

## SECOND DIVISION

[ G.R. No. 243296, July 29, 2020 ]

**CEFERINO BAUTISTA (SUBSTITUTED BY HIS SON AND LEGAL REPRESENTATIVE, PHILIP DE VERA BAUTISTA), FELISA BAUTISTA, AND NEHEMIAS BAUTISTA, PETITIONERS, VS. SPOUSES FRANCIS AND MINDA BALOLONG, METROPOLITAN BANK AND TRUST COMPANY, AND THE REGISTER OF DEEDS, LINGAYEN, PANGASINAN, RESPONDENTS.**

### DECISION

**DELOS SANTOS, J.:**

#### The Case

Before the Court is a Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court assailing the Decision<sup>[2]</sup> dated June 7, 2018 and the Resolution<sup>[3]</sup> dated November 12, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 108449, which affirmed *in toto* the Decision<sup>[4]</sup> of the Regional Trial Court (RTC) of San Carlos City, Pangasinan, Branch 56, in finding respondent Metropolitan Bank and Trust Company (Metrobank) a mortgagee in good faith.

#### Facts and Procedural Antecedents

The present case originated from a Complaint<sup>[5]</sup> for cancellation of title/declaration of nullity of title, declaration of nullity of mortgage and damages, with prayer for writ of preliminary injunction filed by Spouses Ceferino and Felisa Bautista (Spouses Bautista), and their son Nehemias Bautista (Nehemias; collectively, petitioners), against respondents Spouses Francis Balolong (Francis) and Minda Balolong y Bautista (Minda; collectively, Spouses Balolong), Metrobank, and the Register of Deeds of Lingayen, Pangasinan before the RTC.

Spouses Bautista were the registered owners of two (2) parcels of land situated in Lingayen, Pangasinan covered by Transfer Certificate of Title (TCT) Nos. 139362<sup>[6]</sup> and 163938.<sup>[7]</sup>

Sometime in the 1980s, Spouses Bautista and their son Nehemias migrated to Canada leaving the subject properties to the care of their daughter, Minda. Later, Minda married co-respondent Francis and they built their home on the subject properties.

On June 17, 2003, Spouses Bautista's other son, Philip, who was based in Marikina City, received a call from a Metrobank branch manager informing him that the property, which was mortgaged by Minda to the bank was due for foreclosure.<sup>[8]</sup>

Upon investigation by petitioners, TCT Nos. 139362 and 163938 under the name of Spouses Bautista were cancelled and the subject parcels of land were subdivided into the following: (1) Lot 1 covered by TCT No. 262244<sup>[9]</sup> in the name of respondents Minda and Francis; (2) Lot 2 covered by TCT No. 262245<sup>[10]</sup> in the name of William Bautista (Minda's brother); and (3) Lot 3 covered by TCT No. 262246<sup>[11]</sup> in the name of Nehemias.<sup>[12]</sup> Minda and Francis obtained a P1,500,000.00 loan from Metrobank secured by a mortgage on Lot 1.

Petitioners then filed a complaint before the RTC to stop the foreclosure of Lot 1. They alleged that Minda and Francis, through fraud and forgery, made it appear that Spouses Bautista sold Lot 1 to them. Spouses Bautista belied the execution of the Deed of Absolute Sale<sup>[13]</sup> dated March 9, 2002 and submitted proof that they were in Canada at that time.

Minda, on her part, denied any participation in the fraud and forgery committed by her husband Francis. Minda further claimed that her husband made her sign the mortgage under the belief that they were for a chattel mortgage of their vehicle and that her signatures appearing on the promissory notes and mortgage are forgeries.<sup>[14]</sup>

Francis did not file an answer so the RTC declared him in default.

Metrobank, however, insisted that they are a mortgagee in good faith. They conducted due diligence and approved the loan based on Spouses Balolong's capacity to pay the loan and on the identity of the subject property offered as a collateral. The bank has examined the Certificate of Title and found no defect on the title nor a reason to believe that there was fraud involved.<sup>[15]</sup>

### **The Ruling of the RTC**

The RTC declared that the questioned Deed of Absolute Sale allegedly executed by Spouses Bautista was void and that their signatures thereon were forgeries. The falsity of the sale was also proven beyond reasonable doubt when Francis was charged with and convicted for the crime of Falsification of Public Documents by the Municipal Trial Court in Cities (MTCC)<sup>[16]</sup> of San Carlos City in Criminal Case No. 7874 pertaining to the subject Deed of Absolute Sale. However, the RTC deemed Metrobank as a mortgagee in good faith. Metrobank exercised due diligence in its dealing with Francis with respect to the subject mortgaged property. The ocular inspection of the bank on the subject property and its verification of title in the Register of Deeds showed no indicia of suspicion. The RTC dismissed the case with respect to Minda and declared that only Francis is liable to petitioners and he should be made liable for his manifest fraudulent acts to petitioners based on the principle that no person shall enrich himself on the expense of another and also for damages.<sup>[17]</sup>

The *fallo* of the RTC Decision reads as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

1. DISMISSING the case with respect to defendant Minda Balolong and defendant Metrobank[;]

2. DECLARING the Real Estate Mortgage and TCT No. 262244 in the name of defendants spouses Francis and Minda Balolong that was used as collateral in the real estate mortgage to be valid[,], binding[,], and effective on the ground of the principle of innocent mortgagee or buyer in good faith applicable to the defendant bank[;]
3. DECLARING TCT No. 262245 in the name of William Bautista as null and void;
4. DECLARING TCT No. 262246 in the name of plaintiff Nehemias Bautista as null and void;
5. ORDERING defendant Francis Balolong to pay the plaintiffs spouses Bautista an amount equivalent to the principal amount of the loan, which is Php1,500,000.00 as well as legal interest therein;
6. ORDERING defendant Francis Balolong to pay the plaintiffs spouses Php50,000.00 as moral damages, Php50,000.00 as exemplary damages[,], and Php50,000.00 as attorney's fees.

SO ORDERED.<sup>[18]</sup>

Aggrieved, petitioners appealed the case before the CA asserting that the RTC erred in dismissing the case against Minda and Metrobank. Petitioners argued that the RTC erred in declaring the Real Estate Mortgage<sup>[19]</sup> and TCT No. 262244 under the name of Spouses Balolong on the ground of the principle of mortgagee in good faith applicable to Metrobank.

### **The Ruling of the CA**

The CA affirmed the findings of the RTC *in toto*. The CA held that despite its finding that the Deed of Absolute Sale dated March 9, 2002 was void, the RTC correctly upheld the validity of the mortgaged property (Lot 1) and its foreclosure with Metrobank. Unlike ordinary mortgagees, banks are required to exercise a higher degree of care when dealing with registered lands. The CA opined that Metrobank had conducted the necessary due diligence in dealing with the property mortgaged to secure the loan of Francis and Minda. Metrobank was able to present sufficient evidence that the mortgage contract emanated from a valid and regular transaction, and that no fraud can be attributed to it in approving the real estate mortgage and in foreclosing it. The CA further held that the RTC properly ordered Francis to pay petitioners P1,500,000.00 by way of actual damages, in addition to moral damages, exemplary damages, and attorney's fees in the total amount of P150,000.00.<sup>[20]</sup>

The CA denied the motion for its reconsideration,<sup>[21]</sup> thus prompting petitioners to take recourse to this Court.

### **Issues**

I.

Whether the CA committed serious and reversible error in ruling that Metrobank is a mortgagee in good faith.

## II.

Whether the CA committed serious and reversible error in upholding the validity of the mortgage constituted over the subject property, as well as the foreclosure thereof, under the principle of mortgagee in good faith.

### **Our Ruling**

A petition for review on *certiorari* shall only raise questions of law. At the outset, the Court notes that the issue on whether Metrobank is a mortgagee in good faith generally cannot be entertained in a petition under Rule 45 since the ascertainment of good faith or lack thereof is a factual matter. The Court is not a trier of facts and is not into re-examination and re-evaluation of testimonial and documentary evidence on record. Though this rule admits of some exceptions,<sup>[22]</sup> none is present in the case at bench.

Herein petitioners submit that the CA committed reversible error in affirming the Decision of the RTC that Metrobank is a mortgagee in good faith despite the lack of evidence on record to prove that it has exercised extraordinary diligence before approving the loan and mortgage contract. Petitioners further asseverate that other than the lone testimony of Marlon Magali (Magali), Branch Manager of Metrobank San Carlos City Branch, that he conducted credit investigation and ocular inspection over the subject property, Metrobank failed to present any credit investigation report, ocular inspection report or any document which would prove that the branch manager personally conducted neighborhood checking.

On the other hand, both the RTC and the CA ascertained good faith on the part of Metrobank. In its assailed Decision, the CA concurred with the RTC that Metrobank conducted the necessary due diligence in dealing with the property mortgaged to secure the loan of Spouses Balolong and that there was sufficient evidence to prove that the mortgage contract emanated from a valid and regular transaction.

Procedurally, each party in a case is required to present his or her own affirmative assertions by the degree of evidence required by law. In civil cases, a preponderance of evidence is the required quantum of evidence. Preponderance of evidence means an evidence which is of greater weight, or more convincing than that which is offered in opposition to it.<sup>[23]</sup> Thus, while it is incumbent upon a plaintiff to prove his or her case, the respondent or defendant must also prove his or her own allegations or defenses.

It is the discretion of each party to present all evidence at his or her disposal as part of the procedural strategy to advance his or her case.

Now to the issue of sufficiency of evidence raised by petitioners, there is no rule which requires that for testimonial evidence to be convincing, it must be corroborated by documentary or object evidence. As long as the testimonial evidence meet the required evidentiary quantum and is sufficiently persuasive, it