

****Title: Teresita Monzon vs. Spouses Relova and Spouses Perez****

****Facts:****

The legal battle began when the respondents, Spouses James and Maria Rosa Nieves Relova and Spouses Bienvenido and Eufracia Perez, filed a Petition for Injunction against Teresita Monzon and Atty. Ana Liza Luna, Clerk of Court, in the Regional Trial Court (RTC) of Tagaytay City, alleging that Monzon owed them money secured by two parcels of land. The lands in question were subsequently included in a property foreclosed by Coastal Lending Corporation, which was purchased by Addio Properties, Inc. During the foreclosure, a residue amount was left, which the respondents claimed should be delivered to them according to Rule 68 of the Revised Rules of Civil Procedure. Monzon contested the petition, asserting that her debt was settled through a dacion en pago.

Without Monzon's presence, the RTC allowed respondents' ex parte presentation of evidence and later ruled in favor of the respondents, directing the Clerk of Court to turn over the residue amount to them. Monzon's appeal was dismissed by the Court of Appeals, endorsing the RTC's decision.

Monzon then elevated the matter to the Supreme Court, challenging the RTC's decision and process, especially the ex parte presentation and claiming her due process rights were violated as she was not declared in default nor allowed to present her defense.

****Issues:****

1. Whether the RTC's decision to allow an ex parte presentation of evidence and subsequently ruling based on that violated Monzon's right to due process.
2. Whether respondents' Petition for Injunction failed to state a cause of action given the nature of the foreclosure.
3. Whether the legal proceedings adhered to the correct rules governing the foreclosure involved.

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

The Supreme Court reversed and set aside the decisions of the Court of Appeals and the RTC. The Court highlighted that while Monzon's failure to attend the hearings could be seen as a waiver of her right to object or cross-examine witnesses during those proceedings, it did not amount to a waiver of her right to present her evidence. The RTC applied the effects of a default order incorrectly by allowing the ex parte presentation of evidence without formally declaring Monzon in default.

Moreover, the Supreme Court found that the respondents' Petition for Injunction, based on their interpretation of Section 4, Rule 68, did not apply as it concerns judicial foreclosure, whereas the case involved extra-judicial foreclosure governed by different rules. Thus, the respondents did not have a valid cause of action against the Clerk of Court for the delivery of the residue amount.

The Supreme Court ordered the case remanded to the RTC to determine whether the petition could be construed as a complaint for a collection of a sum of money. Depending on the respondents' stance, the RTC was directed to either proceed with the presentation of defense evidence or dismiss the case.

****Doctrine:****

- The Court reiterated the significance of due process, particularly the right of parties to be heard and present their defense in court.
- Distinguished the difference in handling and legal processes between judicial foreclosures (governed by Rule 68 of the Revised Rules of Court) and extrajudicial foreclosures (governed by Act No. 3135, as amended).

****Class Notes:****

- Due Process: The essence of due process is the reasonable opportunity to be heard and to submit any evidence one may have in support of one's defense.
- Default Order Effects: The effects of a default order, including ex parte presentation of evidence, require formal declaration of a party in default under specific conditions, not merely the absence from hearings.
- Distinction Between Judicial and Extrajudicial Foreclosures: Key differences include the applicable laws, rights to the residue after foreclosure, and procedures for claiming such residue.

****Historical Background:****

This case underscores the critical differences between judicial and extrajudicial foreclosures in the Philippines and how these differences impact the rights of creditors post-foreclosure. It also highlights the imperative nature of due process, especially in cases where property rights and significant monetary claims are involved, reinforcing the judiciary's commitment to ensuring fair trial processes.