

****Title: Gajudo et al. vs. Traders Royal Bank****

****Historical Background:****

The case revolves around a legal dispute concerning the annulment of an extrajudicial foreclosure and auction sale, the right of redemption, and claims for damages that arose from a series of transactions and legal maneuvers spanning several years, highlighting procedural and substantive issues in the application of Philippine laws on foreclosure, redemption, and the adjudication of rights in contested properties.

****Facts:****

In mid-1977, Danilo Chua secured a loan from Traders Royal Bank (“the bank”), with a mortgage over a parcel of land owned in common by the Gajudos as collateral. Failing to satisfy the loan, the bank initiated extrajudicial foreclosure proceedings, with the auction sale initially scheduled for June 10, 1981, but later reset to August 31, 1981, upon request—made without the knowledge or consent of the other co-owners. The property was sold to the bank at a significantly low price, and the Gajudos were unaware of their redemption rights. An offer to repurchase the property was later made and initially accepted by the bank, which then reneged, asking for the property to be bought at current market value instead.

After various legal maneuvers, including an initial dismissal due to failure to pay additional filing fees, the Gajudos re-filed the complaint, introducing Ceroferr Realty Corporation as a respondent, alleging conspiracy in the cancellation of the notice of lis pendens. The bank was declared in default for failing to file an answer in the proper form, leading to the trial court’s partial decision in favor of the Gajudos, ordering the bank to pay damages.

The bank, contesting the trial court’s decision, filed for reconsideration and later appealed to the Court of Appeals (CA), which vacated the trial court’s decision and dismissed the complaint, acknowledging procedural errors and scrutinizing the substance of the Gajudos’ claims.

****Issues:****

1. The proper application of Section 3, Rule 9 of the 1997 Rules of Civil Procedure and the rule on preponderance of evidence under Section 1, Rule 133 of the Rules of Court.
2. The application of conventional redemption rules under Article 1601 of the New Civil Code.
3. The Supreme Court’s prerogative to evaluate factual findings in the case.

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

The Supreme Court upheld the CA's decision, emphasizing that a defendant declared in default does not lose the right to have the plaintiff's evidence duly examined and weighed. The Court delineated the procedural and substantive grounds for its decision, establishing that:

1. The quantum of proof required does not diminish even if the defendant is in default.
2. The alleged agreement for conventional redemption was not sufficiently proven as per the standards of the Civil Code, as the Gajudos failed to establish an express agreement to extend the redemption period or a commitment to pay the redemption price on a fixed date.
3. Damages awarded by the trial court were not supported by preponderant evidence as required, given the lack of proven injury due to an invalid foreclosure sale or a substantiated agreement for repurchase that was breached by the bank.

****Doctrine:****

- The mere declaration of a party in default does not diminish the plaintiff's burden to establish their claims by the required quantum of evidence.
- Conventional redemption agreements, distinct from the statutory redemption period in extrajudicial foreclosure proceedings, must be clearly established through express agreement and commitment to specific terms.
- Awards of damages must be based on substantiated claims and proven injury, supported by the preponderance of evidence.

****Class Notes:****

- Definition of Default: A situation in a legal proceeding where a party fails to perform a procedural requirement, the effect of which does not automatically entitle the opposing party to a favorable decision.
- Preponderance of Evidence: The standard of proof in civil cases, which requires that a party's evidence be more convincing than that presented by the opposing party.
- Conventional vs. Legal Redemption: A distinction between the right to repurchase a property after foreclosure sale; conventional redemption requires an express agreement extending the redemption period beyond statutory limits.
- Damages: Compensation for loss or injury must be proven through evidence to be awarded.

These principles underscore the intricacies and procedural diligence required in foreclosure proceedings, the establishment of agreements beyond statutory provisions, and the

substantiation of claims for damages within Philippine legal processes.