

THIRD DIVISION

[G.R. No. 167098, March 28, 2008]

PHILIPPINE VETERANS BANK, PETITIONER, V.S. BENJAMIN MONILLAS,RESPONDENT.

D E C I S I O N

NACHURA, J.:

Challenged in this petition for review on *certiorari* under Rule 45 of the Rules of Court is the November 3, 2004 Decision ^[1] of the Regional Trial Court (RTC) of Santiago City, Branch 35 in Civil Case No. 35-3123. Also assailed is the February 10, 2005 Order^[2] denying the motion for the reconsideration of the challenged decision.

The antecedent facts and proceedings follow.

Respondent Benjamin Monillas and his brother, Ireneo, inherited from their father a parcel of land covered by TCT No. T-53038. On May 21, 1973, respondent executed a deed of sale of his share over the property to Ireneo under the latter's representation that he would use the deed to facilitate the procurement of a loan (with the Development Bank of the Philippines) for a planned housing project on the land. Ireneo then caused the transfer of the title in his name, the property's subdivision into 308 lots, and the issuance of individual titles for the subdivided lots.^[3]

In 1978, Ireneo mortgaged twenty-two (22) lots covered by TCT Nos. T-75517 to 75539, to petitioner Philippine Veterans Bank (PVB). Three years thereafter or in 1981, respondent instituted Civil Case No. 24-0047 before the RTC of Echague, Isabela, for the nullification of the 1973 deed of sale, the recovery of the property, and the payment of damages.^[4]

While the case remained pending, PVB foreclosed the mortgage on June 2, 1984.^[5] In the foreclosure sale, petitioner was the highest bidder.

Later, on March 21, 1985, respondent caused the annotation of notices of *lis pendens* relating to the said civil case on the titles of the subdivided lots. On September 29, 1988, the RTC of Echague rendered its decision in the said civil case declaring the 1973 deed as null and void, cancelling the subsequent titles issued, and ordering the payment of damages. This ruling was affirmed by the Court of Appeals on October 31, 1991 in CA-G.R. CV No. 23944. Per entry of judgment, the case attained finality on November 29, 1991.^[6]

On January 27, 1999, the Sheriff's Certificate of Sale and the Affidavit of Consolidation of Ownership were annotated on TCT Nos. T-75517 to T-75539. The said titles were then cancelled and new titles, TCT Nos. T-323794 to 323816, were

issued in PVB's name on June 24, 2002.^[7]

On April 10, 2003, respondent sued petitioner and the Register of Deeds of Isabela before the RTC of Santiago City, Branch 35, for the cancellation of the mortgage, the invalidation of the foreclosure, and the declaration of the nullity of the titles issued in petitioner's name.^[8] The case was docketed as Civil Case No. 35-3123.

After trial on the merits, the court rendered the assailed November 3, 2004 Decision^[9] ruling that petitioner was bound by the outcome of Civil Case No. 24-0047 because notices of *lis pendens* were annotated in the properties' titles. The RTC rationalized that while the annotation of the notices succeeded the registration of the mortgage, still the effect of the notices was that PVB acquired knowledge of an impediment against its interest, and as a matter of fact, petitioner ignored the notices and slept on its rights, as it did not intervene in the said civil case.^[10] The trial court proceeded to dispose of the case as follows:

WHEREFORE, in view of all the foregoing considerations, judgment is hereby rendered in favor of the plaintiff and against the defendant as follows:

- 1) DECLARING as null and void the mortgage contract between Ireneo Monillas, Jr. and defendant Philippine Veterans Bank (PVB) over TCT Nos. T-75517 to T-75539, inclusive;
- 2) DECLARING as null and void the foreclosure of the mortgage contract mentioned in the preceding paragraph over the same properties;
- 3) DECLARING as null and void TCT Nos. T-323794 to T-323816, inclusive, in the name of defendant Philippine Veterans Bank (PVB); and
- 4) ORDERING defendant Register of Deeds of Isabela (Ilagan and Santiago City Office) to cancel TCT Nos. T-323794 to T-323816, inclusive, all in the name of defendant PVB, and issue corresponding certificates of title thereto in the name of plaintiff Benjamin Monillas, upon payment of required fees.

No other pronouncements.

SO ORDERED.^[11]

Petitioner's Motion for Reconsideration^[12] was later denied by the trial court in the likewise challenged February 10, 2005 Order.^[13]

Frustrated at these developments, petitioner filed before the Court the instant petition for review on *certiorari* on the following grounds:

THE LOWER COURT DECIDED A QUESTION OF SUBSTANCE IN A WAY NOT IN ACCORD WITH LAW AND WITH THE APPLICABLE DECISIONS OF THE SUPREME COURT.

- I. It denied Philippine Veterans Bank the status of the mortgagee in good faith despite the undisputed fact that defendant did not know

of any infirmity whatsoever in the titles when they were mortgaged.

II. It in effect gave a notice of *lis pendens* a retroactive effect contrary to the provision of the Rules of Court that *lis pendens* only effects (*sic*) subsequent dealings.

III. It in effect made petitioner bound by a decision it was not a party (*sic*).^[14]

Whether the prior registered mortgage and the already concluded foreclosure proceedings should prevail over the subsequent annotation of the notices of *lis pendens* on the lot titles, is the central question to be addressed by the Court in this case.

The petition is meritorious.

On the procedural issue raised, we declare that the instant petition, contrary to respondent's contention, is the correct remedy to question the challenged issuances.

Under the Rules of Court, a party may directly appeal to this Court from a decision of the trial court only on pure questions of law.^[15] A question of law lies, on one hand, when the doubt or difference arises as to what the law is on a certain set of facts; on the other hand, a question of fact exists when the doubt or difference arises as to the truth or falsehood of the alleged facts.^[16] Here, the facts are not disputed; the controversy merely relates to the correct application of the law or jurisprudence to the undisputed facts.

On the merits of the petition, the Court rules that the prior registered mortgage of PVB and the foreclosure proceedings already conducted prevail over respondent's subsequent annotation of the notices of *lis pendens* on the titles to the property. Settled in this jurisdiction is the doctrine that a prior registration of a lien creates a preference;^[17] hence, the subsequent annotation of an adverse claim cannot defeat the rights of the mortgagee, or the purchaser at the auction sale whose rights were derived from a prior mortgage validly registered. A contrary rule will make a prior registration of a mortgage or any lien nugatory or meaningless.^[18] It may not be amiss to point out, at this juncture, that the doctrine applies with greater force in this case considering that the annotation of the notice of *lis pendens* was made not only after the registration of the mortgage, but also, and much later, after the conclusion of the foreclosure sale. Furthermore, the mortgagee itself, PVB, is the purchaser of the subject properties in the foreclosure sale.

The Court also notes that PVB is an innocent mortgagee for value. When the lots were mortgaged to it by Ireneo, the titles thereto were in the latter's name, and they showed neither vice nor infirmity.^[19] In accepting the mortgage, petitioner was not required to make any further investigation of the titles to the properties being given as security,^[20] and could rely entirely on what is stated in the aforesaid titles.^[21] The public interest in upholding the indefeasibility of a certificate of title, as evidence of the lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.^[22]