

Title: Rural Bank of Oroquieta, Inc. vs. Court of Appeals and Serrano et al.

Facts:

This case involved the judicial foreclosure of a mortgage initiated by the Rural Bank of Oroquieta (Mis. Occ.), Inc. (Petitioner) against Procopio Serrano and Maria Cueme (Respondents). The foreclosure pertained to a mortgaged coconut land parcel intended to recover an unpaid loan of P1,500 with 12% annual interest since January 16, 1972, and an additional attorney's fee equal to 10% of the principal.

After the Respondents failed to pay within the judgment's specified period, the property was auctioned on March 3, 1975, with the Bank emerging as the lone bidder. Subsequently, the sheriff issued a certificate of sale. The Serrano spouses did not redeem the property within the one-year legal timeframe, leading to the issuance of a final certificate of sale, which was then registered.

On September 20, 1976, the bank sold the lot to a third party, Eufemia Mejos. Later, the Serrano spouses contested the sale, leading to an order by Judge Genato intended to allow redemption, which was contradictory since the property had already been sold to Mejos.

The Bank's appeal of this order was dismissed by the trial court as non-appealable and by the Court of Appeals for being interlocutory. This prompted the Bank to escalate the matter to the Supreme Court.

Issues:

1. Whether the trial court and the Court of Appeals erred in dismissing the Bank's appeal as interlocutory.
2. The applicability of the mortgagor's equity of redemption after the statutory one-year period but before judicial confirmation of the foreclosure sale.

Court's Decision:

The Supreme Court held that both the trial court and the Court of Appeals were correct in dismissing the appeal, deeming the order as interlocutory. The Court underscored that for judicial foreclosure, the mortgagor's equity of redemption remains until the sale is judicially confirmed. It emphasized that procedural due process, including a hearing for sale confirmation and subsequent notification to the mortgagor, was crucial. The final sale confirmation would cut off the mortgagor's right to redemption, transferring full rights over

the property to the purchaser.

Additionally, the Court found the trial court's order allowing redemption without considering the sale to Mejos premature and directed a consolidation of the foreclosure case with the annulment case filed by the Serrano spouses, adhering to guidelines that prioritize hearing the parties and recognizing redemption rights.

Doctrine:

- A foreclosure sale is incomplete and requires judicial confirmation to be considered final.
- The mortgagor's equity of redemption persists until the foreclosure sale is judicially confirmed.
- Proper notice and a hearing for the confirmation of the foreclosure sale are necessary, with the confirmation cutting off the mortgagor's right to redemption.

Class Notes:

- **Judicial Foreclosure**: A legal process by which a court orders the sale of collateral to pay off a defaulted loan.
- **Equity of Redemption**: The right of a mortgagor to redeem the mortgaged property before its sale is confirmed judicially.
- **Interlocutory Order**: An order given pending the outcome of a case, not final and, therefore, not usually appealable.
- **Statutory Redemption Period**: A period defined by law during which the mortgagor can redeem the mortgaged property after a foreclosure sale.

Legal Statutes Cited:

- **Section 78 of the General Banking Law**: Refers to the mortgagor's redemption rights.
- **Section 3, Rule 68 of the Rules of Court**: Outlines the requirement for judicial confirmation of a foreclosure sale.

Historical Background:

The context of this case reflects the protective measures embodied in Philippine law regarding foreclosure proceedings, highlighting the balance between creditor rights and debtor protection against abrupt loss of property without adequate legal recourse and procedural due process. The Supreme Court's decision reiterates the importance of observing statutory redemption periods and judicial confirmation to ensure fair and legally

compliant foreclosure processes.