

Title: *Ma. Teresa Chaves Biaco vs. Philippine Countryside Rural Bank*

****Facts:****

The case revolves around Ma. Teresa Chaves Biaco (petitioner) and the Philippine Countryside Rural Bank (respondent). Ernesto Biaco, petitioner's husband and branch manager of the respondent bank, secured several loans totaling P820,000.00 across seven transactions from February to September 1998. These loans were secured by a real estate mortgage over a parcel of land, with the mortgage documents purportedly signed by both spouses. Upon Ernesto's failure to settle the debts, the respondent bank initiated a foreclosure proceeding.

Summons for the foreclosure were served to Ernesto at his office, and no response from him led the court to declare default and conduct an ex parte presentation of evidence. The trial court eventually ruled in favor of the respondent bank, ordering the Biaco spouses to settle their debt or face auction of the mortgaged property. After the judgment, the property was sold for P150,000.00 at a public auction. Subsequently, to recover the remaining debt, the court directed the issuance of a writ of execution against other properties registered under Ma. Teresa's name, which she had sold to her daughters by then.

Ma. Teresa sought to annul the judgment, asserting she was unaware of the foreclosure proceedings due to extrinsic fraud, primarily blaming the respondent for not verifying her signature on the mortgage and the court for considering her served through her husband without direct summons. Her petitions for annulment and reconsideration at the appellate court were denied, leading to this petition for review at the Supreme Court.

****Issues:****

1. Whether the petitioner was denied due process due to the manner of service of summons.
2. Whether extrinsic fraud was perpetrated against the petitioner.
3. Whether the deficiency judgment against the petitioner is void for lack of jurisdiction over her person.

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

The Supreme Court held in favor of the petitioner, setting aside both the appellate court's decision and the trial court's judgment. The Court found that the service of summons through the husband without indicating efforts for personal service violated the petitioner's right to due process. Moreover, the foreclosure proceeding being a quasi in rem action meant the court had jurisdiction over the property but not necessarily over individuals. As

such, issuing a personal judgment against the spouses for the deficiency without ensuring proper jurisdiction over them was improper. Consequently, the Supreme Court deemed there was no extrinsic fraud perpetrated by the respondent bank relevant to the annulment of judgment.

****Doctrine:****

The ruling underscored the principle that in actions quasi in rem, jurisdiction over the person is not prerequisite as long as the court acquires jurisdiction over the res (property). However, due process requires that summons be served personally, or through substitute service with justifiable reasons, to satisfy the due process requirements.

****Class Notes:****

1. ****Quasi in rem vs. In personam Jurisdiction:**** Jurisdiction over the property (res) suffices in quasi in rem actions, unlike in personam actions where the court must have jurisdiction over the person.
2. ****Service of Summons (Rules of Court, Rule 14):**** Must be personal unless impractical, in which case substituted service is allowed under specific conditions.
3. ****Due Process in Judicial Proceedings:**** Requires adequate notice and opportunity to be heard. Improper service of summons can lead to a denial of due process.
4. ****Deficiency Judgment:**** If proceeding in rem or quasi in rem, the court's jurisdiction is limited to the property involved and cannot extend to personal judgments without proper jurisdiction over the person.

****Historical Background:****

The case highlights the judicial procedures involved in foreclosure proceedings in the Philippines, particularly the nuances of service of summons and the extent of courts' jurisdiction. It addresses the balance between ensuring efficient legal processes for debt recovery and safeguarding individuals' rights to due process.