

Title:

Gregorio Y. Limpin and Rogelio M. Sarmiento vs. Intermediate Appellate Court and Guillermo Ponce

Facts:

The legal proceedings initiated by Guillermo Ponce against Gregorio Y. Limpin and Rogelio M. Sarmiento stem from a dispute over the right to two lots initially mortgaged by the Spouses Jose and Marcelina Aquino to Ponce in 1973. These lots were later sold to Butuan Bay Wood Export Corporation in 1978, which subsequently faced a money judgment obtained by Limpin in 1979. To satisfy this judgment, the properties were auctioned, and Limpin, the highest bidder, acquired and later sold them to Sarmiento.

Before the execution of the judgment against Butuan Bay Wood Export Corporation, Ponce initiated foreclosure proceedings for the mortgage over the contested lots, eventually acquiring them through a foreclosure sale. The court, however, confirmed the sale only for two lots, excluding those bought by Limpin due to the prior execution sale.

Ponce initiated a special civil action in the Intermediate Appellate Court, leading to a decision in his favor on February 28, 1985. Limpin and Sarmiento's appeal to the Supreme Court was denied, affirming the Appellate Court's decision, which notably recognized an equity of redemption in Sarmiento's favor, albeit with a time limit for its exercise.

Sarmiento attempted to exercise his equity of redemption nine months after final judgment, an act met by Ponce's rejection on the grounds of lapse. The ensuing legal battle centered on whether Sarmiento's action was timely and within the bounds of his legal rights.

Issues:

1. Whether or not the equity of redemption in favor of Rogelio M. Sarmiento was validly exercised within the prescribed period.
2. If Sarmiento's attempts at re-litigating the case by filing separate actions constitute an abuse of legal processes.
3. The interpretation of the equity of redemption in the context of non-joinder of subsequent lien holders in the foreclosure suit.

Court's Decision:

The Supreme Court resolved that Sarmiento's equity of redemption had lapsed and was not properly exercised by the cut-off date, June 17, 1987, when the foreclosure sale was confirmed in favor of Ponce. It was held that Sarmiento's failure to act within reasonable

bounds of time and his engagement in separate litigations constituted an unnecessary delay and an abuse of court processes. Moreover, the Court clarified the concept of equity of redemption, distinguishing it from the right of redemption and outlining its application only before confirmation of a foreclosure sale.

Doctrine:

Equity of redemption pertains to the mortgagor or his successor's right to extinguish the mortgage and retain ownership by settling the secured debt ideally within 90 days post-final judgment or even after the foreclosure sale but prior to its confirmation. This is distinct from the right of redemption, which only exists in extrajudicial foreclosures except for mortgages to specific institutions like the Philippine National Bank or banking entities where a judicial foreclosure right of redemption is recognized.

Class Notes:

- ****Equity of Redemption****: The right to extinguish the mortgage by paying the secured debt within a specified timeframe (Rule 68, Section 2). Not to be confused with the right of redemption given in extrajudicial foreclosures or under specific laws to certain banks.
- ****Judicial vs. Extrajudicial Foreclosure****: Distinguishes the application of redemption rights. In judicial foreclosure, there is no right of redemption unless the mortgagee is a bank, while in extrajudicial foreclosure, the mortgagor has a year to redeem post-sale registration.
- ****Exercise of Equity of Redemption****: Must be effected before the confirmation of the foreclosure sale. Any exercises post-confirmation are invalid.

Historical Background:

This case highlights the procedural intricacies and legal principles surrounding foreclosure proceedings in the Philippines, especially in how equity of redemption is exercised within judicial foreclosure contexts. It underscores the distinction between judicial and extrajudicial foreclosures and the corresponding rights of parties involved, particularly against the backdrop of conflicting rights over property stemming from successive claims and mortgages.