

### Title:

**\*\*Spouses Esmeraldo and Elizabeth Suico vs. Philippine National Bank (PNB) and Court of Appeals\*\***

### Facts:

1. **\*\*Loan and Mortgage Agreement:\*\*** Spouses Esmeraldo and Elizabeth Suico obtained a loan from the Philippine National Bank (PNB), secured by a real estate mortgage on several properties in Mandaue City.
2. **\*\*Default and Foreclosure:\*\*** The Suicos defaulted on their loan payments, prompting PNB to file for extrajudicial foreclosure of the mortgage before the City Sheriff of Mandaue City (EJF Case No. 92-5-15) on 6 May 1992.
3. **\*\*Foreclosure Sale:\*\*** The foreclosure sale took place on 30 October 1992, where PNB was the lone bidder, offering P8,511,000.00. A Certificate of Sale was issued to PNB.
4. **\*\*Non-Delivery of Bid Price:\*\*** PNB did not pay the sheriff the bid amount nor deliver any surplus exceeding the loan amount of P1,991,770.38.
5. **\*\*RTC Complaint:\*\*** The Suicos filed Civil Case No. MAN-2793 at the RTC of Mandaue City, Branch 55, seeking the nullification of the extrajudicial foreclosure of mortgage, alleging fraud and misrepresentation in the Notice of Sale due to discrepancies in the loan amount specified.
6. **\*\*RTC Decision:\*\*** The RTC ruled in favor of the Suicos on 2 February 1999, declaring the foreclosure invalid and ordering the cancellation of PNB's certificates of title and a new foreclosure proceeding.
7. **\*\*Appeal to the Court of Appeals:\*\*** PNB appealed, leading to the CA's reversal of the RTC's decision on 12 April 2005, declaring the foreclosure sale valid.
8. **\*\*Motion for Reconsideration:\*\*** The Suicos filed a Motion for Reconsideration, which resulted in an Amended Decision by the CA on 28 September 2005, maintaining the foreclosure sale's validity but ordering PNB to pay the deficiency in filing fees.
9. **\*\*Petition for Review in Supreme Court:\*\*** The Suicos then elevated the case to the Supreme Court, seeking to invalidate the foreclosure based on the Notice of Sale's defects and PNB's failure to pay the bid or surplus to the sheriff.

### Issues:

1. **\*\*Validity of Notice of Sale:\*\*** Whether the discrepancy between the loan amount stated in the Notice of Sale and PNB's bid invalidates the foreclosure sale.
2. **\*\*Obligation to Pay Surplus:\*\*** Whether PNB was obligated to deliver the surplus amount from its bid to the petitioners.

### Court's Decision:

1. **Validity of Notice of Sale:**

- The Supreme Court held that the primary purpose of the Notice of Sheriff's Sale is to inform all interested parties of the sale details to secure bidders and prevent a sacrifice sale.
- The Court determined that the discrepancy between the amount stated in the notice and the actual bid amount did not constitute fraud or mislead bidders, nor did it affect the property's value or sale results. Hence, the Notice of Sale and subsequent foreclosure sale were declared valid.

2. **Obligation to Pay Surplus:**

- The Supreme Court found that PNB's bid amount exceeded the Suicos' documented obligations. However, the Court agreed that PNB should return the surplus amount from the bid to the petitioners with interest.
- Based on PNB's Statement of Account, the Suicos' total obligation as of the auction sale date amounted to P6,409,814.92, leaving a surplus of P2,101,185.08 from the bid of P8,511,000.00.
- PNB was directed to return this surplus amount to the petitioners with 6% interest per annum from the filing date of the complaint until full payment, and 12% interest per annum after the judgment becomes final and executory until full satisfaction.

### Doctrine:

- **Notice of Sheriffs Sale:** Slight deviations in the amount stated do not invalidate the foreclosure if the primary purpose of the notice (to inform interested parties) is still fulfilled.
- **Obligation to Pay Surplus:** In foreclosure sales, if the mortgagee's bid exceeds the debt amount, the excess must be returned to the mortgagor with appropriate interest.

### Class Notes:

- **Extrajudicial Foreclosure:** Governed by Act No. 3135 in the Philippines; involves sale of mortgaged property without court intervention.
- **Surplus from Foreclosure Sale:** Mortgagee must return any surplus to the mortgagor after satisfying the secured debt.
- **Rule 39, Section 21:** Judgment obligee need not pay bid amount if it does not exceed debt, otherwise excess must be paid.
- **Rule 68, Section 4:** Dictates the disposition of foreclosure sale proceeds, ensuring mortgagor receives any balance after debt and costs are paid off.

### Historical Background:

- The case underscores the procedural sensitivity in handling foreclosure proceedings and clarifies the obligations of mortgagees regarding surplus amounts. It reflects a historical context where judicial scrutiny ensures procedural fairness and protection of debtor rights while balancing creditor entitlements.