

Title: Pinausukan Seafood House, Roxas Boulevard, Inc. vs. Far East Bank & Trust Company and Hector IL. Galura

Facts:

- 1993: Bonier de Guzman (President of Pinausukan Seafood House) executed four real estate mortgages involving the corporation's 517 square meter parcel of land in Pasay City, favoring Far East Bank and Trust Company (FEBTC), now Bank of the Philippine Islands (BPI).
- June 2001: The unpaid obligation ballooned to P15,129,303.67.
- August 13, 2001: FEBTC commenced extrajudicial foreclosure proceedings.
- October 4, 2001: Pinausukan, represented by Zsae Carrie de Guzman, filed Civil Case No. 01-0300 in the RTC of Pasay City to annul the real estate mortgages, claiming the mortgages were executed without corporate consent through a board resolution.
- October 8, 2001: Scheduled public auction was set.
- May 30, 2002: Testimony of Zsae Carrie de Guzman as the first witness in Civil Case No. 01-0300.
- September 2002: Parties attempted settlement; counsels did not appear in court on September 5, 2002.
- October 31, 2002: RTC dismissed Civil Case No. 01-0300 for failure to prosecute.
- June 24, 2003: Sheriff issued another notice of extrajudicial sale.
- July 2003: Pinausukan learned of the dismissal and alleged its counsel, Atty. Villaflor, did not inform it.
- July 24, 2003: Pinausukan filed a petition for annulment of judgment in the CA, arguing the negligence of their counsel amounted to extrinsic fraud.
- July 31, 2003: CA dismissed the petition for failure to attach witness affidavits attesting to the extrinsic fraud.
- September 12, 2003: CA denied Pinausukan's motion for reconsideration.

Issues:

1. Whether the requirement of attaching affidavits of witnesses to the petition for annulment can be relaxed.
2. Whether the gross negligence of Pinausukan's counsel constituted extrinsic fraud.

Court's Decision:

1. Requirement of Witness Affidavits:

- The Supreme Court ruled that the requirement for attaching affidavits of witnesses is mandatory under Section 4, Rule 47 of the Rules of Court. The affidavits are essential to

substantiate the claims of extrinsic fraud and allow the CA to determine the petition's merit.

- The Court emphasized that verification assures the allegations' correctness but does not substitute for the needed affidavits detailing extrinsic fraud.

## 2. Gross Negligence as Extrinsic Fraud:

- The Court held that gross negligence of counsel does not constitute extrinsic fraud. Extrinsic fraud refers to acts by the adverse party that prevent the aggrieved party from having their day in court, such as deceptive practices that kept the party away from court proceedings.

- In this case, the negligence of counsel (Atty. Villaflor) did not emanate from any actions by FEBTC/BPI and did not prevent Pinausukan from participating in the trial. The Court added that clients must keep abreast of their cases and cannot leave everything entirely to their lawyers.

## Doctrine:

- The Court reiterated that extrinsic fraud, as a ground for annulment of judgment, must arise from the adverse party's actions and must prevent the aggrieved party from participating in the proceedings. Gross negligence of one's counsel is insufficient for extrinsic fraud.

## Class Notes:

### Key concepts:

1. Extrinsic Fraud - defined as fraudulent actions by the adverse party that prevent one from fully litigating the case.
2. Gross Negligence of Counsel - not a ground for annulment based on extrinsic fraud.
3. Section 4, Rule 47 of the Rules of Court - mandates the submission of affidavits of witnesses to support claims of extrinsic fraud.
4. Laches and Estoppel - explored as defenses concerning annulment petitions.

## Statutory Provisions:

- Rule 47, Section 4, Rules of Court: Affidavits required for annulment petition.
- Article 1431, Civil Code: Estoppel provisions.

## Historical Background:

- The case highlights the importance of vigilance on the part of litigants to stay informed on their legal proceedings. The concept of extrinsic fraud in annulment of judgments dates back to earlier Philippine jurisprudence (e.g., *Banco Español-Filipino v. Palanca*).

- This case also underlines the judiciary's struggle to balance the finality of judgments with fairness and equity considerations. It demonstrates the enduring application of doctrines on judicial stability and party diligence from early 20th-century cases to recent rulings.