

## FIRST DIVISION

[ G.R. No. 141297, October 08, 2001 ]

**DOMINGO R. MANALO, PETITIONER, VS. COURT OF APPEALS  
(SPECIAL TWELFTH DIVISION) AND PAIC SAVINGS AND  
MORTGAGE BANK, RESPONDENTS.**

### D E C I S I O N

**PUNO, J.:**

This petition for *certiorari* seeks the review of the Decision of the Court of Appeals in C.A.-G.R. SP. No. 50341 promulgated December 23, 1999, which affirmed an Order issued by the Regional Trial Court, Branch 112, Pasay City, in Civil Case No. 9011 dated December 9, 1998.

On July 19, 1983, S. Villanueva Enterprises, represented by its president, Therese Villanueva Vargas, obtained a loan of three million pesos (P3,000,000.00) and one million pesos (P1,000,000.00) from the respondent PAIC Savings and Mortgage Bank and the Philippine American Investments Corporation (PAIC), respectively. To secure payment of both debts, Vargas executed in favor of the respondent and PAIC a Joint First Mortgage<sup>[1]</sup> over two parcels of land registered under her name. One of the lots, located in Pasay City with an area of nine hundred nineteen square meters (919 sq.m.) and covered by TCT No. 6076, is the subject of the present case. Section 2 of the mortgage contract states that "the properties mortgaged therein shall include all buildings and improvements existing on the mortgaged property at the time of the execution of the mortgage contract and thereafter."<sup>[2]</sup>

S. Villanueva Enterprises defaulted in paying the amortizations due. Despite repeated demands from the respondent, it failed to settle its loan obligation. Accordingly, respondent instituted extrajudicial foreclosure proceedings over the mortgaged lots. On August 22, 1984, the Pasay City property was sold at a public auction to the respondent itself, after tendering the highest bid. The respondent then caused the annotation of the corresponding Sheriff's Certificate of Sale<sup>[3]</sup> on the title of the land on December 4, 1984. After the lapse of one year, or the statutory period extended by law to a mortgagor to exercise his/her right of redemption, title was consolidated in respondent's name for failure of Vargas to redeem.

On October 29, 1986, the Central Bank of the Philippines filed a Petition<sup>[4]</sup> for assistance in the liquidation of the respondent with the Regional Trial Court. The petition was given due course in an Order<sup>[5]</sup> dated May 19, 1987.

It appears that from the years 1986 to 1991, Vargas negotiated with the respondent (through its then liquidator, the Central Bank) for the repurchase of the foreclosed property. The negotiations, however, fizzled out as Vargas cannot afford the

repurchase price fixed by the respondent based on the appraised value of the land at that time. On October 4, 1991, Vargas filed a case for annulment of mortgage and extra-judicial foreclosure sale before Branch 116 of the Pasay City Regional Trial Court. On July 22, 1993, the court rendered a decision<sup>[6]</sup> dismissing the complaint and upholding the validity of the mortgage and foreclosure sale. On appeal, the appellate court upheld the assailed judgment and declared the said mortgage and foreclosure proceedings to be in accord with law.<sup>[7]</sup> This decision of the Court of Appeals subsequently became final and executory when we summarily dismissed Vargas's Petition for Review on Certiorari for having been filed beyond the reglementary period.<sup>[8]</sup>

In the meantime, on June 22, 1992, respondent petitioned the Regional Trial Court, Branch 112, of Pasay City, herein court *a quo*, for the issuance of a writ of possession for the subject property in Civil Case No. 9011. This is in view of the consolidation of its ownership over the same as mentioned earlier. Vargas and S. Villanueva Enterprises, Inc. filed their opposition thereto. After which, trial ensued.

During the pendency of Civil Case No. 9011 (for the issuance of a writ of possession), Vargas, on December 23, 1992, executed a Deed of Absolute Sale<sup>[9]</sup> selling, transferring, and conveying ownership of the disputed lot in favor of a certain Armando Angsico. Notwithstanding this sale, Vargas, still representing herself to be the lawful owner of the property, leased the same to petitioner Domingo R. Manalo on August 25, 1994. Pertinent provisions of the lease agreement<sup>[10]</sup> state:

"3. (a) The lease is for a period of ten year lease (sic), involving 450 square meters, a portion of the above 919 square meter property.

x x x (d) The LESSEE has to introduce into the said 450 square meter premises improvements thereon (sic) consisting of one story building to house a Karaoke Music Restaurant Business, which improvements constructed therof (sic), upon the termination of the lease contract, by said LESSEE be surrendered in favor of the LESSOR (sic)."<sup>[11]</sup>

Later, on June 29, 1997, Armando Angsico, as buyer of the property, assigned his rights therein to petitioner.<sup>[12]</sup>

On April 21, 1998, the court *a quo* granted the petition for the issuance of the Writ of Possession.<sup>[13]</sup> The writ was subsequently issued on April 24, 1998, the pertinent portion of which reads:<sup>[14]</sup>

"NOW THEREFORE you are hereby commanded that you cause oppositors THERESE VILLANUEVA VARGAS and S. VILLANUEVA ENTERPRISES, INC. and any and all persons claiming rights or title under them, to forthwith vacate and surrender the possession of subject premises in question known as that parcel of land and improvements covered by TCT No. 6076 of the Registry of Deeds of Pasay City; you are hereby further ordered to

take possession and deliver to the petitioner PAIC SAVINGS AND MORTGAGE BANK the subject parcel of land and improvements."

Shortly, on May 8, 1998, S. Villanueva Enterprises and Vargas moved for its quashal.<sup>[15]</sup> Thereafter on June 25, 1998, petitioner, on the strength of the lease contract and Deed of Assignment made in his favor, submitted a Permission to File an *Ex-parte* Motion to Intervene.<sup>[16]</sup> It bears mentioning, however, that before petitioner sought intervention in the present case, he had separately instituted a Complaint for Mandamus, docketed as Civil Case No. 98-0868 before another branch<sup>[17]</sup> of the Pasay City RTC to compel PAIC Bank to allow him to repurchase the subject property.

On October 7, 1998, the court *a quo* denied the Motion to Quash and Motion to Intervene filed respectively by Vargas and petitioner.<sup>[18]</sup> A Motion for Reconsideration and a Supplemental Motion for Reconsideration were filed by the petitioner which, however, were similarly denied on December 9, 1998.

Petitioner then sought relief with the Court of Appeals, filing therein a Petition for Certiorari. While this was awaiting resolution, he entered into another lease agreement,<sup>[19]</sup> this time with the respondent, represented by its liquidator, over the same 450 sq.m. portion of the lot. The contract fixed a period of one month beginning January 28, 1999, renewable for another month at the exclusive option of the lessor, respondent PAIC Bank.

On December 23, 1999, the appellate court rendered the impugned Decision, dismissing the petition, thus:

"All told, WE find the Order, subject of the instant Petition for Certiorari and Prohibition, to be not without rational bases and we observe that the court a quo, in issuing its questioned Order, committed no grave abuse of discretion amounting to lack of jurisdiction.

WHEREFORE, the Petition for Certiorari and Prohibition is hereby DISMISSED and the assailed December 9, 1998 Order is AFFIRMED in all respects.

SO ORDERED."<sup>[20]</sup>

Hence, this appeal, where petitioner raises and argues the following legal issues:

"I. Whether or not public respondent acted without or in excess of its jurisdiction and/or was patently in error when it affirmed the denial of petitioner's motion for intervention, despite the fact that he has a legal interest, being a lessee and an assignee of the property subject matter of this case.

II. Whether or not the public respondent committed grave abuse of discretion when it held that what are required to be instituted before the

liquidation court are those claims against the insolvent banks only considering that the private respondent bank is legally dead due to insolvency and considering further that there is already a liquidation court (Regional Trial Court of Makati, Branch 57, docketed as Spec. Pro. No. M-1280) which is exclusively vested with jurisdiction to hear all matters and incidents on liquidation pursuant to Section 29, Republic Act No. 265, otherwise known as The Central Bank Act, as amended.

III. Whether or not the public respondent committed grave abuse of discretion and/or was patently in error in affirming the ruling of the trial court, totally disregarding the arguments raised in petitioner's supplemental motion for reconsideration only through a minute order and without taking into consideration the fact that there is a pending action in another court (RTC, Pasay City, Branch 231) which presents a prejudicial question to the case at bar.

IV. Whether or not the petitioner is estopped from questioning private respondent's ownership when it entered into a contract of lease involving the property in question."<sup>[21]</sup>

We will first resolve the jurisdictional and procedural questions raised by the petitioner.

### I.

Petitioner postulates that the lower court should have dismissed respondent's "*Ex-Parte* Petition for Issuance of Writ of Possession" in Civil Case No. P-9011 for want of jurisdiction over the subject matter of the claim. The power to hear the same, he insists, exclusively vests with the Liquidation Court pursuant to Section 29 of Republic Act No. 265, otherwise known as The Central Bank Act.<sup>[22]</sup> He then cites our decision in **Valenzuela v. Court of Appeals**,<sup>[23]</sup> where we held that "if there is a judicial liquidation of an insolvent bank, all claims against the bank should be filed in the liquidation proceeding." For going to another court, the respondent, he accuses, is guilty of forum shopping.

These contentions can not pass judicial muster. The pertinent portion of Section 29 states:

"x x x The liquidator designated as hereunder provided shall, by the Solicitor General, file a petition in the Regional Trial Court reciting the proceedings which have been taken and praying the assistance of the court in the liquidation of such institution. **The court shall have jurisdiction in the same proceedings to assist in the adjudication of disputed claims against the bank** or non-bank financial intermediary performing quasi-banking functions and the enforcement of individual liabilities of the stockholders and do all that is necessary to preserve the assets of such institution and to implement the liquidation plan approved by the Monetary Board. x x x"<sup>[24]</sup> (*emphasis supplied.*)

Petitioner apparently failed to appreciate the correct meaning and import of the above-quoted law. The legal provision only finds operation in cases where there are claims against an insolvent bank. In fine, the exclusive jurisdiction of the liquidation court pertains only to **the adjudication of claims against the bank**. It does not cover the reverse situation where it is the bank which files a claim against another person or legal entity.

This interpretation of Section 29 becomes more obvious in the light of its intent. The requirement that all claims against the bank be pursued in the liquidation proceedings filed by the Central Bank is intended to prevent multiplicity of actions against the insolvent bank and designed to establish due process and orderliness in the liquidation of the bank, to obviate the proliferation of litigations and to avoid injustice and arbitrariness.<sup>[25]</sup> The lawmaking body contemplated that for convenience, only one court, if possible, should pass upon the claims against the insolvent bank and that the liquidation court should assist the Superintendents of Banks and regulate his operations.<sup>[26]</sup>

It then ought to follow that petitioner's reliance on Section 29 and the **Valenzuela** case is misplaced. The Petition for the Issuance of a Writ of Possession in Civil Case No. 9011 is not in the nature of a disputed claim against the bank. On the contrary, **it is an action instituted by the respondent bank** itself for the preservation of its asset and protection of its property. It was filed upon the instance of the respondent's liquidator in order to take possession of a tract of land over which it has ownership claims.

To be sure, the liquidator took the proper course of action when it applied for a writ in the Pasay City RTC. Act 3135,<sup>[27]</sup> entitled An Act to Regulate the Sale of Property Under Special Powers Inserted In or Annexed To Real Estate Mortgages, mandates that jurisdiction over a Petition for Writ of Possession lies with the court of the province, city, or municipality where the property subject thereof is situated. This is sanctioned by Section 7 of the said Act, thus:

"Section 7. In any sale made under the provisions of this Act, **the purchaser may petition the Court of First Instance of the province or place where the property or any part thereof is situated, to give him possession thereof** during the redemption period, furnishing bond in an amount equivalent to the use of the property for a period of twelve months, to indemnify the debtor in case it be shown that the sale was made without violating the mortgage or without complying with the requirements of this Act. x x x"<sup>[28]</sup> (*emphasis supplied*)

Since the land subject of this controversy is located in Pasay City, then the city's RTC should rightly take cognizance of the case, to the exclusion of other courts.

Anent petitioner's auxiliary contention that respondent should be held guilty of forum shopping for not filing the case in the liquidation court, suffice it to state here that the doctrine only ponders situations where two (or more) cases are pending before different tribunals.<sup>[29]</sup> Well to point, we have laid down the yardstick to