCT No. T-14466 but to her surprise she was informed that the taxes of the said property has been duly paid and that the said property was transferred to Hufana and is now under TCT No. 87113. Gloria Cruz immediately went to verify the records at the Register of Deeds of Baguio City and upon confirming the fraudulent transfer; she hired the services of counsel and caused the annotation of an Adverse Claim dated January 13, 2006 on TCT No. 87113 and filed the instant case to vindicate and protect plaintiffs rights.

Defendant Viado filed his Answer in the above-entitled cases. In both cases he admits the fact relating to the filing of the Petition for the Issuance of new owner's copies of TCT No. T-14466 and 14467, but denies having caused the execution of a special power of attorney for and

in behalf of the owners. He asserted that it was Marilou Soriano who handed to him a prepared petition with annexes thereon for him to sign and thereafter for her retained counsel to file in court. This arrangement was explained by Marilou Soriano and Viado has agreed only when Marilou Soriano presented to him plaintiff Jacinto Soriano, then on a wheel chair, whom she introduced as his father. Likewise Viado agreed to help in reconstituting the missing titles for a fee of P80,000.00. Viado claims that he was just named in the Special Power of Attorney which was already notarized and attached to the Petition, x x x.

After summons by publication, defendants Jose in Civil Case No. 6210-R and Hufana in Civil Case No. 6211-R failed to file their respective answers. Upon motion by plaintiffs, Jose and Hufana were declared in default on January 21, 2008.

In its Answer in Civil Case No. 6211-R, duly filed on time, BPI admits paragraphs 1 and 8 of the Complaint and denies the rest of the material allegations in the Complaint. Paragraph 7, pertains to the plaintiffs assertion that the Petition for the issuance of new owner's duplicate copy of TCT Nos. T-14466 and T-14467 has been granted and that an Order was issued declaring that the owner's copy of the foregoing titles have been lost and no force and effect. Paragraph 8 refers to the asseveration that Hufana secured a loan of TCT No. 14466 with BPI in the amount of Two Million Pesos. By way of affirmative defenses. BPI slates that it has dealt with Hufana in full good faith, and as such, it is a mortgagee in good faith entitled to the protection under the law. Further, it states that it is not required to go beyond the four comers of Hufana's title, which on its face shows no defect. The loan documents are notarized documents which, under the law, are entitled to strong presumption of regularity and validity.

x x x x

Upon motion of plaintiffs duly granted by the court, an Amended Complaint was filed by the plaintiffs impleading Maria Luzviminda Patimo as defendant in Civil Case No. 6210-R.

In its Answer to the Amended Complaint, defendant Patimo denies the material allegations in the Amended Complaint. As Special and Affirmative Defenses, Patimo alleged that as early as September 2005, she was approached by defendant Jose who asked for a loan and offered as collateral TCT No. 85840. Before entering the said loan application of Jose, Patimo went to verify and check the above-stated title with the Register of Deeds of Baguio City. Satisfied that there no encumbrance or other liens on the title offered by Jose, Patimo granted the loan applied for by Jose in the amount of One Million Peso. The said loan was secured by a real estate mortgage over the TCT No. 85840.<sup>[8]</sup>

After due proceedings, the Branch 60 of the Baguio City RTC rendered a Decision on July 19, 2011,<sup>[9]</sup> which disposed of the case as follows:

**WHEREFORE**, all premises duly considered, the court renders judgment as follows:

In Civil Case No. 6210-R, the case is hereby dismissed as to defendant Patimo for lack of merit. As of defendants Jose and Viado, they are hereby ordered to solidarity pay the plaintiffs the amount of one million pesos as and by way of actual damages; three hundred thousand pesos by way of moral damages; two hundred thousand pesos as and by way of exemplary damages; and twenty five [sic] thousand pesos as attorney's fees and to pay the cost of the suit.

In Civil Case No. 6211-R, the court hereby dismisses the case as to defendant BPI Family Bank for lack of merit. Defendants Viado and Hufana are hereby ordered to solidarity pay the plaintiffs the amount of two million pesos as and by way of actual damages; three hundred thousand pesos by way of moral damages; two hundred thousand pesos as exemplary damages; twenty five [sic] thousand pesos as attorney's fees and to pay the cost of the suit. In addition, both Civil Case No. 6210-R and 6211-R, defendants Jose, Viado and Hufana are ordered to solidarity pay the plaintiffs the amount of Php164, 911.69, as by way of actual damages.

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

The RTC found that the signatures of the spouses Soriano in the Special Power of Attorney and Affidavit of Loss used by Viado in obtaining reconstitution of TCT Nos. T-14466 and T-14467, as well as those in the Acknowledgment of Trust and in the Deed of Absolute Sale used by Viado and Hufana in causing the transfer of TCT Nos. T-14466 and T-14467 and the issuance of new TCTs in their names were all forgeries.<sup>[11]</sup> Consequently, the RTC held that such subsequent TCTs, including the one presented by Hufana to BPI Family, are null and void as well. Nevertheless, the RTC held that Patimo and BPI Family dealt with the fraudulently acquired properties in good faith.<sup>[12]</sup>

The spouses Soriano moved for reconsideration of the RTC Decision insofar as it dismissed the cases against Patimo and BPI Family, which the trial court denied in an Order dated April 20, 2012. The spouses Soriano appealed to the CA.

Resolving the question of whether Patimo and BPI Family were mortgagees in good faith, the CA partially reversed the RTC Decision and reinstated the spouses Soriano's copy of TCT No. T-14466. The appellate court disposed thus:

**WHEREFORE**, in view of the foregoing premises, the appeal filed in this case by plaintiffs-appellants Spouses Jacinto Servo Soriano and Rosita Fernandez Soriano, as represented by their attorney-in-fact, Gloria Soriano Cruz, is hereby **PARTIALLY GRANTED** by modifying the July 19, 2011 Decision of the Regional Trial Court, Branch 60, Baguio City in Civil Case No. 6211-R as to defendant-appellee BPI Family Savings Bank in that the Transfer Certificate of Title No. T-87113 of the Registry of Deeds for the City of Baguio and Mortgage Loan Agreement with BPI Family Savings Bank dated July 25, 2005 are hereby declared null and void. The Register of Deeds in Baguio City is hereby **DIRECTED** to cancel

all liens and encumbrances annotated on the original copy of TCT No. T-14466 and **REINSTATE** the Owner's Duplicate Copy of TCT No. T-14466. Likewise, the defendant-appellee BPI Family Savings Bank is hereby ordered to solidarily pay to the plaintiffs-appellants in accordance with the July 19, 2011 Decision of the Regional Trial Court. The Decision of the Regional Trial Court, Branch 60, in Baguio City, in Civil Cases Nos. 6210-R and 6211-R as to other defendants-appellees are hereby **AFFIRMED**.

**SO ORDERED.**<sup>[13]</sup>

The appellate court, on one hand, found Patimo a mortgagee in good faith as she exercised the proper diligence required of her as an experienced financier. Moreover, she verified the TCT presented to her with the Baguio City Register of Deeds and conducted an ocular inspection of the land covered thereby. On the other hand, BPI Family was not considered a mortgagee in good faith because it failed to exercise the proper diligence expected from a banking institution, on the basis of the following findings:

x x x Notably, when [Hufana] applied for a loan with BPI [Family], she presented TCT No. 14466 which was then under the name of the plaintiffs-appellants. Since the person applying for the loan is other than the registered owner of the real property being mortgaged, BPI should have already raised a red flag and which should have induced it to make inquiries into and confirm Hufana's authority to mortgage the said x x x purported property [of hers]. However, instead of conducting further investigation, [BPI Family] simply required Hufana to transfer the title to the latter's name to avail of the loan. A person who deliberately ignores a significant fact that could create suspicion in an otherwise reasonable person is not an innocent purchaser for value. Indeed, [BPI Family] should not have simply relied on the face of the documents submitted by Hufana, as its undertaking to lend a considerable amount of money required of it a greater degree of diligence. x x x

x x x x

[BPI Family] asserted that, when Hufana secured the loan application, she presented TCT No. T-14466. The bank admitted that it did not inquire anymore as to the status of the subject lot because, according to [BPI Family], it is the responsibility of the borrower to verify the same. Accordingly, the loan of defendant-appellee was approved on July 18, 2005 and the proceeds thereof were released to Hufana on July 28, 2005, purportedly after the latter had already presented TCT No. T-87113, which was already under Hufana's name.

Verily, it is worthy to note that TCT No. T-87113 was issued only on July 25, 2005, while the loan application of Hufana and the Mortgage Agreement were executed on July 20, 2005. Notably, prior to the approval of the loan and the execution of the Mortgage Agreement between [BPI Family] and Hufana, TCT No. T-87113 was not yet in existence. It appeared that the loan was completely processed while the collateral was still in the name of the plaintiffs-appellants.<sup>[14]</sup>