

Title: SPOUSES FEDERICO SERFINO AND LORNA BACHAR VS. THE COURT OF APPEALS AND LOPEZ SUGAR CENTRAL MILL CO., INC.; PHILIPPINE NATIONAL BANK VS. THE HONORABLE COURT OF APPEALS, LOPEZ SUGAR CENTRAL MILL COMPANY, INC., SPOUSES FEDERICO SERFINO AND LORNA BACHAR

Facts:

This consolidated case before the Supreme Court rose from disputed ownership of a parcel of land in Negros Occidental which was originally patented in 1937 to Pacifico Casamayor. Pacifico sold the land to Nemesia Baltazar in 1945, who later sold it to Lopez Sugar Central Mill Co., Inc. in 1951. The land, however, was later auctioned in 1956 due to tax delinquency, with the province of Negros Occidental being the purchaser. Federico Serafino later repurchased the land from the province in 1964, obtained a reconstituted title, OCT No. RP-1304 (1839) in Casamayor's name, and subsequently a TCT in his own name, TCT No. 38985. Serafino then mortgaged the land to the Philippine National Bank (PNB) to secure a P5,000.00 loan.

Lopez Sugar Central sought to register their deed and discovered the conflicting TCT. The registry refused both parties' documents. The lower court first ruled but both parties appealed to the Court of Appeals, which then ordered Lopez to reimburse Serafino for taxes and penalties paid to repurchase the property but nullified the mortgage with PNB.

Issues:

1. Whether the sale of land to a private corporation is valid given the prohibitions under the Public Land Act.
2. Whether notice to Nemesia Baltazar of the tax sale was necessary for the validity of the sale.
3. Whether the Philippine National Bank is a mortgagee in good faith.
4. Whether the regional trial court had jurisdiction to pass upon the legality of the auction sale.
5. Whether Lopez Sugar Central should reimburse Serafino and pay the mortgage to PNB.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals with the modification that Lopez Sugar Central must pay the PNB mortgage credit.

1. The Supreme Court held that since Pacifico Casamayor's sale to Nemesia Baltazar occurred more than five years after the original homestead grant, it was valid, and thus,

Baltazar's subsequent sale to Lopez Sugar Central was also valid.

2. The Court affirmed the necessity of notice to the registered owner at the time of the auction sale, which was Baltazar, and not the original homesteader, Casamayor. The absence of such notice to Baltazar rendered the tax sale and, subsequently, Serafino's title, void.

3. PNB was found to be a mortgagee in good faith as it relied on a title that was facially valid without any knowledge of competing claims.

4. The Supreme Court did not address the issue regarding jurisdiction as it found the auction sale invalid due to the lack of notice.

5. Lopez Sugar Central's obligation to reimburse Serafino for the repurchase price he paid remained affirmed as did its obligation to pay PNB the mortgage credit as it benefited from the latter's reliance on Serafino's title which was deemed void.

Doctrine:

The doctrine established in this case pertains to the protection of a mortgagee in good faith. Even when a property's title comes from an invalid sale, a party that extends a mortgage based on a title that appears to be facially valid and has no knowledge of competing claims may be considered a mortgagee in good faith, entitled to protection.

Class Notes:

- For a valid sale of homestead land, the sale must be more than five years after the homestead grant.
- Proper notice to the registered owner of an auction sale for tax delinquency is essential for the sale's validity.
- A mortgagee in good faith has relied on the validity of a title that is facially valid without knowledge of any defect or competing claim.
- A lender (mortgagee) may still be entitled to payment even if the title of the mortgagor is later invalidated, provided the lender is in good faith based on the relevant mortgage doctrine.

Historical Background:

This case illustrates the complexities of land ownership, registration, and titling in the Philippines, as well as the significance of procedural propriety, especially in matters of public auction sales due to tax delinquency. It emphasizes that good faith and due process

are critical factors when determining rights over real property in conflict situations, especially in a historical context where land titles have transformed from Spanish colonial concessions to modern titling under the Torrens system. The case also reflects the careful balance between government tax collection efforts and the protection of private property rights.