

Title: Magsano v. Pangasinan Savings and Loan Bank, Inc., et al.

Facts:

The case centers around a piece of real estate located in Dagupan City, covered by TCT No. 48754, which became the subject of a disputed transaction. On July 1, 1991, Roque Magsano (deceased at the time) and his spouse Susana Capelo, parents of the petitioners, purportedly mortgaged the property to Pangasinan Savings and Loan Bank, Inc. (respondent bank) to secure a loan of P35,000.00. Following the mortgagors' default, the respondent bank foreclosed the property with notice to the mortgagors, and it emerged as the highest bidder in the auction. Subsequently, the bank transferred the title to Spouses Eddie V. Manuel and Milagros C. Ballesteros (Sps. Manuel), leading to a challenge by the Magsanos.

The case rose to the Supreme Court level through a petition for review on certiorari, challenging the Court of Appeals' affirmation of the RTC's dismissal of the Magsanos' complaints for annulment of the mortgage and related documents. The Supreme Court focused on the legal implications of the transaction, specifically considering the death of Roque Magsano prior to the mortgage's execution and the rights and responsibilities of the involved parties.

Issues:

1. Whether the Real Estate Mortgage was void due to Roque Magsano's pre-mortgage death.
2. Whether Sps. Manuel were bona fide purchasers for value and in good faith.

Court's Decision:

The Supreme Court partially granted the petition, establishing that:

1. The Real Estate Mortgage was void concerning Roque Magsano's share because he was deceased at the time of its execution; only Susana Capelo's share could be considered in the mortgage.
2. Sps. Manuel were not purchasers in good faith; they acquired the property while it was in the possession of the Magsanos without adequately inquiring into the Magsanos' rights.

Doctrine:

The case reiterates the doctrine that a deceased person cannot be part of a contractual transaction and that the consent of all co-owners is necessary for the valid mortgage of co-owned property. Moreover, it highlights the duty of individuals purchasing real property to conduct due diligence, especially when the property is in the possession of persons other

than the seller.

Class Notes:

- Real Estate Mortgage: Requires the capacity and consent of all parties; a deceased person cannot consent.
- Co-ownership: Consent of all co-owners is necessary to mortgage property; any transaction without such consent affects only the share of the consenting co-owner.
- Purchasers in Good Faith: Must exercise due diligence, especially when the property is in the possession of third parties.
- Prescription: Annulment actions for fraudulent transactions must be initiated within the period prescribed by law.

Historical Background:

This case exemplifies the complexity of property transactions in the Philippines, particularly concerning the rights of succession and the impacts of co-ownership on mortgage agreements. It underscores the persistent need for clarity in property dealings and the protection of rightful owners against fraudulent claims, reinforcing the intricate balance between contractual freedom and property rights within the Philippine legal system.