

**THIRD DIVISION**

**[ G.R. No. 254787. April 26, 2023 ]**

**LUCILLE B. ODILAO, REPRESENTED BY ARIEL B. ODILAO, PETITIONER, VS.  
UNION BANK OF THE PHILIPPINES, RESPONDENT.**

**D E C I S I O N**

**DIMAAMPAO, J.:**

Challenged in this Petition for Review on *Certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> and the Resolution<sup>[3]</sup> of the Court of Appeals (CA) Cagayan de Oro City Station in CA-G.R. CV No. 04749-MIN. The impugned Decision affirmed the Order<sup>[4]</sup> of Branch 17 of the Regional Trial Court of Davao City, dismissing the Complaint<sup>[5]</sup> for reformation of mortgage, nullity of foreclosure, damages, and attorney's fees with temporary restraining order and preliminary injunction filed by Lucille Odilao (petitioner) against Union Bank of the Philippines (respondent bank) and Atty. Natasha M. Go-De Mesa, the Register of Deeds of Davao City. Upon the other hand, the assailed Resolution denied petitioner's motion for reconsideration<sup>[6]</sup> thereof.

The facts of the case are uncomplicated.

Petitioner, represented by her son, Ariel Odilao, filed before the trial court the instant complaint, praying, *inter alia*, that it render a decision declaring that the subject loan and mortgage agreements which she and her husband, Tyrone Victor G. Odilao, executed in favor of respondent bank, are contracts of adhesion and therefore, must be reformed to reflect their true and mutual intention, *viz.*:

- Obliging the plaintiffs, especially [respondent bank], to exercise fairness, honesty and transparency in executing the mortgage instrument and in
- 1) performing the provisions thereof, particularly with respect to the sending of demands and notices of default, all of which must be personally received...by themselves, or by their duly-authorized agents;
  
  - 2) Providing automatic escalation of the whole remaining balance consisting of the loan principal and regular interest thereto only after a certain number of consecutive months wherein zero amortizations are being paid ... insofar as the loan and mortgage account will still be considered active;

- 3) Reducing regular interest of the loan and mortgage to current local market rates, if not the present legal rate of 6% per annum;
- 4) Reducing, if not totally eliminating the usurious imposition of penalties, past due interest and/or other hidden charges;

- 5) Cancelling the particular provisions of the loan and mortgage contract with respect to the venue of suits, and adopting the general provisions of the Revised Rules of Court on venue;

- 6) Re-computing a fair, transparent and balanced amortization schedule in accordance with the foregoing conditions, while placed under such reformed terms that are mutually and reasonably acceptable;...<sup>[7]</sup>

Maintaining that the instant complaint should be dismissed, respondent bank asserted that the loan documents signed by the parties stated that the venue of the action should be before the courts of Pasig City. Thus, pursuant to Section 1(c), Rule 16 of the Rules of Court, the complaint is dismissible on the ground of improperly laid venue.<sup>[8]</sup>

In the Order<sup>[9]</sup> dated August 30, 2016, the trial court granted the aforesaid motion and dismissed the complaint, decreeing—

Indubitably, the venue stipulations found in the subject instruments are indeed restrictive in nature. The provisions of the said promissory note are clear that any action arising out of or in connection with Promissory Note shall only be in Pasig City or Metro Manila at the sole option of the defendant bank.

Also, the Real Estate Mortgage, indisputably provides that any action arising out of the said mortgage shall either be in the place where the property is located or in Pasig City at the absolute option of the [respondent] Bank. While it may be true that the subject property is located in Davao City, the present action cannot still be heard and adjudicated in this Court absent the express manifestation of the mortgagee [respondent bank] of its option to have the case litigated in Davao City. Notably, the provisions as to venue of the Real Estate Mortgage holds no doubt that the venue of actions arising out of the said mortgage is at the option of [respondent bank].

Notably, in instituting the instant action, the [petitioners] merely seek, *inter alia*,

the declaration of the loan and mortgage agreements as contracts of adhesions, thus, praying for the reformation of the loan and mortgage instruments to reflect the true and mutual intention of the parties of the same.

In view of the foregoing, it can be concluded that based on agreement of the parties as stated in the subject instruments, this Court is not the proper venue to hear and decide the instant action.<sup>[10]</sup>

Petitioner moved for the reconsideration<sup>[11]</sup> of the foregoing Order but the trial court denied her plea in the Order<sup>[12]</sup> dated December 28, 2016.

Dissatisfied, she filed an appeal before the CA, contending that the trial court erred when it dismissed her complaint due to improper venue.

All the same, in the now-assailed Decision, the CA denied petitioner's appeal and affirmed the orders of the trial court. Her subsequent motion for reconsideration thereof was given short shrift by the CA in the equally impugned Resolution.

Hence, through the present recourse, petitioner asserts that the CA committed error when it dismissed the complaint for improper venue. She cites the case of *Briones vs. Court of Appeals (Briones)*,<sup>[13]</sup> wherein this Court held that venue stipulations in a contract are not controlling if the contract itself, is assailed as in this case.<sup>[14]</sup> Moreover, venue stipulations that impose an exclusive option to choose the venue of suits are void. Such are contrary to the provisions of Rules of Civil Procedure on venue which simply allow 'exclusive venue' and not an 'exclusive option to choose venue.'<sup>[15]</sup>

***The Petition is impressed with merit in light of the fact that the dismissal of the complaint on the ground of improperly laid venue was erroneous.***

The Court explicates.

Notably, *Briones* is indeed not on all fours with the case at bench. In that case, petitioner Briones directly assailed the validity of the loan agreement, promissory note, and deed of real estate mortgage, claiming forgery in their execution. The Court, thus, declared that Briones cannot be expected to comply with the aforesaid venue stipulation, as his compliance therewith would mean an implicit recognition of their validity. Certainly, a complaint directly assailing the validity of the written instrument itself should not be bound by the exclusive venue stipulation contained therein and should be filed in accordance with

the general rules on venue.<sup>[16]</sup> Plain as day, the foregoing facts differ with the instant case given that petitioner herein does not dispute the authenticity of the loan and mortgage documents but merely seeks the reformation thereof as they are purportedly contracts of adhesion and do not reflect hers and the bank's true mutual intention.

Nevertheless, while the facts in *Briones* and this case are dissimilar, the Court's disquisition in the former on the matter of venue is instructive, viz.:

Rule 4 of the Rules of Court governs the rules on venue of civil actions, to wit:

Rule 4  
VENUE OF ACTIONS

SECTION 1. *Venue of real actions.* — Actions affecting title to or possession of real property, or interest therein, shall be commenced and tried in the proper court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated.

Forcible entry and detainer actions shall be commenced and tried in the municipal trial court of the municipality or city wherein the real property involved, or a portion thereof, is situated.

SEC. 2. *Venue of personal actions.* — All other actions may be commenced and tried where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides, or in the case of a non-resident defendant where he may be found, at the election of the plaintiff.

SEC. 3. *Venue of actions against nonresidents.* — If any of the defendants does not reside and is not found in the Philippines, and the action affects the personal status of the plaintiff, or any property of said defendant located in the Philippines, the action may be commenced and tried in the court of the place where the plaintiff resides, or where the property or any portion thereof is situated or found.

SEC. 4. *When Rule not applicable.* — This Rule shall not apply —

- (a) In those cases where a specific rule or law provides otherwise; or
- (b) Where the parties have validly agreed in writing before the filing of the action on the exclusive venue thereof.

Based therefrom, the general rule is that the venue of real actions is the court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated; while the venue of personal actions is the court which has jurisdiction where the plaintiff or the defendant resides, at the election of the plaintiff. As an exception, jurisprudence in *Legaspi v. Rep. of the Phils.* instructs that the parties, thru a written instrument, may either introduce another venue where actions arising from such instrument may be filed, or restrict the filing of said actions in a certain exclusive venue, viz.:

The parties, however, are not precluded from agreeing in writing on an exclusive venue, as qualified by Section 4 of the same rule. **Written stipulations as to venue may be restrictive in the sense that the suit may be filed only in the place agreed upon, or merely permissive in that the parties may file their suit not only in the place agreed upon but also in the places fixed by law.** As in any other agreement, what is essential is the ascertainment of the intention of the parties respecting the matter.

**As regards restrictive stipulations on venue, jurisprudence instructs that it must be shown that such stipulation is exclusive. In the absence of qualifying or restrictive words, such as “exclusively,” “waiving for this purpose any other venue,” “shall only” preceding the designation of venue, “to the exclusion of the other courts,” or words of similar import, the stipulation should be deemed as merely an agreement on an**

**additional forum, not as limiting venue to the specified place.**<sup>[17]</sup>

Guided by the foregoing jurisprudential precept, the Court examined the Real Estate Mortgage entered into between petitioner and respondent bank, which relevantly provides—

Section 8. Venue. - The venue of all suits and actions arising out of or in connection with this Mortgage shall be Pasig City or in the place where any of the Mortgaged properties are located, at the absolute option of the Mortgagee, the parties hereto waiving any other venue.<sup>[18]</sup>

Clearly, the aforesaid venue stipulation is not permissive but restrictive in nature, considering that it effectively limits the venue of the actions arising therefrom to the courts of: (a) Pasig City; **or (b) in the place where any of the Mortgaged properties are located.**<sup>[19]</sup>

**Such being the case, petitioner’s complaint, which was filed before the Regional Trial Court of Davao City where the mortgaged property is located, should not have been dismissed as the same complied with the venue stipulation stated in the Real Estate Mortgage.**

Upon this point, the Court is perplexed as to why the CA affirmed the trial court’s dismissal of petitioner’s complaint when it itself pronounced that “the venue stipulation in the Real Estate Mortgage should be controlling.”<sup>[20]</sup> On the other hand, the trial court, **mistakenly interpreted** the phrase “at the absolute option of the Mortgagee” to mean that “the present action cannot still be heard and adjudicated in this court absent the express manifestation of the mortgagee [respondent bank] of its option to have this case litigated in Davao City.”<sup>[21]</sup>

In this regard, it must be borne in mind that rules on venue are intended to provide convenience to the parties, rather than restrict their access to the courts. It simply arranges for the convenient and effective transaction of business in the courts.<sup>[22]</sup> Appositely, an exclusive venue stipulation can only be valid and binding, when: (a) the stipulation on the chosen venue is exclusive in *nature or in intent*; (b) it is expressed in writing by the parties thereto; and (c) it is entered into before the filing of the suit.<sup>[23]</sup> Simply put, the preferred

venue must be stipulated in writing **before** an action is instituted.

Moreover, it must be emphasized that the restrictive stipulation on venue only refers to the geographical location and should not in any way curb the right of a party to file a case. This being so, to interpret the phrase “at the absolute option of the Mortgagee” to mean that petitioner should have inquired first from respondent bank which venue it preferred, *i.e.*, Pasig City or Davao City, before she filed the instant action, would mean that she would be left at the mercy of the bank, as she would still have to wait for its response before she could exercise her right to litigate. At most, such phrase takes significance only when it is respondent bank which would file the case.

**WHEREFORE**, the Petition for Review of *Certiorari* is hereby **GRANTED**. The Decision dated July 17, 2019 and the Resolution dated October 9, 2020 of the Court of Appeals Cagayan De Oro City Station, in CA-G.R. CV No. 04749-MIN, are **REVERSED and SET ASIDE**. The Complaint for reformation of mortgage, nullity of foreclosure, damages, and attorney’s fees with temporary restraining order and preliminary injunction filed by petitioner Lucille B. Odilao, represented by Ariel B. Odilao, against respondent Union Bank of the Philippines and Atty. Natasha M. Go-De Mesa, the Register of Deeds of Davao City, before Branch 77 of the Regional Trial Court of Davao City and docketed as Civil Case No. R-DVO-16-01024-CV is **REINSTATED**. The trial court is further ordered to proceed with the disposition of the case with dispatch.

**SO ORDERED.**

*Caguioa (Chairperson), Inting, Gaerlan, and Singh, JJ., concur.*

---

<sup>[1]</sup> *Rollo*, pp. 10-23.

<sup>[2]</sup> *Id.* at 29-34. The July 17, 2019 Decision was penned by Associate Justice Edgardo A. Camello, with the concurrence of Associate Justices Walter S. Ong and Florencio M. Mamauag.

<sup>[3]</sup> *Id.* at 25-27. The October 9, 2020 Resolution was penned by Associate Justice Edgardo A. Camello, with the concurrence of Associate Justices Loida S. Posadas-Kahulugan and Angelene Mary W. Quimpo-Sale.

<sup>[4]</sup> *Id.* at 71-75. The Order dated August 30, 2016 in Civil Case No. R-DVO-16-01024-CV was

penned by Presiding Judge Evalyn M. Arellano-Morales.

<sup>[5]</sup> *Id.* at 35-44.

<sup>[6]</sup> *Id.* at 133-137.

<sup>[7]</sup> *Id.* at 43. Complaint.

<sup>[8]</sup> *Id.* at 51-64.

<sup>[9]</sup> *Id.* at 71-75. Docketed as Civil Case No. R-DVO-16-01024-CV and penned by Presiding Judge Evalyn M. Arellano-Morales.

<sup>[10]</sup> *Id.* at 74-75.

<sup>[11]</sup> *Id.* at 76-83.

<sup>[12]</sup> *Id.* at 30. See assailed CA Decision dated July 17, 2019.

<sup>[13]</sup> 750 Phil. 891 (2015).

<sup>[14]</sup> *Rollo*, pp. 15-16.

<sup>[15]</sup> *Id.* at 17.

<sup>[16]</sup> See *supra* note 13, at 899.

<sup>[17]</sup> *Id.* at 897-899.

<sup>[18]</sup> *Rollo*, p. 47.

<sup>[19]</sup> See **Radiowealth Finance Co., Inc. v. Pineda, Jr.**, 837 Phil. 419, 426 (2018).

<sup>[20]</sup> *Rollo*, p. 33. Assailed CA Decision dated July 17, 2019.

<sup>[21]</sup> *Id.* at 74. RTC Order dated August 30, 2016.

<sup>[22]</sup> See **Gacad, Jr. v. Corpuz**, G.R. No. 216107, August 3, 2022.

<sup>[23]</sup> See **Ley Construction and Development Corp. v. Sedano**, 817 Phil. 209, 217 (2017).

Date created: July 20, 2023