

FIRST DIVISION

[G.R. No. 241981, December 02, 2020]

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS.
WEST NEGROS COLLEGE, INC., SUBSTITUTED BY V-2 SAC
MANAGEMENT AND DEVELOPMENT CORPORATION,
RESPONDENT.**

DECISION

ZALAMEDA, J.:

This is the third time that this case has been brought before this Court. All three (3) cases, the present one included, are entitled *Development Bank of the Philippines v. West Negros College* and raise the issue of the determination of the redemption price due to the Development Bank of the Philippines (DBP). The Decision in the first case, docketed as G.R. No. 152359, was promulgated on 28 October 2002,^[1] while the Resolution was promulgated on 21 May 2004.^[2] The Decision in the second case, docketed as G.R. No. 174103, was promulgated on 16 September 2008,^[3] while the Resolution was promulgated on 23 December 2008.^[4] The present action finds basis in our 23 December 2008 Resolution. We reiterate Our previous ruling that the redemption price for properties mortgaged with the DBP consists of the total indebtedness, plus contractual interest.

The Case

This is a petition for review on *certiorari*^[5] filed by the Development Bank of the Philippines (DBP) against West Negros College (WNC), which is now substituted by V-2 SAC Management and Development Corporation (V2). DBP seeks to annul and set aside the Resolutions of the Court of Appeals (CA) dated 14 March 2018^[6] and 04 September 2018^[7] in CA-G.R. CEB CV No. 38277.

In said Resolutions, the CA declared Php23,099,850.82, as the specific amount for the balance of the redemption price. It also declared that the 60-day grace period commences upon agreement of the parties, and an interest of 12% *per annum* imposed on the redemption price of Php23,099,850.82 during this grace period.

Antecedents

The facts below are based on the facts established in G.R. Nos. 152359 and 174103.

Bacolod Medical Center (BMC) obtained a loan of Php2.4 million from DBP on 12 December 1967. BMC's loan was secured by a mortgage on two parcels of land, Lot Nos. 1397-A and 1397-B-1 covered by Transfer Certificates of Title (TCT) Nos. T-25053 and T-29169, respectively, subject to the provisions of Republic Act No. (RA) 85 creating the Rehabilitation Finance Corporation (RFC). RFC is DBP's predecessor agency. WNC is BMC's successor-in-interest, while V-2 SAC Management and Development Corporation (V2) is WNC's successor-in-interest.

On 30 January 1989, DBP extrajudicially foreclosed BMC's mortgage due to its unpaid loan of Php32,526,133.62. At the public auction held on 24 August 1989, DBP bid Php4,090,117.36 and was the highest and only bidder. The certificate of sale was executed the next day, while the sale was registered in the Registry of Deeds on 11 July 1990.

Before the expiration of the redemption period on 11 July 1991, BMC and DBP-Bacolod entered into a provisional agreement, which was subject to the approval of DBP's head office. BMC and DBP-Bacolod set the redemption price at Php21,500,000.00 as compromise settlement of the outstanding account. BMC promised to make a 20% partial payment of Php4,000,000.00 on or before 31 August 1991, payable in three (3) separate payments. On 10 July 1991, while the 20% partial payment was in process, and without DBP's approval, BMC assigned to WNC its interests in the properties foreclosed by DBP as well as its right of redemption.

On 27 October 1991, DBP head office disapproved the provisional agreement between BMC and DBP-Bacolod. The compromise amount of Php21,500,000.00 was way below the Php28,895,500.00 re-appraised value of the foreclosed parcels of land as of 31 May 1991. Still on 27 October 1991, WNC demanded reduction of the redemption price from Php21,500,000.00 to Php12,768,432.90 because of alleged excessive interest charges.

WNC, on 08 November 1991, requested the Ex-Oficio Provincial Sheriff (Sheriff) to issue a Certificate of Redemption in its favor because it had already paid Php4,300,000.00. The Sheriff computed the redemption price according to Sec. 30, Rule 39 of the Rules of Court and Act No. 3135, and determined that WNC's payment of Php4,300,000.00 was short by Php358,128.58. WNC paid the deficit on 12 November 1991. The Sheriff notified DBP about WNC's request for redemption also on 8 November 1991 and requested surrender of the TCTs of the foreclosed properties.

On 14 November 1991, DBP filed its objection to the issuance of the certificate of redemption. DBP argued that, according to its charter, the redemption price must be based on payment of the amount owed as of the date of foreclosure sale with interest on the total indebtedness at the rate agreed upon in the obligation. Expectedly, DBP refused to surrender the TCTs. However, on 03 December 1991, possession of the foreclosed properties was vested on WNC. DBP caused the registration of its adverse claim on the foreclosed properties on 05 December 1991.

Then, WNC filed a complaint before Branch 50, Regional Trial Court (RTC) of Bacolod City asking for the surrender of the TCTs of the foreclosed properties pursuant to Section 30, Rule 39 of the Rules of Court and on Act 3135 on 10 December 1991. In the alternative, WNC prayed for the cancellation of the existing TCTs and the issuance of new ones in its favor. DBP opposed the cancellation and relied on the DBP charter. DBP also asked for the annotation of a notice of *lis pendens* on the TCTs.

The Bacolod City RTC ruled in favor of WNC. It cancelled DBP's titles and ordered the issuance of new titles in WNC's name. It also cancelled DBP's notice of *lis pendens* and denied DBP's motion for reconsideration.

On appeal, DBP asked the CA to determine whether redemption can take place even if WNC did not settle the total outstanding obligation of BMC with DBP. WNC

countered that it only had to pay the purchase price at the foreclosure sale, plus interests and other charges, to effect redemption of the foreclosed properties. The CA upheld WNC's argument and, subsequently, denied DBP's motion for reconsideration.

This Court ruled in favor of DBP in our Decision dated 28 October 2002 in G.R. 152359. We declared that when real property is mortgaged to and foreclosed by DBP, the right of redemption may be exercised only by paying to DBP "all the amount owed at the date of sale, with interest on the total indebtedness at the rate agreed upon in the obligation from the said date, unless the bidder has taken material possession of the property or unless this has been delivered to him, in which case the proceeds of the property shall compensate the interest."^[8] The dispositive portion of this decision reads:

WHEREFORE, the instant Petition for Review is GRANTED. The 7 August 2001 Decision and the 21 February 2002 Resolution of the Court of Appeals in CA-GR CV No. 38277 are REVERSED and SET ASIDE. The appealed Orders of RTC-Br. 50 in Cad. Case No. 2, GLRO CAD. REC. No. 55, dated 7 February 1992, 14 February 1992 and 28 April 1992, ordering petitioner Development Bank of the Philippines through the Ex-Officio Provincial Sheriff to surrender the transfer certificates of title covering the foreclosed parcels of land and, in case of the failure to turn them over, instructing the Register of Deeds to issue new transfer certificates of title for the foreclosed properties, as it did issue new transfer certificates of title designated as TCT Nos. T-165261 and T-165262 in the name of West Negros College; canceling the adverse claim and notice of *lis pendens* in favor of petitioner Development Bank of the Philippines; and denying the separate motions for reconsideration of petitioner Development Bank of the Philippines, are also REVERSED and SET ASIDE.

The Certificate of Redemption dated 13 November 1991 in favor of respondent West Negros College is DECLARED VOID AND OF NO EFFECT. **Respondent is given however a grace period of sixty (60) calendar days from notice of the finality of this Decision within which to redeem the mortgaged properties** (Lots Nos. 1397-A and 1397-B-1 originally covered by Transfer Certificates of Title Nos. T-25053 and T-29169, respectively, improvements thereon and other properties subject of the mortgage and the extrajudicial foreclosure) **if respondent so desires by paying petitioner Development Bank of the Philippines the balance of the credit of Bacolod Medical Center** (as assumed by respondent West Negros College under a deed of assignment) **secured by the properties plus the expenses and the agreed rate of interest, to be computed as of the date of the public auction on 24 August 1989, unless petitioner Development Bank of the Philippines has taken material possession of the properties in which case the proceeds of the properties shall compensate the interest but only during the period of their possession.**

In the event that respondent West Negros College is not interested in redeeming mortgaged properties at the statutory redemption price, or that the redemption period of sixty (60)

days expires without any redemption having been undertaken or without a compromise agreement for such purpose having been reached and perfected, respondent West Negros College shall yield possession of the properties in question to petitioner Development Bank of the Philippines as TCT No. T-165261 for Lot No. 1397-A and TCT No. T-165262 for Lot No. 1397-B-1 issued in the name of West Negros College are DECLARED VOID and OF NO EFFECT and the Register of Deeds of Bacolod City is ORDERED TO ISSUE new transfer certificates of title over the mortgaged properties in the name of the Development Bank of the Philippines. No costs.

SO ORDERED.^[9] (Emphasis supplied)

WNC filed its Motion for Reconsideration. In this Court's Resolution dated 21 May 2004, We held that, as assignee, WNC is bound by BMC's agreement to pay the redemption price at Php21,500,000.00. As such, WNC is estopped from claiming that the redemption price may be reduced to an amount lower than that. This Court remanded the case to the CA "for reception of evidence solely for the purpose of determining the basis for or the propriety of the imposition of compounded interest, penalties and other charges, and the computation of the total outstanding obligation/redemption price to be paid by [WNC], which, however, shall in no case be lower than P21,500,000.00."

Eventually, the case made its way back to this Court when DBP questioned the CA's Resolution in CA-G.R. CV No. 38277, entitled *West Negros College, Inc. v. Development Bank of the Philippines*. The CA had ruled that the computation of the redemption price for the subject property should be reckoned from the date of the public auction on 24 August 1989 and that DBP could no longer collect interest from WNC after this date.

On 16 September 2008, the Court promulgated its Resolution^[10] in G.R. Nos. 152359 and 174103. We ruled that the CA erred in revisiting the already settled reckoning date in the computation of the redemption price. Thus, WNC should pay DBP with interest thereon at the rate agreed upon as of the date of the public auction on 24 August 1989. We further said: "[t]here was no mention at all in the Decision that contractual interest from the date of the public auction until redemption is actually effected shall continue to accrue and be considered as part of the total redemption price. This is the unmistakable mandate of the Court when it ordered the appellate court to compute the total redemption price."

The dispositive portion of the Resolution dated 16 September 2008 in G.R. Nos. 152359 and 174103 reads:

WHEREFORE, the Resolutions of the Court of Appeals in CA-G.R. CV No. 38277 dated 5 July 2006 and 8 August 2006 are AFFIRMED. The Court of Appeals is DIRECTED to resume and terminate the proceedings as well as submit its report thereon to this Court in accordance with our Resolution dated 21 May 2004 with deliberate dispatch. No pronouncement as to costs.

SO ORDERED.

DBP then assailed the portion of our ruling where we stated that it can no longer collect interest from WNC after 24 August 1989. In our Resolution dated 23 December 2008 in G.R. 174103,^[11] We ruled:

WHEREFORE, the Resolutions of the Court of Appeals in CA-G.R. CV No. 38277 dated July 5, 2006 and August 8, 2006 are REVERSED and SET ASIDE. Its Resolution dated February 14, 2006 is AFFIRMED. The Court of Appeals is DIRECTED to resume proceedings in the case with deliberate dispatch. No pronouncement as to costs.

SO ORDERED.

Reversing our ruling on 16 September 2008, the Court declared that **DBP is entitled to collect accrued interest even after the foreclosure sale.** "[T]he property subject hereof was foreclosed on January 30, 1989 and that DBP did not take possession of the property during the redemption period, as it has a right to do under its charter. Up to the present, in fact, WNC is in possession of the property." We again remanded the case to the CA.

The CA constituted commissioners to determine the total redemption price to be paid by V2. The commission ordered DBP and V2 to submit memoranda appending authenticated evidence on the following issues: (1) whether there is basis to impose compounded interest, penalties, and other charges; (2) should compounded interest be imposed, (a) what is the base amount and the period during which the interest is compounded, and (b) how should the compounding of interest be made; and (3) the computation of the redemption amount shall be as determined by the bank.^[12]

Report of the Commissioners

In its Report^[13] dated 16 December 2016, the commissioners computed for the redemption price by following the provisions of the promissory note dated 06 January 1975 and the guidelines from the declaration of this Court allowing the imposition of contractual interest during the redemption period. This promissory note stipulated the imposition of compounded interest, penalties, and other charges. The commissioners assumed that neither BMC nor WNC paid the quarterly payments that are inclusive of the principal amortizations and interests. The commissioners explained their computation as follows:

[The promissory note] provides for a simple interest of twelve (12%) per annum on the outstanding principal. For the first year, the total amount of interest due based on the principal loan of P4,100,000.00, computed at the rate of 12% per annum, P492,000.00, which is divided into four quarterly payments of P123,000.00. The promissory note prescribes these interest payments on or before July 30, 1974 and every three months thereafter.

Further, the promissory note requires quarterly payments of P137,548.81 on or before July 30, 1975 and every quarter thereafter. Each quarterly payment includes the amortization on the principal and interest at 12% per annum.

It also provides for the payment of interest at 12% per annum on any and all unpaid interests and/or amortization. The interest is in the nature