

****Title:**** Heirs of the Late Spouses Flaviano Maglasang and Salud Adaza-Maglasang vs. Manila Banking Corporation

****Facts:**** The spouses Flaviano and Salud Maglasang obtained a credit line from Manila Banking Corporation, secured by a real estate mortgage over several properties. After Flaviano's death, their children appointed Edgar Maglasang as the estate administrator. Despite efforts to restructure the loan, the debt remained unsatisfied. Manila Banking Corporation then foreclosed the mortgages extrajudicially and filed for a deficiency claim against the estate and the Maglasang heirs. The Regional Trial Court ruled in favor of the bank, a decision affirmed by the Court of Appeals.

****Issues:****

1. Does Section 7, Rule 86 of the Rules of Court apply, limiting the bank's recourse to either filing a claim against the estate or foreclosing the mortgage, but not both?
2. Was the bank entitled to claim the deficiency following the extrajudicial foreclosure of the mortgaged properties?
3. Was the extrajudicial foreclosure conducted in accordance with the stipulations in the real estate mortgage contract and Act No. 3135?

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

The Supreme Court partly granted the petition, holding that:

1. Section 7, Rule 86 of the Rules of Court applies, providing the creditor with three distinct, independent, and mutually exclusive remedies for the satisfaction of the debt.
2. By opting to extrajudicially foreclose the mortgage, Manila Banking Corporation waived its right to claim any deficiency from the estate.
3. The extrajudicial foreclosure was validly conducted in accordance with Act No. 3135, and the stipulation in the mortgage contract did not exclusively limit the venue for the foreclosure sale to the capital of the province.

****Doctrine:**** The Supreme Court reiterated the doctrine under Section 7, Rule 86 that a creditor holding a claim against the deceased secured by a mortgage has mutually exclusive remedies. Choosing to extrajudicially foreclose the mortgaged property precludes the creditor from claiming any deficiency from the estate.

****Class Notes:****

- ****Alternative and Mutually Exclusive Remedies:**** A creditor with a secured claim against a deceased's estate can (a) waive the mortgage and claim as an ordinary debt; (b) judicially

foreclose and claim any deficiency; or (c) rely solely on the mortgage and foreclose without claiming any deficiency.

- **Extrajudicial Foreclosure under Act No. 3135:** The procedure for extrajudicial foreclosure does not allow for the recovery of deficiency if this remedy is chosen.

- **Venue Stipulations for Foreclosure:** A stipulated venue in the mortgage contract without words of exclusivity does not limit the foreclosure sale to that venue; it can be conducted in any appropriate location as provided by law.

Historical Background: The case illustrates the intersection of estate law and secured transactions in the Philippines, particularly the implications of a creditor's choices on the rights to claim against an estate. It clarifies the application of Section 7, Rule 86 of the Rules of Court, safeguarding the estate from deficiency claims post-mortgage foreclosure, a point of contention in prior jurisprudence.