

### Title:

Tiongco v. Philippine Veterans Bank: A Case on the Validity of a Tax Sale and the Rights of a Mortgagee

### Facts:

Alicia Arnaldo, married to Fernando Arnaldo, mortgaged three lots to Philippine Veterans Bank (PVB) as security for a loan of P290,000.00. The mortgaged properties became delinquent in real estate tax payments, prompting the City Treasurer of Iloilo City to hold a public auction on December 15, 1982. Jose B. Tiongco, representing his minor children, emerged as the highest bidder and was issued the corresponding Certificate of Sale of Delinquent Property To Purchaser.

Upon non-redemption by the taxpayer, a Final Bill of Sale was executed in favor of Tiongco's wards on January 4, 1984. Tiongco sought to compel PVB to surrender TCT No. T-42979 in a petition filed with the Regional Trial Court (RTC) of Iloilo. Despite PVB's claims of bad faith and irregularity on Tiongco's part, the RTC granted the petition and ordered that the new certificate of title be issued without prejudice to PVB's right to challenge the tax sale validity in a separate action.

Notably, two more lots were involved in additional petitions due to the tax sale, and Tiongco also sought new certificates of title for them. Following motions and orders regarding the annulment or maintenance of the mortgage encumbrance, PVB appealed the RTC's latest order which canceled the mortgage encumbrances.

The Court of Appeals annulled the tax sale and all subsequent proceedings upon finding that the auction sale lacked requisite personal notice to PVB and was conducted for an unreasonably low price. It was declared null and void, and Tiongco's petition in Cadastral Case No. 6 was dismissed.

### Issues:

1. Was proper notice provided to the mortgagee before conducting the tax sale?
2. Is the auction sale upon non-redemption by the taxpayer valid even at a low price?
3. Can the encumbrance in favor of PVB be cancelled after the expiration of the redemption period due to the superiority of the tax lien?
4. Were Tiongco's rights to the properties properly adjudicated?

### Court's Decision:

The Supreme Court ruled the following:

1. The validity of the tax sale could not be assailed in the proceedings concerning the surrender of TCT No. T-42979, as the proceedings were limited in scope and did not allow for questioning the auction sale validity, which should be raised by the registered owner-mortgagor in a separate action. Moreover, the City Treasurer and the City of Iloilo were not parties to the case and were deprived of due process.
2. The principle that property sold at public auction does not necessitate interference by the court due to inadequate pricing applies, as the owner (or in this case, Tiongco) had the right to redemption.
3. No personal notice to PVB was required by law, as the charter of the City of Iloilo only mandated posting, publication, and notice to the delinquent taxpayer, not to lienholders like mortgagees.
4. New certificates of title could be issued to Tiongco's children, subject to mortgage annotations in favor of PVB.

### Doctrine:

The sale of property at a public auction for delinquent taxes does not require personal notice to mortgagees, only notice to the delinquent taxpayer. A mortgage lien remains inseparable from the property and subsists despite changes in ownership. Thus, the new owner at auction must respect pre-existing mortgages unless discharged.

### Class Notes:

- The mortgage lien is a right in rem and follows the property regardless of ownership changes, requiring new owners to respect the pre-existing mortgage until discharged.
- Questioning the validity of a tax sale must occur in a separate action, and not in proceedings limited to the transfer of title.
- Notice of a public auction for delinquent taxes must be made to the taxpayer, not necessarily to the mortgagee or other lienholders.

### Historical Background:

This case was decided against the backdrop of a critical examination by Philippine courts of proper procedures and due process rights in tax delinquencies and public auctions. The Supreme Court's decision clarifies the limitations of summary proceedings under the Property Registration Decree and the rights of mortgagees versus purchasers at auction sales. It illustrates the court's efforts to balance efficiently enforcing tax delinquencies with protecting the rights of parties with vested interests in the auctioned properties.