

THIRD DIVISION

[G.R. NO. 180458, July 30, 2009]

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS.
FAMILY FOODS MANUFACTURING CO. LTD., AND SPOUSES
JULIANCO AND CATALINA CENTENO, RESPONDENT.**

D E C I S I O N

NACHURA, J.:

At bar is a petition for review on *certiorari* under Rule 45 of the Rules of Court filed by petitioner Development Bank of the Philippines (DBP), challenging the May 11, 2007 Decision^[1] and the October 24, 2007 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 81360.

On September 15, 1982, respondent Family Foods Manufacturing Co. Ltd. (FAMILY FOODS), a partnership owned and operated by Spouses Julianco and Catalina Centeno (spouses Centeno) obtained an industrial loan of P500,000.00 from DBP. The loan was evidenced by a promissory note dated September 15, 1982 and payable in seven (7) years, with quarterly amortizations of P31,760.40. The loan carried an interest rate of 18% per annum, and penalty charge of 8% per annum. As security, spouses Centeno executed a real estate mortgage on the parcels of land in Los Baños, Laguna, covered by Transfer Certificate of Title (TCT) Nos. T-651217, T-96878 and T-96689; and a chattel mortgage over the buildings, equipment and machineries therein, in favor of DBP.

On October 14, 1984, FAMILY FOODS was granted an additional loan of P440,000.00, payable on or before November 8, 1989, with interest at 22% per annum and penalty charge of 8%. The loan was, likewise, secured by the same real estate and chattel mortgages.

FAMILY FOODS failed to pay the loans when they became due. Demand to pay was made, but it was not heeded. Accordingly, DBP filed a petition for extrajudicial foreclosure of mortgage with the Office of the Clerk of Court of the Regional Trial Court (RTC) of Laguna. A notice of sale, setting the auction sale on August 20, 1990, was issued and was published in *The Barangay* on July 19, August 5 and August 12, 1990. As scheduled, the sale proceeded, and the properties were awarded to DBP as the highest bidder. A certificate of sale was issued and was registered with the Register of Deeds.

On January 10, 1991, before the redemption period expired, FAMILY FOODS entered into a contract of lease over the foreclosed properties with DBP for agreed monthly rentals of P12,000.00. Spouses Centeno paid P24,000.00 as advanced rentals, but refused to pay the succeeding rentals. They, likewise, failed to redeem the foreclosed properties; hence, DBP consolidated its title over the same.

On March 3, 1994, spouses Centeno filed a suit for *Annulment of Sale with Prayer for Issuance of a Writ of Injunction and/or Restraining Order*.^[3] They admitted obtaining loans in the amount of P940,000.00 from DBP, but claimed that they made substantial payments amounting to P773,466.59. DBP, however, imposed interest and other charges in excess of those provided in the promissory note and in the real estate and chattel mortgages, thus, unnecessarily increasing their outstanding obligation. Spouses Centeno further claimed that the foreclosure was void, because the notice of public action was not published in a newspaper of general circulation, as required by law. *The Barangay*, the newspaper where the notice of auction sale was published, they asserted, was not a newspaper of general circulation in Laguna. The certificate of posting issued by the Sheriff was, likewise, defective, as it was not in affidavit form or under oath, as required by Act No. 3135. Finally, spouses Centeno prayed for the issuance of a restraining order to enjoin DBP from taking possession of the property pending adjudication of the case.

DBP filed its answer^[4] asserting lack of cause of action, as a defense. It averred that the foreclosure proceeding was valid and in accordance with law, arguing that it was not flawed by lack of notice or publication. FAMILY FOODS and spouses Centeno were duly notified of the scheduled auction sale. The notices of foreclosure sale were posted and published, as required by law. DBP further averred that respondents were estopped from questioning the foreclosure proceeding, because respondents already entered into a contract of lease with DBP. In so doing, respondents acknowledged DBP's ownership of the subject properties, thereby admitting the validity of the foreclosure proceeding. It added that respondents, as tenants, could not deny the DBP's title over the property, citing Sec. 4 (b), Rule 31 of the Rules of Court.

In due course and after hearing, the RTC rendered a decision^[5] on January 30, 2003, dismissing the complaint. It rejected respondents' assertion that the notice of auction sale was not published and posted, as required by law. It also sustained DBP's argument that respondents are estopped from assailing the auction sale after the execution of the contract of lease. Respondents' claim of payment was, likewise, rejected for lack of factual and legal basis. Respondents filed a motion for reconsideration, but the RTC denied the same.^[6]

Forthwith, respondents appealed to the Court of Appeals (CA). In its May 11, 2007 Decision, the appellate court modified the RTC decision. While upholding the validity of the auction sale, the CA reduced the interest rates and penalty charges stipulated in the two (2) promissory notes for being iniquitous and unconscionable. The dispositive portion of the CA decision reads:

WHEREFORE, premises considered, the assailed January 30, 2003 Decision of the Regional Trial Court of Calamba, Laguna, Branch 92, in Civil Case No. 2082-94-C, is hereby MODIFIED with respect to the penalty which is hereby REDUCED to three percent (3%) per annum and with respect to the interest rates charged in the two promissory notes, these iniquitous interest rates are hereby REDUCED to twelve percent (12%) per annum each of the two promissory notes. All other aspects of the decision are hereby AFFIRMED.

SO ORDERED.^[7]

Respondents filed a motion for reconsideration, while DBP moved for partial reconsideration of the decision, but these were both denied by the CA on October 24, 2007.

Respondents and DBP then came to us with their respective petitions for review assailing the CA ruling. Respondents' petition was docketed as G.R. No. 180318, while that of DBP was docketed as G. R. No. 180458. The petitions, however, were not consolidated.

On February 2, 2008, this Court dismissed G.R. No. 180318 and affirmed the CA ruling. Thus, what remains to be resolved is DBP's petition, raising the following issues:

- I. WHETHER THE REASONABLENESS OF THE STIPULATED PENALTY CHARGE AND INTEREST RATES ARE WITHIN THE ISSUES OF THE INSTANT CASE;
- II. WHETHER THE JUSTIFICATION PROVIDED FOR THE REDUCTION OF THE STIPULATED PENALTY CHARGE AND INTEREST RATES IS SUPPORTED BY THE EVIDENCE ON RECORD;
- III. WHETHER THE STIPULATED PENALTY CHARGE OF 8% PER ANNUM AND INTEREST RATES OF 18% AND 22% PER ANNUM ARE UNREASONABLE, INIQUITOUS AND UNCONSCIONABLE UNDER THE APPLICABLE DECISIONS OF THE SUPREME COURT.^[8]

We will first address the procedural issue raised by the respondents in their comment.

Respondents moved for the outright dismissal of the petition on the ground that DBP did not attach material portions of the record, *i.e.* promissory notes, real estate and chattel mortgages, and other documents, which are necessary for a complete determination of the merits of the petition. They assert that DBP violated Sec. 4, Rule 45^[9] of the Rules of Civil Procedure, thus, justifying the outright dismissal of the petition.

We disagree.

As a general rule, a petition lacking copies of essential pleadings and portions of the case record may be dismissed.^[10] This rule, however, is not petrified. As the exact nature of the pleadings and parts of the case record that must accompany a petition is not specified, much discretion is left to the court to determine the necessity for copies of pleadings and other documents. ^[11]

A careful perusal of the records of the case shows that the petitioners substantially complied with the procedural requirements of Section 4, Rule 45 of the Rules of

Court. Attached to the petition for review as annexes are legible certified duplicate originals of the assailed CA decision and resolution. DBP also attached the pleadings filed before the RTC and the latter's decision. The attachment of the pleadings and of the decisions of the RTC and CA provides sufficient basis to resolve the instant controversy.

As held by this Court in *Air Philippines Corporation v. Zamora*:^[12]

[E]ven if a document is relevant and pertinent to the petition, it need not be appended if it is shown that the contents thereof can also found in another document already attached to the petition. Thus, if the material allegations in a position paper are summarized in a questioned judgment, it will suffice that only a certified true copy of the judgment is attached.

Third, a petition lacking an essential pleading or part of the case record may still be given due course or reinstated (if earlier dismissed) upon showing that petitioner later submitted the documents required, or that it will serve the higher interest of justice that the case be decided on the merits.

Nevertheless, even if the pleadings and other supporting documents were not attached to the petition, the dismissal is unwarranted because the CA records containing the promissory notes and the real estate and chattel mortgages were elevated to this Court. Without a doubt, we have sufficient basis to actually and completely dispose of the case.

We must stress that cases should be determined on the merits, after all parties have been given full opportunity to ventilate their causes and defenses, rather than on technicalities or procedural imperfections. In that way, the ends of justice would be served better. Rules of procedure are mere tools designed to expedite the decision or resolution of cases and other matters pending in court. A strict and rigid application of rules, resulting in technicalities that tend to frustrate rather than promote substantial justice, must be avoided. In fact, Section 6 of Rule 1 states that the Rules shall be liberally construed in order to promote their objective of ensuring the just, speedy and inexpensive disposition of every action and proceeding.^[13]

Now we resolve the merit of the petition.

DBP faults the CA for ruling on the reasonableness of the stipulated interest and, accordingly, modifying the RTC decision. It points out that respondents never questioned the interest and charges stipulated in the promissory notes and in the real estate and chattel mortgages throughout the proceedings in the court a quo. What respondents questioned were the interest and charges allegedly imposed or collected in excess of those provided in the real estate and chattel mortgages. Thus, it contends that the CA committed reversible error in ruling on the issue, which was neither raised in the complaint nor ventilated during the trial. In any case, there was nothing illegal in the stipulated rate of interest. DBP, therefore, prays for the reversal of the assailed decision and resolution.

We grant the petition.