

FIRST DIVISION

[G.R. NO. 155683, February 16, 2007]

PETRON CORPORATION, PETITIONER, VS. NATIONAL COLLEGE OF BUSINESS AND ARTS, RESPONDENT.

D E C I S I O N

CORONA, J.:

The sole question raised in this petition for review on certiorari^[1] is whether petitioner Petron Corporation (Petron) should be held liable to pay attorney's fees and exemplary damages to respondent National College of Business and Arts (NCBA).

This case, however, is but part of a larger controversy over the lawful ownership of seven parcels of land^[2] in the V. Mapa area of Sta. Mesa, Manila (the V. Mapa properties) that arose out of a series of events that began in 1969.^[3]

Sometime in 1969, the V. Mapa properties, then owned by Felipe and Enrique Monserrat, Jr., were mortgaged to the Development Bank of the Philippines (DBP) as part of the security for the P5.2 million loan of Manila Yellow Taxicab Co., Inc. (MYTC) and Monserrat Enterprises Co. MYTC, for its part, mortgaged four parcels of land located in Quiapo, Manila.

On March 31, 1975, however, Felipe's ½ undivided interest in the V. Mapa properties was levied upon in execution of a money judgment rendered by the Regional Trial Court (RTC) of Manila in *Filoil Marketing Corporation v. MYTC, Felipe Monserrat, and Rosario Vda. De Monserrat* (the Manila case).^[4] DBP challenged the levy through a third-party claim asserting that the V. Mapa properties were mortgaged to it and were, for that reason, exempt from levy or attachment. The RTC quashed it.

On June 18, 1981, MYTC and the Monserrats got DBP to accept a *dacion en pago* arrangement whereby MYTC conveyed to the bank the four mortgaged Quiapo properties as full settlement of their loan obligation. But despite this agreement, DBP did not release the V. Mapa properties from the mortgage.

On May 21, 1982, Felipe, acting for himself and as Enrique's attorney-in-fact, sold the V. Mapa properties to respondent NCBA. Part of the agreement was that Felipe and Enrique would secure the release of the titles to the properties free of all liens and encumbrances including DBP's mortgage lien and Filoil's levy on or before July 31, 1982. But the Monserrats failed to comply with this undertaking. Thus, on February 3, 1983, NCBA caused the annotation of an affidavit of adverse claim on the TCTs covering the V. Mapa properties.

Shortly thereafter, NCBA filed a complaint against Felipe and Enrique for specific performance with an alternative prayer for rescission and damages in the RTC of

Manila. The case was raffled to Branch 30 and docketed as Civil Case No. 83-16617. On March 30, 1983, NCBA had a notice of *lis pendens* inscribed on the TCTs of the V. Mapa properties. A little over two years later, NCBA impleaded DBP as an additional defendant in order to compel it to release the V. Mapa properties from mortgage.

On February 28, 1985, during the pendency of Civil Case No. 83-16617, Enrique's ½ undivided interest in the V. Mapa properties was levied on in execution of a judgment of the RTC of Makati (the Makati case)^[5] holding him liable to Petron (then known as Petrophil Corporation) on a 1972 promissory note. On April 29, 1985, the V. Mapa properties were sold at public auction to satisfy the judgments in the Manila and Makati cases. Petron, the highest bidder, acquired both Felipe's and Enrique's undivided interests in the property. The final deeds of sale of Enrique's and Felipe's shares in the V. Mapa properties were awarded to Petron in 1986. Sometime later, the Monserrats' TCTs were cancelled and new ones were issued to Petron. Thus it was that, towards the end of 1987, Petron intervened in NCBA's suit against Felipe, Enrique and DBP (Civil Case No. 83-16617) to assert its right to the V. Mapa properties.

The RTC rendered judgment on March 11, 1996.^[6] It ruled, among other things, that Petron never acquired valid title to the V. Mapa properties as the levy and sale thereof were void and that NCBA was now the lawful owner of the properties. Moreover, the RTC held Petron, DBP, Felipe and Enrique jointly and severally liable to NCBA for exemplary damages and attorney's fees for the following reasons:

FELIPE and ENRIQUE had no reason to renege on their undertaking in the Deed of Absolute Sale "to secure the release of the titles to the properties xxx free from all the liens and encumbrances, and to cause the lifting of the levy on execution of Commercial Credit Corporation, Industrial Finance Corporation[,], and Filoil over the V. Mapa [p]roperty. Moreover, ENRIQUE had no reason to repudiate FELIPE and disavow authority he had [given] the latter to sell his share in the V. Mapa property.

On the other hand, the mortgage in favor of DBP had been fully extinguished thru dacion en pago as early as 18 June 1981 but it unjustifiably and whimsically refused to release the mortgage and to surrender to the buyer (NCBA) the owner's duplicate copies of Transfer Certificates of Title No[s]. 83621 to 83627, thereby preventing NCBA from registering the sale in its favor.

Similarly, [Petron] has absolutely no reason to claim the V. Mapa property. For, as shown above, the levy in execution and sale of the shares of FELIPE and ENRIQUE in the V. Mapa property were null and void.

Finally, in their Memorandum of Agreement dated 25 September 1992 with Technical Institute of the Philippines, [Petron] and DBP attempted to pre-empt this Court's power to adjudicate on the claim of ownership stipulating that "to facilitate their defenses and cause of action in Civil Case No. 83-16617," they agreed on the disposition of the V. Mapa property among themselves. For obvious reasons, this Court refused to