

Title:

Philippine National Bank vs. Antonio Tad-y, G.R. No. CA-G.R. CV No. 01412 (2003)

Facts:

1. **1975 Loan Transactions**: On January 30, 1975, the spouses Jose and Patricia Tad-y secured an agricultural sugar crop loan of P109,000 from the Philippine National Bank (PNB) Binalbagan Branch. They executed a Real Estate Mortgage (REM) on six parcels of land to secure the loan. An additional loan of P63,000 was obtained in August 1975, extending the initial REM to cover this second loan.
2. **Auction Sale**: On August 9, 1988, two of the mortgaged parcels (Lots 778 and 788) were auctioned for delinquency in real property taxes. PNB won the auction as the sole bidder with a total price of P10,609.63. PNB acquired titles via Final Bills of Sale executed by the provincial treasurer on August 23, 1989.
3. **Loan Restructuring and Payment**: In November 1995, the Tady-s utilized the loan restructuring provisions of Republic Act No. 7202 and completed payment by March 6, 1996. Subsequently, PNB issued a release deed of the REM, except for Lots 778 and 788, which PNB claimed ownership of due to the auction.
4. **Demand and Filing of Complaint**: Patricia Tad-y, through letters dated July 19, 2001, and October 23, 2003, requested PNB to release the lots, offering reimbursement for the auction price. PNB refused. On March 23, 2004, the Tad-ys filed a complaint for breach of contract and reconveyance before the RTC.
5. **RTC Decision**: On December 22, 2005, the RTC ruled in favor of the Tad-ys, ordering PNB to reconvey the titles to Lots 778 and 788 upon reimbursement plus interest.
6. **CA Decision**: PNB's appeal was dismissed by the CA on April 16, 2013, upholding the RTC's decision.

Issues:

1. **Obligation to Pay Real Property Taxes**: Whether PNB, under the REM, was obligated to advance the payment of real property taxes when the mortgagors failed to pay.
2. **Acting as Attorney-in-Fact**: Whether PNB acted as an attorney-in-fact for the Tad-ys during the auction, and whether the purchase of the properties should benefit the Tad-ys.
3. **Prescription**: Whether the Tad-ys' cause of action had prescribed.

Court's Decision:

1. **Obligation to Pay Real Property Taxes**:

- **Resolution**: The Supreme Court found that the obligation of PNB to pay taxes only arises in events of judicial foreclosure. As no foreclosure took place, PNB was not obligated under paragraph (c) of the REM to advance the real property taxes.

- **Analysis**: The decision highlighted that paragraph (b) imposed the duty to pay taxes on the mortgagor, with PNB obligated under paragraph (c) to advance taxes only during judicial foreclosure proceedings.

2. **Acting as Attorney-in-Fact**:

- **Resolution**: The Court sustained that PNB's purchase of Lots 778 and 788 at the auction sale inured to the benefit of the Tad-ys, based on the broad administrative powers granted under paragraph (d) to act as an attorney-in-fact upon breach of REM conditions.

- **Analysis**: The interpretation of the phrase "any other acts which the Mortgagee may deem convenient for the proper administration of the mortgaged property" included actions to preserve the mortgagee's interest, hence benefiting the Tad-ys when PNB bought the lots at a tax auction.

3. **Prescription**:

- **Resolution**: The Supreme Court held that the issue of prescription could not be raised on appeal for the first time, as it was not initially raised in PNB's answer or pre-trial stages thereby impairing the trial court's capacity to adjudicate on it.

- **Analysis**: The Court emphasized that prescription as an affirmative defense must be apparent on the face of the complaint or be established by evidence during trial. It also requires that it doesn't present new factual issues when raised on appeal.

Doctrine:

- **Abuse of Rights (Article 19, Civil Code)**: The mortgagee's right must be exercised within the bounds of equity and fairness. PNB's actions constituted an actionable abuse under this provision.

- **Creation of Constructive Trusts (Article 1456, Civil Code)**: Property acquired through fraud or duress is held in trust for the benefit of the original owner.

Class Notes:

- **Elements of Abuse of Rights**:

1. Exercise of a legal right.

2. The intent to prejudice another.

3. The exercise is contrary to morals, good customs, or public policy.

- **Constructive Trusts (Art. 1456)**: Constructive trusts arise to prevent unjust enrichment from wrongful acts. Here, failure to perform fiduciary duty led to the trust.

Statutes Cited:

- **Article 19, Civil Code**: Fair dealing and equity must underlay the exercise of legal rights.

- **Article 1456, Civil Code**: Pertains to trust obligations arising from fraud or mistake.

Historical Background:

- **RAM of the 1970s**: This period saw significant use of agricultural loans secured by real property as an economic stimulus for the sugar industry.

- **Republic Act No. 7202**: Enacted in 1991, it facilitated the restructuring of loans for sugar producers burdened by economic downturns during the post-martial law era.

This comprehensive analysis provides detailed insight into the procedural progression and legal doctrines affirmed by the Philippine Supreme Court in this significant case.