

SECOND DIVISION

[G.R. No. 182839, June 02, 2014]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. JOSE GARCIA AND CHILDREN NORA GARCIA, JOSE GARCIA, JR., BOBBY GARCIA AND JIMMY GARCIA AND HEIRS OF ROGELIO GARCIA NAMELY: CELEDONIO GARCIA, DANILO GARCIA, ELSA GARCIA, FERMIN GARCIA, HEHERSON GARCIA, GREGORIO GARCIA, IMELDA GARCIA AND JANE GARCIA, RESPONDENTS.

D E C I S I O N

BRION, J.:

We resolve this petition for review on *certiorari*^[1] assailing the decision^[2] dated September 26, 2007 and the resolution^[3] dated May 6, 2008 of the Court of Appeals (CA) in CA-G.R. CV No. 71356.

These challenged CA rulings reversed and set aside the decision of the Regional Trial Court (RTC), Branch 23, Roxas, Isabela, dismissing Civil Case No. Branch 23-500-96 for lack of cause of action.

The Factual Background

The facts of the case, gathered from the records, are briefly summarized below.

The subject of the present case is a parcel of residential land with all its improvements (*subject property*) located in Barrio Olango, Mallig, Isabela. The land is covered by Transfer Certificate of Title (TCT) No. T-44422 under the name of Jose Garcia Sr. (*Jose Sr.*) who acquired the subject property **during his marriage** with Ligaya Garcia. Ligaya died on January 21, 1987.

The marriage of Jose Sr. and Ligaya produced the following children: Nora, Jose Jr., Bobby and Jimmy, all surnamed Garcia, who are the respondents in the present case.

Sometime in 1989, the spouses Rogelio and Celedonia Garcia (*Spouses Garcia*) obtained a loan facility from the petitioner, Philippine National Bank (*petitioner bank*), initially for P150,000.00. The loan was secured by a Real Estate Mortgage over their property covered by TCT No. 177585. The spouses Garcia increased their loan to P220,000.00 and eventually to P600,000.00. As security for the increased loan, they offered their property covered by TCT No. 75324 and the subject property covered by TCT No. T-44422.

Jose Sr. agreed to accommodate the spouses Garcia by offering the subject

property as additional collateral security for the latter's increased loan. For this purpose, Jose Sr. executed Special Powers of Attorney (SPAs) dated April 14, 1992 and October 6, 1993, respectively, expressly authorizing the Spouses Garcia to apply for, borrow, or secure any loan from the petitioner bank, and to convey and transfer the subject property by way of mortgage. Jose Sr. also executed an Amendment of Real Estate Mortgage in favor of the petitioner bank. The SPAs and the Amendment of Real Estate Mortgage are both inscribed on TCT No. T-44422. All of these transactions, however, were without the knowledge and consent of Jose Sr.'s children.

On maturity of the loan on April 20, 1994, the spouses Garcia failed to pay their loan to the petitioner bank despite repeated demands.

On January 12, 1996, the respondents filed before the RTC a Complaint for Nullity of the Amendment of Real Estate Mortgage, Damages with Preliminary Injunction against the spouses Garcia and the petitioner bank. They claimed that the Amendment of Real Estate Mortgage was null and void as to respondents Nora, Jose Jr., Bobby and Jimmy as they were not parties to the contract.

The respondents alleged that the subject property was a conjugal property of Jose Sr. and his deceased spouse, Ligaya, as they acquired the subject property during their marriage; that upon Ligaya's death, Jose Sr., together with his children Nora, Jose Jr., Bobby and Jimmy, by law, became owners *pro indiviso* of the subject property; that the petitioner bank was at fault for not including Jose Sr. as payee to the check representing the loan despite its knowledge that Jose Sr. was a signatory to the real estate mortgage; that the real estate mortgage executed by Jose Sr. could not bind his children as they did not give their consent or approval to the encumbrance; and that the real estate mortgage was also void as to Jose Sr. since he never benefitted from the loan.

In their answer, the Spouses Garcia alleged that Jose Sr. was indebted to them in the amount of P133,800.00. To settle this indebtedness, Jose Sr. volunteered to give the subject property as additional security for their (the Garcias') loan to the petitioner bank.

The petitioner bank, on the other hand, claimed that the mortgage was made in good faith and for value, and maintained that the respondents' complaint stated no cause of action against it. It alleged that the real estate mortgage over the properties was duly registered and inscribed on their titles and was thus binding on the whole world.

In the course of the proceedings, Nora, Jose Jr., Bobby and Jimmy executed an SPA dated May 31, 1996 authorizing Jose Sr. to act as their attorney-in-fact during the pretrial of the case.

The Ruling of the RTC

The RTC dismissed the complaint for lack of cause of action. The court held that the subject property was a conjugal property since it was acquired by Jose Sr. during his marriage with his now deceased wife. As a conjugal property, it is presumed that upon the death of his spouse, one-half of the property passed on to Jose Sr., while the other half went to Jose and his children as co-owners and as forced heirs of his

deceased spouse. Without the consent of the children, the trial court ruled that the conjugal property could only be transferred or encumbered to the extent of Jose Sr.'s share in the conjugal partnership, plus his share as an heir in the other half pertaining to the estate of his deceased spouse.

The RTC nevertheless declared that by virtue of the SPA executed by Nora, Jose Jr., Bobby and Jimmy in this suit, they are already estopped from questioning the mortgage and from alleging lack of consent or knowledge in the transaction. It held Jose Sr. liable as an accommodation party and upheld the petitioner bank's right to collect the debt.

The respondents disagreed with the RTC ruling and elevated the case to the CA via an ordinary appeal.

The Ruling of the CA

On September 26, 2007, the CA upheld the trial court's finding that the subject property was conjugal, but reversed and set aside its ruling in so far as it declared valid and binding the Amendment of Real Estate Mortgage between the petitioner bank, on one hand, and the spouses Garcia and Jose Sr., on the other hand, with respect to respondents Nora, Jose Jr., Bobby and Jimmy. Relying on the Court's ruling in *Nufable v. Nufable*,^[4] the CA ruled that the encumbrance Jose Sr. made over the entire conjugal property, without his children's conformity, was null and void because a mere part owner could not alienate the shares of the other co-owners.

The CA also declared that the conjugal property could only be liable to the extent of Jose Sr.'s shares; Jose Sr.'s acts could not affect his children's *pro-indiviso* shares in the subject property. It disagreed with the trial court's estoppel theory and held that their execution of the SPA should not be construed as acquiescence to the mortgage transaction. Lastly, it ruled that Jose Sr. could not escape liability from the mortgage since he voluntarily bound himself as the Spouses Garcia's accommodation mortgagor.

The petition

The petitioner bank disputes the CA's finding that the subject property was conjugal in nature. It argues that, as can be gleaned from TCT No. T-44422, the subject property was **registered in the name of Jose Sr. alone**, who was described in the title as **"widower"** and not **"married."** The petitioner bank posits that as a mortgagee in good faith, it had the right to rely on the mortgagor's certificate of title; in the absence of any indication that could arouse suspicion, it had no obligation to undertake further investigation and verify whether the property was conjugal or was acquired during marriage or thereafter.

Since the subject property belonged to Jose Sr., insofar as petitioner bank as mortgagee was concerned, Jose Sr. had the right under Article 428 of the Civil Code to mortgage it without the consent of his children. Accordingly, the mortgage in its entirety should be declared valid.

The Comment

The respondents state that the issues raised by petitioner bank are essentially factual; hence, they are beyond the competence of this Court in a petition for review. They submit that in a *certiorari* petition under Rule 45 of the Rules of Court, only questions of law may be entertained because the Court is not a trier of facts.

The Court's Ruling

We deny the petition for lack of merit.

The petition before us raises both questions of fact and of law. Whether petitioner bank is a mortgagee in good faith and for value and whether the subject property was conjugal, are factual issues that this Court cannot look into as our examination would entail going into factual matters and records of the case. In Rule 45 petitions, only questions of law may be put into issue. Questions of fact cannot be entertained.
[5]

Although there are exceptions to the rule that only questions of law may be raised in a petition for *certiorari*, the petitioner bank failed to show that this case falls under any of the established exceptions. Too, since the CA partially affirmed the findings of the trial court and absent any indication that these courts committed a serious error in its findings, this Court is bound by these courts' findings.
[6]

Moreover, even if we were to review the factual issues raised by the petitioner bank, we still find no reason to depart from the CA's ruling.

The Subject Property is Conjugal

a. All property acquired during marriage is presumed conjugal

Since Jose Sr. and Ligaya were married prior to the effectivity of the Family Code, their property relations were governed by the conjugal partnership of gains as provided under Article 119 of the Civil Code. Under Article 160 of the Civil Code, "all property of the marriage is presumed to belong to the conjugal partnership, unless it can be proven that it pertains exclusively to the husband or to the wife."

In his testimony, Jose Sr. admitted that at the time he acquired the land through sale, he was already married. The material portion of his testimony is as follows:

Q: Upon the death of your wife did you and your wife ever own a piece of land?

A: Yes, sir.

Q: Where is that land situated?

A: In Centro, District 2, Mallig[,] Isabela.

Q: Is that land titled in your names?

A: Yes, sir.

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Q: You and your wife acquired that piece of land?

A: Yes, sir.

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