

****Title:**** Andres vs. Philippine National Bank: Establishing the Doctrine of Protection for Mortgagees in Good Faith

****Facts:**** The case stems from a dispute over a 4,634-square-meter parcel of land in Nueva Ecija, which was mortgaged and subsequently foreclosed by the respondent, Philippine National Bank (PNB). The land originally belonged to the Spouses Victor and Filomena Andres, who bequeathed it to their children, including Onofre Andres and Roman Andres. Roman and his wife mortgaged the property to PNB, which later foreclosed it and consolidated title in its name. Onofre Andres filed a complaint for cancellation of title and reconveyance, alleging that the title was based on a falsified document. The Regional Trial Court voided all derivative titles from the original and ordered reinstatement of the title to Victor and Filomena Andres. However, the Court of Appeals modified this decision, declaring PNB's title valid and existing.

The procedural posture began with Onofre Andres' complaint filed at the Regional Trial Court of Nueva Ecija. After Onofre Andres' death, his heirs continued the litigation. PNB defended its position by asserting it had conducted due diligence before accepting the mortgage. The trial court's decision in favor of Onofre was overturned in part by the Court of Appeals, which validated PNB's title. The heirs of Onofre Andres then elevated the matter to the Supreme Court, arguing against the validity of PNB's title and claiming PNB was not a mortgagee in good faith.

****Issues:****

1. Whether a valid title can be derived from a void title.
2. Whether PNB is an innocent mortgagee for value and in good faith, thus its right on the property is protected even if the mortgagor obtained title through fraud.

****Court's Decision:****

The Supreme Court denied the petition and affirmed the Court of Appeals' decision. The Supreme Court held that banks, when acting on loan applications, are expected to conduct due diligence, including an ocular inspection of the property and verification of the title's genuineness. The Court found that PNB fulfilled its duty of diligence as a mortgagee in good faith. According to the Court, the doctrine protecting innocent mortgagees for value is intended to promote social welfare by stabilizing property transactions.

****Doctrine:****

The Supreme Court reiterated the doctrine that a bank accepting a mortgage based on a

title that appears valid on its face, after exercising requisite diligence, is deemed a mortgagee in good faith. The consolidation of title in the name of such a bank after a valid foreclosure is to be respected, notwithstanding later proof showing that the mortgagor's title was based on a void transaction.

****Class Notes:****

- **The Doctrine of Protection for Mortgagees in Good Faith:** A bank or any institution, on accepting a mortgage upon conducting due diligence and finding the title valid on its face, is protected as a mortgagee in good faith. This protection applies even if the title later proves to be based on a void transaction.
- **Due Diligence Requirement for Banks:** Banks, as entities of public interest, are required to exercise a higher degree of diligence in property dealings than private individuals. This includes conducting ocular inspections and verifying the genuineness of the title.

****Historical Background:**** This case underscores the evolving jurisprudence on the balance between protecting the interests of parties acquiring interests in property and ensuring that the conduct leading to the acquisition of such interests is scrutinized for fairness and legality. It also highlights the special role and responsibilities of banking institutions in property transactions.