

Title: China Banking Corporation vs. Spouses Harry and Esther Ciriaco (G.R. No. 64349)

Facts:

1. On March 11, 1996, Spouses Harry and Esther Ciriaco obtained a loan of Php 1,500,000 from China Banking Corporation (CBC), secured by a real estate mortgage on their 526-square meter land in La Trinidad, Benguet.
2. Upon default by the Ciriacos, CBC extrajudicially foreclosed the mortgaged property and emerged as the highest bidder at the public auction. A Certificate of Sale was issued in CBC's favor on March 11, 1998, and annotated on TCT No. T-21710 on March 24, 1998.
3. On March 23, 1999, the Ciriacos filed a complaint for Injunction with the RTC La Trinidad, Benguet, Branch 8, challenging the redemption price and seeking to enjoin the consolidation of title in CBC's favor. This was dismissed as moot on July 26, 1999.
4. On August 17, 1999, the respondents filed another complaint with RTC La Trinidad, Branch 63, for Cancellation of Consolidation of Ownership, Specific Performance, and Damages, again questioning the redemption price.
5. CBC filed an Answer with Compulsory Counterclaim. Subsequently, the Ciriacos filed an Omnibus Motion to Amend Complaint and for a Writ of Preliminary Injunction or TRO, with hearings scheduled on March 22, 2000, and April 24, 2000.
6. RTC admitted the amended complaint and issued the writ of preliminary injunction on August 1, 2000. CBC's motion for reconsideration was denied; a writ was subsequently issued on August 24, 2000, restraining CBC from disposing of or taking possession of the property.
7. CBC filed a Rule 65 petition for certiorari with the Court of Appeals, which denied the petition on April 15, 2005, and motion for reconsideration on October 10, 2005.

Issues:

1. Whether the RTC's issuance of a writ of preliminary injunction without conducting a proper hearing constitutes grave abuse of discretion.
2. Whether the respondents demonstrated a clear and unmistakable right to warrant the issuance of a writ of preliminary injunction.

Court's Decision:

1. ****Lack of Proper Hearing****: The Supreme Court found that the RTC failed to hold a proper hearing for the writ of preliminary injunction or TRO. The hearings on March 22 and April 24, 2000, were conducted on the respondents' omnibus motion to admit the amended complaint, not on the application for the writ of preliminary injunction.
2. ****Absence of a Clear Right****: The RTC granted the preliminary injunction based on

unsubstantiated pleadings without detailed factual findings or evidence provided. No clear and unmistakable right was demonstrated by the respondents to justify injunctive relief.

Doctrine:

A preliminary injunction is an extraordinary remedy that should only be granted with caution and upon a clear demonstration of a right to be protected. Prior notice and a hearing for both parties to present evidence are required by Sections 3 and 5, Rule 58 of the 1997 Rules of Civil Procedure, to protect against arbitrary issuance.

Class Notes:

- Key Elements of Preliminary Injunction: (1) Clear right to be protected, (2) Act to be restrained violates this right, (3) Irreparable injury if not issued.
- Essential Provisions: Sections 3 and 5, Rule 58 of the 1997 Rules of Civil Procedure.
- Sec. 3 addresses grounds for issuance: relief demanded involves restraining certain acts, injustice during litigation, or actions violating applicant's rights.
- Sec. 5 mandates hearings and evidence before issuance, with a provision for emergency TROs under extreme urgency.

Historical Background:

This case reflects the rigorous procedural requirements for the issuance of injunctive relief and illustrates judicial caution necessary to maintain fairness in the legal process and prevent unjust restriction on actions without substantiated grounds. It also underscores the courts' role in ensuring due process through thorough examination of claims before granting extraordinary remedies like a preliminary injunction.