

Title: Arturo Sarte Flores vs. Spouses Enrico L. Lindo, Jr. and Edna C. Lindo

Facts:

1. On 31 October 1995, Edna Lindo obtained a loan of P400,000 from Arturo Flores, payable by 1 December 1995 with 3% compounded monthly interest and a 3% surcharge for late payment.
2. To secure the loan, a Deed of Real Estate Mortgage (Deed) covering property in the names of Edna and her husband Enrico Lindo, Jr. was executed. Edna signed for Enrico using a Special Power of Attorney (SPA).
3. Edna issued three checks as partial payments which were dishonored due to insufficient funds.
4. Flores filed a Complaint for Foreclosure of Mortgage with Damages in the RTC, Branch 33 (Civil Case No. 00-97942).

Procedural Posture:

- The RTC, Branch 33 ruled on 30 September 2003 that Flores was not entitled to judicial foreclosure as the Deed was executed without Enrico's consent.
- Flores filed a motion for reconsideration, which was denied on 8 January 2004.
- On 8 September 2004, Flores filed a Complaint for Sum of Money with Damages in the RTC, Branch 42 (Civil Case No. 04-110858).
- Respondents filed a Motion to Dismiss citing res judicata, improper venue, and forum-shopping, which was denied.
- Respondents petitioned for certiorari in the Court of Appeals, which set aside the RTC, Branch 42's orders.
- Flores petitioned the Supreme Court for review after his motion for reconsideration was denied by the Court of Appeals.

Issues:

1. Can Flores pursue a personal action for collection after an unsuccessful foreclosure action on the same loan?
2. Does the principle against unjust enrichment apply if the foreclosure action was dismissed due to technical deficiencies in the mortgage agreement?

Court's Decision:

1. ****Single Cause of Action and Multiplicity of Suits:****
 - The RTC, Branch 33 ruled the Deed void for lack of Enrico's consent, thus preventing foreclosure but allowing for a personal action to collect the debt.

- The Supreme Court found that, typically, a mortgage-creditor must choose between a personal action and foreclosure; choosing one precludes the other to avoid multiplicity of suits.
- However, the Court recognized exceptions considering Flores' reliance on judicial guidance that suggested he could still pursue a personal action.

2. **Unjust Enrichment:**

- The Supreme Court ruled that strict adherence to procedural rules should yield to substantive law principles to avoid unjust enrichment.
- Edna's admission of the loan and the trial courts' errors in declaring the mortgage void necessitated application of the principle of unjust enrichment.
- The Court held that Edna should not profit from technical errors that hindered Flores' recovery of the debt.

Doctrine:

- **Single Cause of Action/Non-Multiplicity of Suits:** A mortgage-creditor has a single cause of action and must choose between personal action for debt recovery or real action for foreclosure.
- **Doctrine of Unjust Enrichment:** Denies benefiting at another's expense when legal grounds are voided due to procedural deficiencies. It counters strict procedural adherence when it obstructs equitable justice.

Class Notes:

- **Article 124, Family Code:** Requires spousal consent for acts beyond administration of conjugal property.
- **Principle Against Unjust Enrichment (Art. 22, Civil Code):** Prevents benefiting at another's expense without just cause.
- **Multiplicity of Suits:** Avoid filing multiple actions for the same cause.
- **SPAs in Real Estate Transactions:** Timing and authority must align to validate agreements.

Historical Background:

- This case highlights the judicial balancing act between procedural rules and substantive justice, illustrating legal principles on mortgage enforcement, creditor's remedies, and property law nuances in the Philippines. The decision, rendered in the context of financial disputes involving family property, underscores evolving equitable doctrines amidst strict civil procedure.