

FIRST DIVISION

[G.R. No. 177783, January 23, 2013]

HEIRS OF FAUSTO C. IGNACIO, namely MARFEL D. IGNACIO MANALO, MILFA D. IGNACIOMANALO AND FAUSTINO D. IGNACIO, PETITIONERS, VS. HOME BANKERS SAVINGS AND TRUST COMPANY, SPOUSES PHILLIP AND THELMA RODRIGUEZ, CATHERINE, REYNOLD & JEANETTE, ALL SURNAMED ZUNIGA, RESPONDENTS.

DECISION

VILLARAMA, JR., J.:

Before the Court is a Petition for Review on Certiorari under Rule 45 assailing the Decision^[1] dated July 18, 2006 and Resolution^[2] dated May 2, 2007 of the Court of Appeals (CA) in CA-G.R. CV No. 73551. The CA reversed the Decision^[3] dated June 15, 1999 of the Regional Trial Court (RTC) of Pasig City, Branch 151 in Civil Case No. 58980.

The factual antecedents:

In August 1981, petitioner Fausto C. Ignacio mortgaged two parcels of land to Home Savings Bank and Trust Company, the predecessor of respondent Home Bankers Savings and Trust Company, as security for the P500,000.00 loan extended to him by said bank. These properties which are located in Cabuyao, Laguna are covered by Transfer Certificate of Title Nos. (T-40380) T-8595 and (T-45804) T-8350 containing an area of 83,303 square meters and 120,110 square meters, respectively.^[4]

When petitioner defaulted in the payment of his loan obligation, respondent bank proceeded to foreclose the real estate mortgage. At the foreclosure sale held on January 26, 1983, respondent bank was the highest bidder for the sum of P764,984.67. On February 8, 1983, the Certificate of Sale issued to respondent bank was registered with the Registry of Deeds of Calamba, Laguna. With the failure of petitioner to redeem the foreclosed properties within one year from such registration, title to the properties were consolidated in favor of respondent bank. Consequently, TCT Nos. T-8595 and T-8350 were cancelled and TCT Nos. 111058 and 111059 were issued in the name of respondent bank.^[5]

Despite the lapse of the redemption period and consolidation of title in respondent bank, petitioner offered to repurchase the properties. While the respondent bank considered petitioner's offer to repurchase, there was no repurchase contract executed. The present controversy was fuelled by petitioner's stance that a verbal repurchase/compromise agreement was actually reached and implemented by the parties.

In the meantime, respondent bank made the following dispositions of the foreclosed

properties already titled in its name:

TCT No. 111059 (Subdivided into six lots with individual titles – TCT Nos. 117771, 117772, 117773, 117774, 117775 and 117776)

- A. TCT No. 117771 (16,350 sq.ms.) - Sold to Fermin Salvador and Bella Salvador under Deed of Absolute Sale dated May 23, 1984 for the price of P150,000.00
- B. TCT No. 11772 (82,569 sq.ms. subdivided into 2 portions
 - 1) Lot 3-B-1 (35,447 sq.ms.) - Sold to Dr. Oscar Remulla and Natividad Pagtakhan, Dr. Edilberto Torres and Dra. Rebecca Amores under Deed of Absolute Sale dated April 17, 1985 for the price of P150,000.00
 - 2) Lot 3-B-2 covered by separate title TCT No. 124660 (Subdivided into 3 portions–
 - Lot 3-B-2-A (15,000 sq.ms.) - Sold to Dr. Myrna del Carmen Reyes under Deed of Absolute Sale dated March 23, 1987 for the price of P150,000.00
 - Lot 3-B-2-B (15,000 sq.ms.) - Sold to Dr. Rodito Boquiren under Deed of Absolute Sale dated March 23, 1987 for the price of P150,000.00
 - Lot 3-B-2-C (17,122 sq.ms.) covered by TCT No. T-154568 -
- C. TCT No.117773 (17,232 sq.ms.) - Sold to Rizalina Pedrosa under Deed of Absolute Sale dated June 4, 1984 for the price of P150,000.00

The expenses for the subdivision of lots covered by TCT No. 111059 and TCT No. 117772 were shouldered by petitioner who likewise negotiated the above-mentioned sale transactions. The properties covered by TCT Nos. T-117774 to 117776 are still registered in the name of respondent bank.^[6]

In a letter addressed to respondent bank dated July 25, 1989, petitioner expressed his willingness to pay the amount of P600,000.00 in full, as balance of the repurchase price, and requested respondent bank to release to him the remaining parcels of land covered by TCT Nos. 111058 and T-154658 ("subject properties").

^[7] Respondent bank however, turned down his request. This prompted petitioner to cause the annotation of an adverse claim on the said titles on September 18, 1989.

^[8]

Prior to the annotation of the adverse claim, on August 24, 1989, the property covered by TCT No. 154658 was sold by respondent bank to respondent spouses Phillip and Thelma Rodriguez, without informing the petitioner. On October 6, 1989, again without petitioner's knowledge, respondent bank sold the property covered by TCT No T-111058 to respondents Phillip and Thelma Rodriguez, Catherine M. Zuñiga,

Reynold M. Zuñiga and Jeannette M. Zuñiga.^[9]

On December 27, 1989, petitioner filed an action for specific performance and damages in the RTC against the respondent bank. As principal relief, petitioner sought in his original complaint the reconveyance of the subject properties after his payment of P600,000.00.^[10] Respondent bank filed its Answer denying the allegations of petitioner and asserting that it was merely exercising its right as owner of the subject properties when the same were sold to third parties.

For failure of respondent bank to appear during the pre-trial conference, it was declared as in default and petitioner was allowed to present his evidence *ex parte* on the same date (September 3, 1990). Petitioner simultaneously filed an "Ex-Parte Consignation" tendering the amount of P235,000.00 as balance of the repurchase price.^[11] On September 7, 1990, the trial court rendered judgment in favor of petitioner. Said decision, as well as the order of default, were subsequently set aside by the trial court upon the filing of a motion for reconsideration by the respondent bank.^[12]

In its Order dated November 19, 1990, the trial court granted the motion for intervention filed by respondents Phillip and Thelma Rodriguez, Catherine Zuñiga, Reynold Zuñiga and Jeannette Zuñiga. Said intervenors asserted their status as innocent purchasers for value who had no notice or knowledge of the claim or interest of petitioner when they bought the properties already registered in the name of respondent bank. Aside from a counterclaim for damages against the petitioner, intervenors also prayed that in the event respondent bank is ordered to reconvey the properties, respondent bank should be adjudged liable to the intervenors and return all amounts paid to it.^[13]

On July 8, 1991, petitioner amended his complaint to include as alternative relief under the prayer for reconveyance the payment by respondent bank of the prevailing market value of the subject properties "less whatever remaining obligation due the bank by reason of the mortgage under the terms of the compromise agreement."^[14]

On June 15, 1999, the trial court rendered its Decision, the dispositive portion of which reads:

WHEREFORE, findings [*sic*] the facts aver[r]ed in the complaint supported by preponderance of evidences adduced, judgment is hereby rendered in favor of the plaintiff and against the defendant and intervenors by:

1. Declaring the two Deeds of Sale executed by the defendant in favor of the intervenors as null and void and the Register of Deeds in Calamba, Laguna is ordered to cancel and/or annul the two Transfer Certificate of Titles No. T-154658 and TCT No. T-111058 issued to the intervenors.

2. Ordering the defendant to refund the amount of P1,004,250.00 to the intervenors as the consideration of the sale of the two properties.
3. Ordering the defendant to execute the appropriate Deed of Reconveyance of the two (2) properties in favor of the plaintiff after the plaintiff pays in full the amount of P600,000.00 as balance of the [re]purchase price.
4. Ordering the defendant bank to pay plaintiff the sum of P50,000.00 as attorney's fees
5. Dismissing the counterclaim of the defendant and intervenors against the plaintiff. Costs against the defendant.

SO ORDERED.^[15]

The trial court found that respondent bank deliberately disregarded petitioner's substantial payments on the total repurchase consideration. Reference was made to the letter dated March 22, 1984 (Exhibit "I")^[16] as the authority for petitioner in making the installment payments directly to the Universal Properties, Inc. (UPI), respondent bank's collecting agent. Said court concluded that the compromise agreement amounts to a valid contract of sale between petitioner, as Buyer, and respondent bank, as Seller. Hence, in entertaining other buyers for the same properties already sold to petitioner with intention to increase its revenues, respondent bank acted in bad faith and is thus liable for damages to the petitioner. Intervenors were likewise found liable for damages as they failed to exercise due diligence before buying the subject properties.

Respondent bank appealed to the CA which reversed the trial court's ruling, as follows:

WHEREFORE, the foregoing premises considered, the instant appeal is hereby GRANTED. Accordingly, the assailed decision is hereby REVERSED and SET ASIDE.

SO ORDERED.^[17]

The CA held that by modifying the terms of the offer contained in the March 22, 1984 letter of respondent bank, petitioner effectively rejected the original offer with his counter-offer. There was also no written conformity by respondent bank's officers to the amended conditions for repurchase which were unilaterally inserted by petitioner. Consequently, no contract of repurchase was perfected and respondent bank acted well within its rights when it sold the subject properties to herein respondents-intervenors.

As to the receipts presented by petitioner allegedly proving the installment payments he had completed, the CA said that these were not payments of the repurchase price but were actually remittances of the payments made by

petitioner's buyers for the purchase of the foreclosed properties already titled in the name of respondent bank. It was noted that two of these receipts (Exhibits "K" and "K-1")^[18] were issued to Fermin Salvador and Rizalina Pedrosa, the vendees of two subdivided lots under separate Deeds of Absolute Sale executed in their favor by the respondent bank. In view of the attendant circumstances, the CA concluded that petitioner acted merely as a broker or middleman in the sales transactions involving the foreclosed properties. Lastly, the respondents-intervenors were found to be purchasers who bought the properties in good faith without notice of petitioner's interest or claim. Nonetheless, since there was no repurchase contract perfected, the sale of the subject properties to respondents-intervenors remains valid and binding, and the issue of whether the latter were innocent purchasers for value would be of no consequence.

Petitioner's motion for reconsideration was likewise denied by the appellate court.

Hence, this petition alleging that:

A.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN REVERSING THE FINDING OF THE TRIAL COURT THAT THERE WAS A PERFECTED CONTRACT TO REPURCHASE BETWEEN PETITIONER AND RESPONDENT- BANK.

B.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN REVERSING THE FINDING OF THE TRIAL COURT THAT PETITIONER DID NOT ACT AS BROKER IN THE SALE OF THE FORECLOSED PROPERTIES AND THUS FAILED TO CONSIDER THE EXISTENCE OF OFFICIAL RECEIPTS ISSUED IN THE NAME OF THE PETITIONER THAT ARE DULY NOTED FOR HIS ACCOUNT.

C.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN REVERSING THE FINDING OF THE TRIAL COURT THAT RESPONDENT-BANK DID NOT HAVE THE RIGHT TO DISPOSE THE SUBJECT PROPERTIES.

D.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN REVERSING THE FINDING OF THE TRIAL COURT THAT RESPONDENTS-INTERVENORS ARE NOT INNOCENT PURCHASERS FOR VALUE IN GOOD FAITH.^[19]

It is to be noted that the above issues raised by petitioner alleged grave abuse of discretion committed by the CA, which is proper in a petition for *certiorari* under Rule 65 of the 1997 Rules of Civil Procedure, as amended, but not in the present