

Title:

Home Bankers Savings & Trust Co. vs. The Honorable Court of Appeals, et al.

Facts:

This case involves several individuals and couples who entered into contracts to sell with TransAmerican Sales and Exposition for units in a townhouse project in Quezon City. These contracts ranged from 1988 to 1990, with most buyers fully paying or making substantial payments. Unknown to these buyers, TransAmerican obtained a loan from Home Bankers Savings and Trust Company (petitioner) in 1989, securing it with a mortgage over the properties purchased. This mortgage led to a foreclosure when TransAmerican defaulted, affecting the rights of the aforementioned buyers.

Upon learning of the foreclosure, the buyers filed a complaint with the HLURB against TransAmerican and the petitioner, seeking relief including the annulment of the mortgage and the delivery of their respective titles. The case proceeded through the HLURB's channels, ultimately reaching the Office of the President, which upheld the HLURB's decision. The petitioner then took the matter to the Court of Appeals (CA), which also sided with the buyers. The petitioner, dissatisfied with the CA's ruling, brought the case to the Supreme Court.

Issues:

1. Whether the HLURB has jurisdiction to nullify or declare the real estate mortgage, constituted by the owner and without the buyers' consent, unenforceable.
2. The validity and enforceability of the real estate mortgage in favor of the petitioner against the respondents.
3. The enforceability of the unregistered contracts to sell against the petitioner, given the absence of its actual or constructive notice of these contracts at the time the mortgage was constituted.

Court's Decision:

The Supreme Court dismissed the petition for lack of merit, holding that the HLURB has jurisdiction over the case based on provisions of Presidential Decree No. 957, which aims to protect subdivision and condominium buyers. The Court found the mortgage and subsequent foreclosure invalid as they were executed without the buyers' consent and without the approval of the HLURB, violating specific statutory requirements. Furthermore, the Court confirmed the CA's finding that the petitioner cannot be deemed a mortgagee in good faith as it failed to perform due diligence before accepting the mortgage.

Doctrine:

The case reiterates the doctrine that acts committed contrary to the prohibitions of Presidential Decree No. 957, intended to protect subdivision and condominium buyers, are void. The jurisdiction of the Housing and Land Use Regulatory Board (HLURB) includes cases involving specific performance of contractual and statutory obligations filed by buyers against the owner, developer, broker, or salesman. Additionally, it underscores the importance of due diligence on the part of financial institutions in accepting properties as collateral for loans, especially when these properties involve subdivision plans or ongoing development projects that could affect third-party rights.

Class Notes:

- **PD 957 Jurisdiction**: HLURB has exclusive jurisdiction to regulate the real estate trade, including disputes arising from subdivision and condominium sales.
- **Mortgage Approval Requirement** (Sec. 18, PD 957): No mortgage on subdivision or condominium units can be made without the prior written approval of the HLURB.
- **Due Diligence Requirement for Banks**: Banks are required to conduct due diligence beyond examining the certificate of title. They must verify the property's status, including checking for existing contracts to sell that could affect the property.
- **Protection of Buyers**: Buyers are protected under PD 957 against unsound practices by developers, including unauthorized mortgages. Non-compliance with PD 957 provisions renders related transactions void and unenforceable against the buyers.

Historical Background:

This case is illustrative of the continuing legal challenges in real estate transactions in the Philippines, particularly those involving developers, banks, and buyers. It emphasizes the protective legal framework established for buyers of real estate properties, especially in the context of subdivision and condominium developments. The decision re-affirms the jurisdiction and authority of the HLURB (now under the Department of Human Settlements and Urban Development) in regulating the real estate industry and protecting the buyers against practices detrimental to their interests.