

FIRST DIVISION

[G.R. No. 193534, January 30, 2019]

SPOUSES MANUEL AND EVELYN TIO, PETITIONERS, V. BANK OF THE PHILIPPINE ISLANDS, RESPONDENT.

[G.R. No. 194091, January 30, 2019]

BANK OF THE PHILIPPINE ISLANDS, PETITIONER, V. GOLDSTAR MILLING CORPORATION AND/OR SPOUSES MANUEL AND EVELYN TIO, RESPONDENTS.

D E C I S I O N

DEL CASTILLO, J.:

Before this Court are Consolidated Petitions for Review on *Certiorari*^[1] filed under Rule 45 of the Rules of Court.

In G.R. No. 193534, petitioner spouses Manuel and Evelyn Tio (spouses Tio) assail the April 28, 2010 Decision^[2] and the August 26, 2010 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 92580.

In G.R. No. 194091, petitioner Bank of the Philippine Islands (BPI) assails the April 29, 2010 Decision^[4] and October 5, 2010 Resolution^[5] of the CA in CA-G.R. CV No. 88638.

Factual Antecedents

Sometime in 1998, Goldstar Milling Corporation (Goldstar), a corporation engaged in the business of rice milling and the buying and selling of corn and palay, together with spouses Tio, majority stockholders of Goldstar, obtained several loans (a Term Loan and an Omnibus Credit Line) from the Far East Bank and Trust Company (FEBTC), now BPI.^[6] To secure the loans, spouses Tio executed various promissory notes and real estate mortgages over several properties, including the properties where their business and residence were located.^[7]

On June 18, 2001, BPI sent a demand letter to Goldstar and spouses Tio giving them five days from receipt thereof, within which to settle their outstanding obligation in the total amount of P67,791,897.15.^[8]

Due to the failure of Goldstar and spouses Tio to pay the loan despite repeated demands, BPI instituted foreclosure proceedings against the mortgaged properties.^[9]

On August 22, 2001, Goldstar and/or spouses Tio filed before the Regional Trial Court (RTC) of Cauayan City, Isabela a Complaint for Annulment of Promissory Notes, Real Estate Mortgage, Notice of Sheriffs Sale, Certificate of Sale, Accounting,

Injunction and Damages, docketed as Civil Case No. Br. 19-1083, against BPI.^[10] The case was raffled to Branch 19 of the RTC.

Sometime in February 2003, BPI filed before the RTC, Cauayan City, Isabela a Petition for the Issuance of a Writ of Possession, docketed as SCA Case No. Br. 20-156.^[11] The Petition was raffled to Branch 20 of the RTC.

The Ruling of the RTC in SCA Case No. Br. 20-156

On August 8, 2003, the RTC, in SCA Case No. Br. 20-156, issued an Order for the issuance of a Writ of Possession.^[12]

Aggrieved, spouses Tio filed a Petition for *Certiorari* and Prohibition before the CA, docketed as CA-G.R. SP No. 79865.^[13]

On April 23, 2004, the CA, in CA-G.R. SP No. 79865, rendered a Decision, dismissing the Petition for *Certiorari* and Prohibition.^[14] The CA found no grave abuse of discretion in the issuance of the Order dated August 8, 2003.^[15]

Unfazed, spouses Tio filed a Petition for the Cancellation of the Writ of Possession in SCA Case No. Br. 20-156 and sought the consolidation of the said case with Civil Case No. Br. 19-1083.^[16]

On October 9, 2007, the RTC denied the Petition for the Cancellation of the Writ of Possession for lack of merit.^[17]

Spouses Tio sought reconsideration but the RTC denied the same in its Order dated August 8, 2008.^[18]

Thus, spouses Tio appealed the case to the CA. The case was docketed as CA-G.R. CV No. 92580.

The Ruling of the RTC in Civil Case No. Br. 19-1083

Meanwhile, on July 4, 2006, the RTC, in Civil Case No. Br. 19-1083, rendered a Decision,^[19] the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered:

- 1) Declaring as null and void the promissory notes subject of this case; the real estate mortgages and their amendments; the Sheriff's notice of sale, the consolidation of ownership and the transfer certificates of title issued in the name of [BPI];
- 2) Ordering [BPI] to render an accounting of the outstanding loan obligation of [spouses Tio] computed at the interest rates as stated in the corresponding Disclosure Statements attached to the corresponding promissory notes, and to furnish them a copy of such accounting;
- 3) Ordering [BPI] to pay [spouses Tio]
 - a) PHP500,000.00 by way of moral damages;
 - b) PHP200,000.00 as exemplary damages;
 - c) PHP400,000.00 as attorney's fees;

d) PHP10,000.00 per court appearance attended by counsel
[for Goldstar and spouses Tio];

And cost of suit.

SO ORDERED.^[20]

BPI moved for reconsideration but the RTC denied the same in an Order^[21] dated November 28, 2006.

Hence, BPI appealed the case to the CA. The case was docketed as CA-G.R. CV No. 88638.

Ruling of the Court of Appeals in CA-G.R. CV No. 92580

On April 28, 2010, the CA rendered the Decision denying the appeal for lack of merit, and thus, affirming the October 9, 2007 and August 8, 2008 Orders of the RTC in SCA Case No. Br. 20-156.

Spouses Tio filed a Motion for Reconsideration.

On August 26, 2010, the CA issued a Resolution denying the Motion for Reconsideration.

Hence, spouses Tio filed before this Court a Petition for Review on *Certiorari*, docketed as G.R. No. 193534, seeking the cancellation of the Writ of Possession in view of the annulment of the foreclosure proceedings, notice of sale, consolidation of ownership, and transfer certificates of title issued in the name of BPI.^[22]

Ruling of the Court of Appeals in CA-G.R. CV No. 88638

On April 29, 2010, the CA rendered the Decision affirming the July 4, 2006 Decision of the RTC with modification that the Promissory Notes and the Deeds of Real Estate Mortgages were declared valid.^[23]

Unsatisfied, BPI filed a Motion for Reconsideration.

On October 5, 2010, the CA issued the Resolution denying the Motion for Reconsideration for lack of merit.

Hence, BPI filed before this Court a Petition for Review on *Certiorari*, docketed as G.R. No. 194091, arguing that the CA erred in ruling that the foreclosure of the mortgaged properties was premature and in failing to recognize the validity of and the legality of the Escalation Clauses in the Promissory Notes.^[24]

On April 4, 2011, the Court issued a Resolution^[25] consolidating G.R. No. 193534 with G.R. No. 194091.

In April 2013, BPI filed a Manifestation, Submission and/or Motion for Judgment based on a Compromise Agreement^[26] entered into by the parties on February 15, 2013. The Compromise Agreement^[27] reads:

THE HEREIN BELOW NAMED PARTIES, through their respective counsels,
respectfully submit their Compromise Agreement as follows: