

Title:

Philippine Bank of Commerce vs. Tomas de Vera: A Case on the Recovery of Deficiency after Extrajudicial Foreclosure under Act No. 3135

Facts:

Tomas de Vera entered into a consolidation of the first real estate mortgage and deed of assignment with the Philippine Bank of Commerce on April 26, 1951, making him indebted to the bank in the amount of P127,312.24, secured by a real estate mortgage over his land described in two Transfer Certificate of Titles (TCT No. 1631 and No. 37641). Upon failure to settle his obligation by its maturity date on March 15, 1956, despite several demands, the bank initiated an extrajudicial foreclosure sale. The sheriff sold the properties at a public auction on April 16, 1956, to the Philippine Bank of Commerce, the highest bidder, for P86,700.00. Post-sale, an outstanding balance of P99,033.20 remained, leading the bank to seek recovery of this deficiency. The Court of First Instance of Manila favored the bank, ordering de Vera to pay the outstanding balance with interest and attorney's fees, a decision de Vera appealed to the Supreme Court.

Issues:

1. Whether the Philippine Bank of Commerce, as mortgagee, has the right to recover the deficiency remaining after the extrajudicial foreclosure sale of the mortgaged properties under Act No. 3135, as amended.

Court's Decision:

The Supreme Court affirmed the lower court's decision, holding that the mortgagee has the right to recover the deficiency after an extrajudicial foreclosure sale. It ruled that Act No. 3135 does not expressly or impliedly prohibit the recovery of such deficiency. Furthermore, it highlighted that the Mortgage Law still in force allows for the claim of deficiency following the sale of real property at public auction. The Court rejected the appellant's theory that the creditor's right to recover any unpaid balance is waived by choosing extrajudicial foreclosure, emphasizing that similar provisions in the New Civil Code expressly denying recovery in specific circumstances do not apply.

Doctrine:

This case establishes the doctrine that in the absence of an express or implied prohibition under Act No. 3135, as amended, regarding the mortgagee's right to recover deficiency after an extrajudicial foreclosure, the mortgagee retains the right to sue for the recovery of any unpaid balance of the principal obligation as provided under the Mortgage Law and

recognized in the Rules of Court.

Class Notes:

- Essential Elements in Mortgage Cases:

- The mortgagor's obligation to the mortgagee.
- The security provided through real estate mortgage.
- The right of the mortgagee to extrajudicially foreclose the mortgage in case of default.
- The mortgagee's right to recover deficiency post-foreclosure sale.

- Legal Provisions to Note:

- Act No. 3135 regarding extrajudicial foreclosure.
- Mortgage Law on the mortgagee's claim for deficiency.
- New Civil Code, Article 2131 - governing the consequences of a mortgage.
- Rules of Court, Sec. 6, Rule 70 - about judgement for balance due after sale of property to satisfy a mortgage.
- In this case, the Court interpreted these provisions to affirm that a mortgagee's decision to foreclose a mortgage extrajudicially does not waive their right to recover the remaining balance owed beyond the proceeds of the foreclosure sale.

Historical Background:

This case is set against the backdrop of post-World War II economic recovery in the Philippines, a period witnessing increased lending and subsequent mortgage defaults. The decision provides clarity on the enforcement of mortgage rights, particularly on the recovery of loan deficiencies post-extrajudicial foreclosure, an issue critical for banking and finance stability during the country's economic rehabilitation efforts.