

SECOND DIVISION

[G.R. No. 174104, February 14, 2011]

**INSURANCE OF THE PHILIPPINE ISLANDS CORPORATION,
PETITIONER, VS. SPOUSES VIDAL S. GREGORIO AND JULITA
GREGORIO, RESPONDENTS.**

DECISION

PERALTA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking the reversal and nullification of the Decision^[1] of the Court of Appeals (CA), dated June 14, 2006 and its Resolution^[2] dated August 10, 2006 in CA-G.R. CV No. 82303. The assailed CA Decision reversed the Decision^[3] of the Regional Trial Court (RTC) of Morong, Rizal, Branch 79, in Civil Case No. 748-M in favor of herein petitioner, while the questioned CA Resolution denied petitioner's motion for reconsideration.

The pertinent antecedent facts of the case, as summarized by the CA, are as follows:

On January 10, 1968, the spouses Vidal Gregorio and Julita Gregorio [herein respondents] obtained a loan from the Insurance of the Philippine Islands Corporation [herein petitioner] (formerly known as Pyramid Insurance Co., Inc.) in the sum of P2,200.00, payable on or before January 10, 1969, with interest thereon at the rate of 12% per annum. By way of security for the said loan, [respondents] executed a Real Estate Mortgage in favor of [petitioner] over a parcel of land known as Lot 6186 of the Morong Cadastre, then covered by Tax Declaration No. 7899 issued by the Municipal Assessor's Office of Morong, Rizal.

On February 14, 1968, [respondents] again obtained another loan from [petitioner] in the sum of P2,000.00, payable on or before February 14, 1969, with 12% interest per annum. Another Real Estate Mortgage, covering a parcel of land known as Lot No. 6190 of the Morong Cadastre under Tax Declaration No. 10518, was executed by [respondents] in favor of [petitioner].

On April 10, 1968, [respondents] obtained, for the third time, another loan from [petitioner] in the amount of P4,500.00 payable on or before April 10, 1969 with 12% interest per annum. As a security for the loan, [respondents] again executed a Real Estate Mortgage, this time covering two parcels of land: Lot 3499 under Tax Declaration No. 10631-Rizal and a lot situated in Brgy. Kay Kuliat under Tax Declaration No. 3918.

[Respondents] failed to pay their loans, as a result of which the [mortgaged] properties were extrajudicially foreclosed. The extrajudicial foreclosure sale was conducted on December 11, 1969 where [petitioner] was the highest bidder. Since [respondents] failed to redeem the property, [petitioner] consolidated its ownership over the properties. The corresponding Tax Declarations were thereafter issued in the name of [petitioner].^[4]

On February 20, 1996, petitioner filed a Complaint^[5] for damages against respondents alleging that in 1995, when it was in the process of gathering documents for the purpose of filing an application for the registration and confirmation of its title over the foreclosed properties, it discovered that the said lots were already registered in the names of third persons and transfer certificates of title (TCT) were issued to them.

Claiming that respondents acted in a fraudulent and malevolent manner in enticing it to grant their loan applications by misrepresenting ownership of the subject properties, petitioner prayed for the grant of actual and exemplary damages as well as attorney's fees and litigation expenses.

In their Amended Answer,^[6] respondents contended that their obligations in favor of petitioner were all settled by the foreclosure of the properties given as security therefor. In the alternative, respondents argue that petitioner's cause of action and right of action are already barred by prescription and laches.

In its Decision dated February 23, 2004, the RTC of Morong, Rizal, ruled in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and as against the defendants, directing the latter to pay the plaintiff, jointly and severally, as follows:

- a. Actual damages in the amount of P1,000,000.00, representing the fair market value of the real properties subject matter of this suit;
- b. For defendants' deceit and bad faith, exemplary damage in the sum of P300,000.00;
- c. Attorney's fees and litigation expenses in the amount of P200,000.00; and
- d. Costs of suit.

SO ORDERED.^[7]

Aggrieved, respondents appealed the judgment of the trial court to the CA.