Title: Lourdes C. Akiapat, et al. vs. Summit Bank (Rural Bank of Tublay, Inc.)

Facts:
The case involves a piece of real estate co-owned by Domacia Galipen, Renato Cachero, Richard Cachero, Teresita C. Mainem, Jeanette C. Gamboa, and Lourdes C. Akiapat, among others. In 1996 and 1997, all except Lourdes et al. obtained loans from Summit Bank, securing the loans with a mortgage on the co-owned property. Subsequently, the bank, due to non-payment, carried out a foreclosure sale in 2000, purchasing the property itself. The co-owners contested this action in the Regional Trial Court (RTC), which, in 2007, validated the mortgage and promissory notes but nullified the foreclosure sale due to excessive charges.

Despite this, when the co-owners failed to settle their debt, a second foreclosure proceeded in 2010, ending in a sale and the issuance of a new title to Summit Bank. Lourdes et al., non-borrower co-owners, later claimed their shares should not be included in the foreclosure, leading to an RTC resolution in 2011 that nullified its earlier orders and directed the exclusion of their shares from the mortgage foreclose. This resolution was challenged by Summit Bank in the Court of Appeals (CA), arguing the RTC overreached in modifying a finalized decision and misinterpreting the scope of third-party claims.

Issues:
1. Whether the RTC committed grave abuse of discretion in ordering the foreclosure sale's exclusion of the non-borrower co-owners' shares.
2. The propriety of entertaining third-party claims by co-owners who are also part of the mortgage agreement.
3. The legal standing and rights of co-owners who did not benefit directly from the loan in foreclosure proceedings.

Court's Decision:
The Supreme Court dismissed the petitions, siding with the CA's finding that the RTC indeed committed grave abuse of discretion. The Court emphasized that third-party claims are meant for strangers to the action, not for parties already participating in the case. It affirmed that the mortgage, signed also by Lourdes et al., binds all the property co-owners irrespective of their direct benefit from the loan, making their shares liable for the debt. The Court further iterated that upon the non-redemption of the property within the legal period, Summit Bank, as the auction purchase, became the absolute owner thereof.

Doctrine:
– The mortgage is indivisible, and all parties who sign the mortgage, including third-party mortgagors like Lourdes et al., are bound by its terms, making their property liable for the debt secured.
– Third-party claims can only be filed by individuals who are not part of the underlying action, excluding co-owners who have already participated in the mortgage agreement and subsequent litigation.

Class Notes:
– Indivisibility of Mortgage: A mortgage signed by several individuals as security for a loan binds all parties, and the property can be foreclosed upon default, regardless of individual contributions to the debt.
– Third-party Claim Limitations: The remedy of terceria is exclusive to individuals not party to the litigation and cannot be invoked by participants in the mortgage agreement challenging the foreclosure of their property.
– Finality of Judgement: Once a decision regarding the foreclosure and the validity of the mortgage becomes final and executable, it cannot be altered to exclude certain properties or shares without legal basis for modification.

Historical Background:
This case exemplifies the tensions and legal complexities arising from co-owned properties used as collateral for loans where not all owners are borrowers. It underscores the Philippine legal system's handling of foreclosure proceedings, property rights, and the balance between protecting creditors' rights and preventing unjust enrichment at the expense of non-beneficiary property co-owners.