

**\*\*Title:\*\*** Spouses Francisco and Merced Rabat vs. Philippine National Bank: A Case on the Inadequacy of Bid Price in Extrajudicial Foreclosure and Deficiency Recovery

**\*\*Facts:\*\*** The case originated from a medium-term loan of P4.0 Million granted by the Philippine National Bank (PNB) to the Spouses Rabat on January 14, 1980, secured by a Real Estate Mortgage over multiple parcels of land. The interest rates and penalties were later modified, and additional securities provided. The Rabats failed to settle their obligations upon maturity, leading PNB to foreclose the mortgage extrajudicially. PNB, being the highest bidder in the public auctions, bid P3,874,800.00, which was insufficient to cover the debt. Subsequent demands for the balance were made, but to no avail.

The case went through various legal proceedings, starting from the Regional Trial Court to the Court of Appeals, and up to the Supreme Court, twice (G.R. No. 134406 and the present case). Disputes arose over the adequacy of the bid price, the sufficiency of foreclosure notices, and the recovery of deficiency and other charges.

**\*\*Issues:\*\***

1. Whether the inadequacy of the bid price invalidates the extrajudicial foreclosure sale;
2. Whether PNB is entitled to recover the deficiency from the Spouses Rabat;
3. Whether the Court of Appeals validly promulgated its second amended decision.

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

The Supreme Court ruled in favor of PNB, affirming the validity of the foreclosure sale despite arguments on the inadequacy of the bid price. It held that the inadequacy of the price does not per se invalidate a foreclosure sale, as a low price could facilitate redemption by the debtor. Additionally, it found PNB entitled to recover the balance as the mortgage debt exceeded the proceeds from the foreclosure sale. The right to recover the deficiency is not precluded by any law. Regarding the procedural aspect, the Court endorsed the lawfulness of the CA's issuance of a second amended decision prior to the judgment's finality.

**\*\*Doctrine:\*\*** The Supreme Court established that mere inadequacy of the bid price in an extrajudicial foreclosure sale does not invalidate the sale. Additionally, the foreclosing mortgagee is entitled to recover any deficiency should the sale proceeds be insufficient to cover the total debt.

**\*\*Class Notes:\*\***

- **\*\*Inadequacy of Bid Price:\*\*** A low auction price at a forced sale does not nullify the sale,

facilitating redemption.

- **Deficiency Recovery:** After an extrajudicial foreclosure sale, the mortgagee can recover any deficiency should the sale proceeds fall short of the debt.
- **Finality of Decisions:** Courts can modify or reverse their decisions before these become final and immutable, emphasizing the principle of judicial economy and the finality of judgment.
- **Relevant Statutes:** Act No. 3135 governs extrajudicial foreclosure, not prohibiting deficiency recovery if sale proceeds are insufficient.

**Historical Background:** This case underscores the legal treatment of foreclosure sales in the Philippines and the balance between creditors' rights to recover debts and the protection of debtors from onerous auction prices. It reiterates key principles surrounding foreclosure proceedings, the finality of judicial decisions, and contractual autonomy in setting loan terms.