

### Title:

Philippine National Bank vs. Spouses Bernard and Cresencia Marañon

### Facts:

The case involves a 152 square-meter lot in Bacolod City which was mortgaged by Spouses Rodolfo and Emilie Montealegre to the Philippine National Bank (PNB). After the Montealegres failed to settle the loan, PNB initiated foreclosure proceedings and subsequently became the highest bidder during the auction sale.

Spouses Bernard and Cresencia Marañon filed a lawsuit against the Montealegres, PNB, and others, claiming they were the real registered owners of the lot. The suit alleged that Emilie Montealegre fraudulently used a forged deed to transfer the property title to her name. PNB claimed they were a mortgagee in good faith. The Regional Trial Court (RTC) ruled in favor of the Marañons, reverting the title back to them and recognizing PNB's lien as a mortgagee in good faith.

Controversy arose over the release of rental payments made by a tenant, Paterio Tolete, which were deposited with the Clerk of Court and paid to PNB. The Marañons successfully moved to withdraw the deposited rentals. PNB contested, arguing that their foreclosure rendered them the owner of the lot and entitled to the rent. The RTC ordered PNB to release the payments to the Marañons.

PNB elevated the case to the Court of Appeals (CA), which affirmed the RTC's decision. PNB moved for reconsideration, but the CA denied the motion. PNB then filed a petition for review with the Supreme Court.

### Issues:

1. Whether PNB is entitled to rental income from the property due to its status as mortgagee in good faith and subsequent owner after foreclosure.
2. Whether the CA erred in upholding the RTC orders that sided with the Spouses Marañon regarding the rental income dispute.
3. Whether the CA erred in determining PNB's status as a mortgagee in good faith.

### Court's Decision:

The Philippine Supreme Court denied PNB's petition, affirming the CA's decision which sustained the RTC's orders. The main points of the Court's ruling are:

- The RTC decision declaring the Marañons as rightful owners and PNB as a mortgagee in good faith had lapsed into finality and was immutable.

- Rent is a civil fruit that belongs to the owner of the property. Being the true owners, the Maraños were entitled to the disputed rent.
- PNB was protected as a mortgagee in good faith only to the extent of its lien, which could be carried over to the new title of the Maraños. Since the Montealegres were not the true owners, Article 2127 of the Civil Code did not extend to the building or the rental income from it.
- PNB's foreclosure only included the lot, without affecting the building or the rent it yields, and thus PNB's claim to the rental income was baseless.

### ### Doctrine:

- The Doctrine of Immutability of Judgments - a final judgment becomes immutable and unalterable and may no longer be modified in any respect, even to correct erroneous conclusions of fact or law.
- Accessory follows Principal - under Article 2127 of the Civil Code, when a principal property is mortgaged, the mortgage shall include all accessions, improvements, and civil fruits such as rent when the obligation becomes due, provided that the mortgagor owns these accessories.

### ### Class Notes:

- Immutability of Judgments: Once a decision reaches finality, its contents cannot be altered.
- Right of Accession: The owner of property has the right to its fruits (natural, industrial, civil) by right of accession.
- Mortgage in Good Faith: The status of a mortgagee in good faith is recognized with respect to the lien, even when the mortgagor turns out not to be the owner, to the extent that the lien may be carried over to the true owner's title.
- Article 2127 Civil Code: A mortgage extends to the accessions, improvements, and civil fruits when the obligation becomes due, if the mortgagor is the owner.

### ### Historical Background:

The case highlights the complex legal issues surrounding property ownership and mortgage in the Philippines, including foreclosure and the rights to rents or civil fruits of property, illustrating judicial proceedings that ensure the enforceability of contracts alongside protecting the incontrovertible rights of true property owners against fraudulent claims.