

FIRST DIVISION

[G.R. No. 197514, August 06, 2018]

RAMON R. VILLARAMA, PETITIONER, VS. CRISANTOMAS D. GUNO, HON. JUDGE RAMON A. CRUZ, PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 223, CARMELITA YADAO GUNO AND PRUDENTIAL BANK AND TRUST COMPANY, RESPONDENTS.

DECISION

TIJAM, J.:

Before Us is a Petition for Review on *Certiorari*^[1], assailing the November 15, 2010 Decision^[2] and June 29, 2011 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 93271, which nullified the Regional Trial Court's (RTC's) order^[4] of denial of Crisantomas D. Guno's (Crisantomas) Special Appearance with Motion to Vacate Judgment^[5].

Antecedent Facts

The case stemmed from the sale of a house and lot located at No. 19 Jose Escaller Street, Loyola Heights, Quezon City by the Sps. Marcial and Rita Reyes (Sps. Reyes) to Crisantomas (Crisantomas) and Carmelita (Carmelita) Yadao Guno (collectively referred to as Sps. Guno). By virtue of said sale, a deed of absolute sale was entered into by the parties and eighteen (18) promissory notes were issued by Sps. Guno in favor of the Sps. Reyes.^[6]

The Sps. Reyes thereafter executed a Trust Agreement with Prudential Bank and Trust Company (Prudential) covering the promissory notes, naming their children as beneficiaries of the trust. On May 22, 1990, the Sps. Reyes executed an Amended Trust Agreement naming Petitioner Ramon Villarama (petitioner Villarama) as an irrevocable beneficiary.^[7]

The Sps. Guno obtained loans from Prudential and as security, executed promissory notes and real estate mortgages on the property. A Transfer Certificate of Title (TCT) No. 298124 was issued under their name.^[8] The Sps. Guno, however, defaulted in their payment with Prudential, prompting the latter to foreclose the mortgage on the property and sell it in a public auction where it emerged as the highest bidder. It later consolidated its ownership over the property. A new title, TCT No. 355218 was issued in its name and it caused the eviction of the Sps. Guno and placed petitioner Villarama in possession of the property.^[9]

On November 20, 1987, the Sps. Guno lodged a complaint for annulment of foreclosure sale and title against Prudential before the RTC-Branch 95 of Quezon City. The RTC nullified the foreclosure sale for failure to comply with the

requirements in Section 3 of Act No. 3135, as amended, ordered the cancellation of Prudential's title and reinstated the Sps. Guno's title to the property. The CA and this Court affirmed the RTC decision which attained finality on March 11, 1997.^[10]

Subsequently, on July 17, 1997, Villarama instituted a Complaint for Rescission of Promissory Notes, Deed of Sale of Real Property and Cancellation of Title with Damages against the Sps. Guno before the RTC-Branch 223, docketed as Civil Case No. Q-97-31700.^[11]

On September 19, 1997, the RTC issued an Alias Summons to the Sps. Guno at the U.P. Law Center, Diliman, Quezon City (c/o 3rd Floor, Quezon Hall, U.P. Diliman, Quezon City).^[12]

The Sheriffs Return dated September 24, 1997 reads:

I HEREBY CERTIFY that on the 23rd day of September, 1997, a copy of summons together with complaint and annexes dated September 19, 1997, addressed to SPS. CRISANTOMAS GUNO AND CARMELITA GUNO at the 3rd Floor Quezon Hall, UP Diliman, Quezon City, issued by the Honorable Court in connection with the above-entitled case was caused to be served by substituted service (Section 7, Rule 14) to defendant Carmelita Guno considering that defendant cannot be served within a reasonable time as provided for in Section 8, Rule 14 and that earnest efforts were exerted to serve summons personally to the defendants and service was effected by leaving a copy of summons at the defendant's office through Ms. Francesa V. Tadeo, a clerk at the defendant's office and a person with suitable age and discretion then working therein, who acknowledged receipt thereof only for defendant Carmelita Guno as evidenced by her signature located at the lower left portion of the original summons.

This is to further certify that summons to defendant Crisantomas D. Guno cannot be served considering that he does not reside nor hold office in the address provided in the complaint; hence, summons to defendant Crisantomas D. Guno is being returned UNSERVED.^[13]

On March 6, 1998, the process server issued an Officer's Return stating:

THIS IS TO CERTIFY UNDER OATH that on March 6, 1998 th (sic) undersigned personally went at 408 P. Bernarld Street, Ugong, Pasig City to serve copies of herein Alias Summons with complaint and annexes attached thereto issued by the Court on February 24, 1998 in the above-entitled case upon defendant Crisantomas Guno. The Alias Summons with complaint and annexes was served to the above-mentioned defendant thru SUBSTITUTED SERVICE, by leaving copy (sic) of the Alias Summons with complaint and annexes at the defendant's given address/residence with Ruby Guno Santiago (sister of defendant Crisantomas D. Guno), a person of suitable age and discretion then residing therein.

DULY SERVED THRU SUBSTITUTED SERVICE.^[14]

On November 7, 1997, Carmelita filed her Answer with Counterclaim. Crisantomas, on the other hand, was declared in default for failure to file an answer.^[15]

In a Decision dated May 9, 2005^[16], the RTC granted Villarama's complaint for rescission, thus:

WHEREFORE, on the basis of the foregoing, judgment is hereby entered declaring the following:

(1) The eighteen (18) promissory notes executed by the Defendant Sps. Crisantomas and Carmelita Guno dated February 21, 1983 as **RESCINDED**;

(2) The Deed of Sale of Real Property dated March 24, 1983 between Sps. Marcial and Rita V. Reyes and the Defendant Sps. Crisantomas and Carmelita Guno as likewise **RESCINDED**;

(3) The Register of Deeds of Quezon City is directed to **CANCEL** Transfer Certificate of Title No. 218121 registered under the name of the Sps. Crisantomas and Carmelita Guno;

(4) Directing the Defendants Sps. Crisantomas and Carmelita Guno to pay the plaintiff the following:

(a) Liquidated damages in the amount of fifty thousand pesos (P50,000.00), Philippine Currency; and

(b) Attorney's fees in the amount of fifty thousand pesos (P50,000.00) Philippine Currency;

(5) The Complaint in Intervention filed by Prudential Bank is ordered **DISMISSED**;

(6) All counterclaims are **DISMISSED**.

No costs.

SO ORDERED.^[17]

The said Decision was later appealed by both Carmelita and Prudential, which was docketed as CA-G.R. No. 87062.^[18]

On July 6, 2005, Crisantomas filed a Special Appearance with Motion to Vacate Judgment^[19] claiming that the decision was void for improper service of summons on his person.

In an Order dated November 16, 2005^[20], the RTC denied the motion. It ruled, thus:

x x x. The general rule is that husband and wife shall sue or be sued jointly inasmuch as both are co-administrators of the community property under the absolute (sic) system of absolute community of

property, as well as the conjugal partnership property. Defendant spouse Carmelita Yadao was served by substituted service on September 19, 1997, wherein the summons was directed to both spouses. Since Carmelita's marriage to Crisantomas had not yet been annulled when the present action was instituted, the service to her was binding as to Crisantomas and the qualification of the receipt made by a competent person in the regular place of business of Carmelita that the summons was "received for Atty. Yadao-Guno only" had no effect.

x x x x

The Court notes that the first motion for extension of time to file answer/responsive pleading filed by defendant Carmelita Guno dated October 2, 1997 was furnished to Crisantomas Guno at the same address which reads: "c/o 3rd Floor, Quezon City Hall UP Diliman, Quezon City" in Carmelita's regular place of business, where she also was served alias summons. Soon after, in the second motion for extension of time to file answer/responsive pleading which she filed dated October 22, 1997, the same was furnished Crisantomas at the address: "c/o 408 P. Bernald Street Ugong, Pasig City." In the subsequent pleadings she filed through her counsel, she likewise copy furnished her husband at the second address.

Assuming *arguendo* that service of summons to the husband must be separate from service to the wife, the records of the case show that service was properly made to defendant Crisantomas since the Court could find no possible explanation as to why defendant Carmelita will use an address where her husband could not be found nor deliberately lie about the residence of her husband, assuming that they were, at that time summons was supposed to be served, already *de facto* separated. To bolster the conclusion that Crisantomas truly resided in the abovementioned address, a certain Cris Santiago received an order of the court in behalf of Crisantomas at 408 P. Bernald Street, Ugong, (sic) sister named Ruby Guno Santiago at the same address on March 6, 1998. Quite obviously, defendant Crisantomas is estopped from claiming the contrary, and that his affidavit stating that he never resided or lived at 408 P. Bernald Street, Ugong, Pasig City was done as a mere afterthought to escape the liability imposed by the Court in the decision dated May 9, 2005. Thus, the said affidavit and the motion to vacate judgment filed by Crisantomas should not be given credence by this Court.^[21]

Crisantomas then questioned the said order before the CA which ruled in his favor in the assailed Decision. The CA ruled that there was no valid service of summons on Crisantomas. It found that the return did not state that prompt and personal service on Crisantomas was rendered impossible and neither was it shown that efforts were made to find Crisantomas personally and that the said efforts failed. It further ruled that being in derogation of the usual method of service, strict compliance with the indispensable requirements for the substituted service of summons is mandated.^[22]

Villarama now comes before Us, positing the sole issue of whether or not the

summons was validly served on Crisantomas in Civil Case No. Q-97-31700. He insists that the RTC was in the best position to determine the veracity of the parties' allegations. He points out that the only evidence submitted by Crisantomas in support of the allegations in his motion was his affidavit denying receipt and service of the summons. He asseverates that it was incumbent upon Crisantomas to prove the fact, or details of his separation from Carmelita; and that Crisantomas did not allege any meritorious defense which is a requirement before the relief sought can be granted. Furthermore, he insists that the requirements of substituted service have been complied with.

Respondent Prudential echoes Villarama's arguments. It argued that considering the Sps. Guno were still married to each other at the time of the complaint, the nullification of the proceedings to allow Crisantomas to prosecute his separate claim, which appears to be in conjunction with Carmelita's arguments, would serve no other purpose than to delay the resolution of the case.

Carmelita submits that the CA decision is the correct application of law and prevailing jurisprudence. She stresses that Crisantomas did not and never held office in the same address as she did, and that long before the filing of the complaint, they have been separated in fact.

Crisantomas insists that the fatally deficient Officer's Return cannot possibly establish a valid substituted Service of Summons and that our laws do not support Villarama's "no need for service on husband after service of summons on wife" argument.

Villarama submits in his reply that the CA decision in Carmelita's and Prudential's appeal (CA-G.R. No. 87062), which affirmed the RTC decision with modification, had already attained finality. He also raises that the RTC issued an Order dated November 28, 2016^[23], granting the motion for issuance of a writ of execution ordering Carmelita to pay Prudential the unpaid principal obligation plus accrued interests, penalty and attorney's fees. Villarama posits that if the herein assailed CA decision would not be reversed, he would be constrained to file anew a case for rescission against Crisantomas who has no better defense than Carmelita.

The Court's Ruling

We find merit in the petition for review.

Contrary to the ruling of the CA, We find that the RTC was correct in ruling that the alias summons served upon Carmelita is binding upon Crisantomas as well.

There is no dispute that service of summons upon a defendant is imperative in order that a court may acquire jurisdiction over his person. In the case of *Manotoc vs. Court of Appeals*,^[24]

The courts' jurisdiction over a defendant is founded on a valid service of summons. Without a valid service, the court cannot acquire jurisdiction over the defendant, unless the defendant voluntarily submits to it. The defendant must be properly apprised of a pending action against him and