

Title: Spouses Hermes P. Ochoa and Araceli D. Ochoa vs. China Banking Corporation

Facts:

1. Spouses Hermes P. Ochoa and Araceli D. Ochoa entered into a mortgage agreement with China Banking Corporation (China Bank) wherein they mortgaged their real property located in Parañaque City.
2. The mortgage agreement included a stipulation designating Makati City as the exclusive venue for filing actions arising from or related to the mortgage.
3. Subsequently, China Bank initiated a petition for extrajudicial foreclosure of the mortgaged property due to the failure of the Ochoas to settle their obligation.
4. The petition was filed in Parañaque City in accordance with Act No. 3135, as the property was located there, and the executive judge ratified the process.
5. The Ochoas contested the foreclosure by filing a case for Annulment of Foreclosure, Sale, and Damages in the Regional Trial Court (RTC) of Parañaque City, claiming the stipulation for exclusive venue in Makati City should apply to both the foreclosure and the annulment.
6. The RTC denied the Ochoas' complaint, leading them to appeal to the Court of Appeals (CA).
7. The CA affirmed the lower court's decision, stating that the stipulation for venue in Makati was not applicable to the extrajudicial foreclosure process, as it is not an action or suit, but an administrative process.
8. The Ochoas sought review before the Supreme Court, claiming reversible error in the CA's judgment.
9. The Supreme Court issued a Resolution on January 17, 2011, denying the petition for review on certiorari.
10. The Ochoas subsequently filed a motion for reconsideration, which is the subject of the current resolution.

Issues:

1. Whether the stipulation of exclusive venue for Makati City applies to the extrajudicial foreclosure of the mortgage conducted by China Bank.
2. Whether the extrajudicial foreclosure is considered an "action" or "suit" under the Rules of Court.

Court's Decision:

1. The Supreme Court held that the provision of exclusive venue in Makati City, stipulated in the mortgage agreement, applies only to judicial actions or suits arising from the mortgage, such as the Ochoas' complaint for Annulment of Foreclosure.

2. The Court clarified that an extrajudicial foreclosure of a mortgage, as outlined in Act No. 3135, is a special proceeding characterized as administrative rather than judicial. It is initiated not in a court of justice but through the sheriff's office or a notary public.

3. In determining whether the venue provision applies, the Court distinguished between judicial and extrajudicial proceedings, affirming that the latter is governed by Act No. 3135.

4. The Supreme Court thus denied the motion for reconsideration, reaffirming its earlier decision that the extrajudicial foreclosure's venue is correctly situated in Parañaque City, as provided by the special law, Act No. 3135, instead of the general rule of court on venue, which reflects contractual stipulations.

Doctrine:

The case emphasizes that extrajudicial foreclosure proceedings are not considered actions or suits in a court of justice, and therefore, are not bound by stipulations on venue within a mortgage contract. Instead, they are subjected to the provisions of Act No. 3135, which dictates that proceedings must occur in the locality where the property is situated.

Class Notes:

1. Extrajudicial Foreclosure - An administrative process regulated by Act No. 3135, allowing the foreclosure of mortgaged property without court intervention.

2. Venue in Mortgage Contracts - Stipulations on venue apply primarily to judicial proceedings or lawsuits; administrative processes like extrajudicial foreclosure are subject to specific laws.

3. Rule vs. Special Law - Special laws like Act No. 3135 are applied directly in situations they specifically address, such as extrajudicial foreclosures, over general contractual stipulations or procedural rules.

Historical Background:

The legal framework for extrajudicial foreclosure in the Philippines is primarily governed by Act No. 3135, enacted in the early 20th century to provide a mechanism for creditors to recover unpaid debts secured by real estate mortgages. Under this law, real property can be foreclosed without court involvement, streamlining the process but confining it to specific procedural requirements, such as filing in the province where the property is located. This case highlights the continuing relevance and application of Act No. 3135 amidst evolving contractual practices in mortgage agreements.