

## THIRD DIVISION

[ G.R. No. 171464, November 27, 2013 ]

**SPOUSES ELISEO R. BAUTISTA AND EMPERATRIZ C. BAUTISTA,  
PETITIONERS, VS. SPOUSES MILA JALANDONI AND ANTONIO  
JALANDONI AND MANILA CREDIT CORPORATION,  
RESPONDENTS.**

[G.R. NO. 199341]

**MANILA CREDIT CORPORATION, PETITIONER, VS. SPOUSES  
MILA AND ANTONIO JALANDONI, AND SPOUSES ELISEO AND  
EMPERATRIZ C. BAUTISTA, RESPONDENTS.**

### D E C I S I O N

**MENDOZA, J.:**

Before the Court are two consolidated petitions for review under Rule 45 assailing the January 27, 2006 Amended Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA G.R. CV No. 84648 and its October 12, 2011 Resolution<sup>[2]</sup> denying the motion for reconsideration filed by Manila Credit Corporation (MCC). The controversy stemmed from a complaint<sup>[3]</sup> for cancellation of titles with damages filed by Spouses Mila and Antonio Jalandoni (*Spouses Jalandoni*) against Spouses Eliseo and Emperatriz Bautista (*Spouses Baustista*), the Register of Deeds of Makati City,<sup>[4]</sup> Spouses Eduardo and Ma. Teresa Tongco (*Spouses Tongco*), and Manila Credit Corporation (*MCC*).

Spouses Jalandoni were the registered owners of two (2) parcels of land, covered by Transfer Certificate of Title (*TCT*) Nos. 201048<sup>[5]</sup> and 201049.<sup>[6]</sup> The two lots were located in Muntinlupa City, each parcel of land containing an area of Six Hundred (600) square meters, more or less, amounting to P1,320,000.00 per lot.

In May 1997, the Spouses Jalandoni applied for a loan with a commercial bank and, as a security thereof, they offered to constitute a real estate mortgage over their two lots. After a routine credit investigation, it was discovered that their titles over the two lots had been cancelled and new TCT Nos. 206091 and 205624 were issued in the names of Spouses Baustista. Upon further investigation, they found out that the bases for the cancellation of their titles were two deeds of absolute sale,<sup>[7]</sup> dated April 4, 1996 and May 4, 1996, purportedly executed and signed by them in favor of Spouses Baustista.

Aggrieved, Spouses Jalandoni filed a complaint for cancellation of titles and damages claiming that they did not sell the subject lots and denied having executed the deeds of absolute sale. They asserted that the owner's duplicate certificates of title were still in their possession; that their signatures appearing on the deeds of

absolute sale were forged and that said deeds were null and void and transferred no title in favor of Spouses Bautista; that they never met the Spouses Bautista; that they did not appear before the notary public who notarized the deeds of absolute sale; that the community tax certificates indicated in the deeds of absolute sale were not issued to them and that the entries therein were forged and falsified; that Spouses Bautista paid a grossly inadequate price of only P600,000.00 per lot; and that the Spouses Bautista were aware of the true value of the lots because they mortgaged one lot to Spouses Tongco for P1,700,000.00 and the other lot for P3,493,379.82 to MCC.

In their answer,<sup>[8]</sup> Spouses Bautista claimed that in March 1996, a certain Teresita Nasino (*Nasino*) offered to Eliseo Baustista (*Eliseo*) two parcels of land located in Muntinlupa City; that the parcels of land were sold at a bargain price because the owners were in dire need of money; that upon their request, Nasino showed them the photocopies of the titles covering the subject lands; that Nasino told them that she would negotiate with the Spouses Jalandoni, prepare the necessary documents and cause the registration of the sale with the Register of Deeds; and that since Nasino was a wife of a friend, Spouses Baustista trusted her and gave her the authority to negotiate with Spouses Jalandoni on their behalf.

Spouses Bautista further alleged that in April 1996, Nasino informed Eliseo that the deeds of sale had been prepared and signed by Spouses Jalandoni; that they, in turn, signed the deeds of sale and gave Nasino the amount of P1,200,000.00; that TCT Nos. 206091 and 205624 were issued to them; that since they needed funds for a new project, Eliseo contracted a loan with Spouses Tongco using as a security the parcel of land covered by TCT No. 205624; that he also contracted a loan with MCC in the amount of P3,493,379.82 and used as a security the lot covered by TCT No. 206091; that they eventually paid the loan with the Spouses Tongco, thus, the real estate mortgage was cancelled; and that since they were having difficulty paying the interests of their loan with the MCC, they also mortgaged the lot covered by TCT No. 205624.

For its part, MCC reiterated its claim in its motion to dismiss that the venue of the case was improperly laid and that the complaint failed to state a cause of action against it as there was no allegation made in the complaint as to its participation in the alleged falsification. MCC averred that they found no indication of any defect in the titles of Spouses Bautista; that it exercised due diligence and prudence in the conduct of its business and conducted the proper investigation and inspection of the mortgaged properties; and that its mortgage lien could not be prejudiced by the alleged falsification claimed by Spouses Jalandoni.<sup>[9]</sup>

On December 17, 2004, the RTC rendered judgment<sup>[10]</sup> declaring the sale of the subject lots void. The RTC explained that Nasino had no authority to negotiate for the Spouses Jalandoni, much less to receive the consideration of the sale. Spouses Bautista were not innocent purchasers in good faith and for value for their failure to personally verify the original copies of the titles of the subject properties and to ascertain the authority of Nasino since they were not dealing with the registered owner. The RTC, nonetheless, found MCC a mortgagee in good faith and upheld the validity of the mortgage contract between Spouses Bautista and MCC. The dispositive portion reads:

WHEREFORE, in view of all the foregoing, the Court hereby renders judgment declaring:

1. The mortgage lien of defendant Manila Credit Corp. over the Transfer Certificate of Title No. 205624 and 206091 and/or Transfer Certificates of Title No. 201048 and 201049 valid, legal and enforceable;
2. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of P1,320,000.00 for each lot by way of actual damages;
3. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of P100,000.00 by way of moral damages;
4. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of P50,000.00 by way of exemplary damages;and
5. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay plaintiff Antonio and Mila Jalandoni the amount of P50,000.00 by way of attorney's fees.
6. No pronouncement as to costs.

SO ORDERED.<sup>[11]</sup>

Both not satisfied, Spouses Jalandoni and Spouses Bautista appealed the RTC decision before the CA.

In their appellants brief,<sup>[12]</sup> Spouses Jalandoni prayed that (1) the TCT Nos. 205624 and 201061 in the names of Spouses Bautista be declared null and void; (2) the real estate mortgage constituted on TCT Nos. 205624 and 201061 in favor of Manila Credit Corporation be nullified; and (3) the Register of Deeds of Muntinlupa City be ordered to reinstate TCT Nos. 201048 and 201049 in their names.

On the other hand, Spouses Bautista asked for the reversal of the RTC decision and the dismissal of the complaint for lack of merit.<sup>[13]</sup>

With leave of court,<sup>[14]</sup> MCC filed its brief<sup>[15]</sup> praying for the affirmation of the RTC decision or in the event that the title of Spouses Bautista over the subject lots would be cancelled, they be adjudged to pay MCC their total obligation under the promissory notes.

The CA, in its Decision,<sup>[16]</sup> dated September 30, 2005, modified the RTC decision, ordering Spouses Bautista to pay Spouses Jalandoni actual damages in the amount of P1,700,000.00 for the property covered by TCT No. 205624 and P3,493,379.82 for the property covered by TCT No. 206091.

Spouses Bautista filed a motion for reconsideration, whereas Spouses Jalandoni filed

a partial motion for reconsideration.

On January 27, 2006, the CA, in an *Amended Decision*,<sup>[17]</sup> denied Spouses Bautista's motion for reconsideration and ruled in favor of Spouses Jalandoni. The CA held that MCC's purported right over the subject properties could not be greater than that of Spouses Jalandoni, who remained the lawful owners of the subject lots. The dispositive portion reads:

WHEREFORE, except for the dismissal of the appeal instituted by defendants-appellants spouses Eliseo Bautista and Emperatriz Bautista, the dispositive portion of Our Decision dated September 30, 2005 is hereby amended to read as follows:

1. Declaring null and void Transfer Certificates of Titles Nos. 205624 and 201061 in the name of defendants-appellants Spouses Eliseo Bautista and Emperatriz Bautista;
2. Nullifying the Real Estate Mortgages constituted on the lots covered by Transfer Certificates of Titles Nos. 205624 and 201061 by defendant-appellant Eliseo Bautista in favor of defendant-appellee Manila Credit Corporation;
3. Ordering the Register of Deeds of Muntinlupa City to reinstate Transfer Certificates of Title Nos. 201048 and 201049 in the name of plaintiffs-appellants Spouses Mila Jalandoni and Antonio Jalandoni, free from any mortgage or lien;
4. Defendants-appellants Spouses Eliseo Bautista and Emperatriz Bautista are liable to pay their obligation under the Promissory Notes they executed in favor of defendant-appellee Manila Credit Corporation;
5. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Fifty Thousand Pesos (P50,000.00) by way of moral damages;
6. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Twenty Five Thousand Pesos (P25,000.00) by way of exemplary damages; and
7. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Twenty Five Thousand Pesos (P25,000.00) by way of attorney's fees.

SO ORDERED.<sup>[18]</sup>

On February 24, 2006, MCC filed a motion for reconsideration<sup>[19]</sup> praying for the reinstatement of the CA's September 30, 2005 decision.

The Spouses Bautista, in turn, filed a petition for review before the Court docketed

as G.R. No. 171464. In view thereof, the CA held in abeyance the resolution on MCC's motion for reconsideration.<sup>[20]</sup>

On September 26, 2007, the Court gave due course to the petition.<sup>[21]</sup> Seeing the need, however, to first resolve the motion for reconsideration of the MCC, the Court directed the CA to resolve the motion.

Consequently, the CA, in a Resolution,<sup>[22]</sup> dated October 12, 2011, denied the petition.

On December 6, 2011, the MCC filed a petition for review before this Court assailing the January 27, 2006 Amended Decision and October 12, 2011 Resolution of the CA in CA G.R. CV No. 84648.

Considering that G.R. No. 171464 and G.R. No. 199341 are both questioning the January 27, 2006 Amended Decision and October 12, 2011 Resolution of the CA and that the issues raised are intertwined, the Court consolidated the two petitions.

In G.R. No. 171464, Spouses Bautista anchored their petition on the following

#### **ARGUMENTS:**

**THE COURT OF APPEALS COMMITTED GRAVE ERROR IN FINDING THAT PETITIONERS ARE NOT BUYERS IN GOOD FAITH.**

**THE COURT OF APPEALS ERRED IN RULING THAT (A) THE TCTS ISSUED UNDER PETITIONERS' NAMES SHOULD BE ANNULLED; AND (B) THEY ARE LIABLE TO THE SPOUSES JALANDONI FOR ACTUAL, MORAL AND EXEMPLARY DAMAGES, AND ATTORNEY'S FEES.<sup>[23]</sup>**

Whereas, in G.R. No. 199341, MCC presented the following

#### **ASSIGNMENT OF ERRORS/ GROUNDS/ISSUES**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED AN ERROR IN NULLIFYING THE REAL MORTGAGE CONSTITUTED ON THE SUBJECT PROPERTIES.**

**WHETHER OR NOT THE COURT OF APPEALS SERIOUSLY COMMITTED AN ERROR IN FAILING TO APPLY THE CASES OF PINEDA VS. COURT OF APPEALS, CABUHAT VS. COURT OF APPEALS, REPUBLIC VS. UMALI, PHILIPPINE NATIONAL BANK VS. COURT OF APPEALS, PENULLAR VS. PHILIPPINE NATIONAL BANK AND SUCH OTHER CASES UPHOLDING THE RIGHT OF AN INNOCENT MORTGAGEE FOR VALUE.**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED AN**