

Title:

Aljem's Credit Investors Corporation vs. Spouses Catalina and Porferio Bautista

Facts:

The case originated from an action for accion publiciana, rescission of contract to sell, with damages and attorney's fees, filed by Aljem's Credit Investors Corporation against the respondents, the Bautista spouses. The core of the dispute is a parcel of land mortgaged by the Bautistas to Aljem's Corporation as security for a loan. Upon the Bautistas' failure to pay the loan, Aljem's foreclosed the mortgage and consolidated the title in its name after the Bautistas failed to redeem the property within the reglementary period. Upon attempted possession by Aljem's, Catalina Bautista offered to repurchase the property, leading to two Contracts to Sell, both of which the Bautistas failed to comply with, prompting Aljem's to file a complaint to recover possession. In defense, the Bautistas argued that the mortgage contract lacked Porferio Bautista's consent, contained illegal provisions such as pactum commissorium, and should be considered an equitable mortgage, contending also the excessiveness of interest rates imposed.

The motion for summary judgment filed by Aljem's, asserting no genuine issue of fact existed, was denied by the RTC. Aljem's challenged this denial through a petition for certiorari and prohibition to the CA, which affirmed the RTC's decision and further denial on reconsideration, leading Aljem's to elevate the case to the Supreme Court.

Issues:

1. Whether the RTC properly denied Aljem's Motion for Summary Judgment.
2. Legal validity of the mortgage and subsequent Contracts to Sell in the absence of Porferio Bautista's consent.
3. Examination of alleged illegal provisions in the agreements between parties.

Court's Decision:

The Supreme Court denied the petition, affirming the CA and RTC's decisions. The Court highlighted that the CA did not rule the mortgage contract void but pointed to the necessity of trial to determine facts around the mortgage's validity, equitable mortgage claims, alleged pactum commissorium, and Porferio's signature forgery claim. The Court clarified genuine issues of fact existed that could not be resolved through a summary judgment, emphasizing the need for a formal trial to examine these matters.

Doctrine:

The Supreme Court reiterated the principle that genuine issues of fact necessitate a full trial rather than resolution via summary judgment. The case underscores the legal requirements for mortgage contracts, especially concerning consents under the Family Code, and delineates the criteria for determining when a contract may be considered an equitable mortgage.

Class Notes:

- ****Accion Publiciana****: The ordinary civil proceedings to determine the better right of possession of realty independently of title.
- ****Equitable Mortgage****: A situation where a contract, regardless of its formal designation, is intended as a security for a debt, intended by the parties as such.
- ****Pactum Commissorium****: A prohibited clause giving the creditor the automatic ownership of the mortgaged property upon default of the debtor.
- ****Forgery Claims and Consent under the Family Code****: Essentials for the validity of mortgage contracts impacting the rights to the conjugal property.
- ****Summary Judgment Rule****: A party calling for summary judgment must unequivocally show the absence of any genuine issue of fact requiring trial.

Historical Background:

This case reflects the intricate interplay between contract law, property law, and family law within the Philippine legal system, showcasing the protective measures in place regarding conjugal property and contractual agreements.