

Title: Engracio Francia vs. Intermediate Appellate Court and Ho Fernandez

Facts:

Engracio Francia owned a residential lot and two-story house in Pasay City, Metro Manila, covered by Transfer Certificate of Title No. 4739 (37795). On October 15, 1977, a portion of his property was expropriated by the Republic of the Philippines for P4,116.00. Francia failed to pay real estate taxes from 1963 to 1977, accumulating a tax delinquency of P2,400.00. Consequently, on December 5, 1977, the City Treasurer of Pasay conducted a public auction due to the tax delinquency, where Ho Fernandez emerged as the highest bidder.

Francia, who was in Iligan City at the time, learned of the auction and the issuance of a Final Bill of Sale to Fernandez through a notice of a title entry petition by Fernandez on March 3, 1979. Francia then filed a complaint to annul the auction sale, which was dismissed by the lower court on April 23, 1981. The Intermediate Appellate Court later affirmed this decision, leading to Francia's petition for review to the Supreme Court, raising concerns about the off-setting of his tax debt with the government's debt to him from expropriation, notification issues concerning the auction sale, and the gross inadequacy of the auction price.

Issues:

1. Whether Francia's tax delinquency can be set off by the compensation received from the government for expropriation.
2. Whether the auction sale was valid given Francia's claims of not being properly notified.
3. Whether the auction sale price was grossly inadequate to the point of constituting fraud and deprivation without due process.

Court's Decision:

1. ****Set-Off Claims:**** The Court found no legal basis for Francia's contention that the tax delinquency was extinguished by legal compensation with the government's debt from expropriation. It reiterated that taxes could not be the subject of set-off against claims that a taxpayer may have against the government.
2. ****Notification of Auction Sale:**** The Court determined that while the purchaser at the auction sale (Ho Fernandez) bore the burden of proof to show compliance with tax sale

prerequisites, Francia admitted to receiving the notice but negligently ignored it. Thus, the validity of the auction sale could not be contested based on Francia's negligence.

3. **Auction Sale Price:** The Court held the general rule that gross inadequacy of price is not material, especially when the law gives the owner the right to redeem. Consequently, Francia's argument about the inadequacy of the auction price was dismissed.

Doctrine:

The Supreme Court reiterated the doctrines that (1) taxes owed to the government cannot be offset by claims the taxpayer may have against the government, and (2) gross inadequacy of price in a tax auction sale is not material, as the owner has the right to redeem.

Class Notes:

- **Set-off of Taxes:** Taxes owed to the government cannot be compensated with claims against the government. Legal basis: Article 1278 and 1279 of the Civil Code, confirming that mutual debts necessary for legal compensation do not apply to tax obligations.
- **Notification for Auction Sale:** Taxpayers must be notified of tax auction sales; however, negligence in disregarding such notices invalidates claims against the sale's validity. Proof of compliance with notification requirements lies with the auction sale's purchaser.
- **Auction Sale Price:** Gross inadequacy of auction sale price does not void the sale, particularly when redemption rights are provided to the original owner, supporting the principle that easier redemption counterbalances inadequate auction prices.

Historical Background:

This case highlights the procedural and substantive legal standards surrounding tax delinquencies, public auction sales, and the rights and responsibilities of property owners in the Philippines. It serves as a cautionary tale about the importance of fulfilling tax obligations and attentively managing legal notices regarding property rights.