

****Title:**** Development Bank of the Philippines v. Dionisio Mirang, 160 Phil. 833

****Facts:****

1. On September 7, 1950, Dionisio Mirang (appellant) secured approval for a loan of P14,000 from the Rehabilitation Finance Corporation, subsequently the Development Bank of the Philippines (DBP), secured by a mortgage on his homestead.
2. The loan was for purchasing work animals and farm implements (P1,000), constructing a farmhouse (P1,500), and developing an abaca plantation (P11,500).
3. The loan was released gradually up to P13,000.
4. The abaca plantation failed due to mosaic disease, prompting the DBP to halt further releases.
5. Mirang fell behind on loan payments, triggering an extrajudicial foreclosure by the DBP under Act 3135.
6. On July 30, 1957, the mortgaged property was auctioned. The DBP, as the highest bidder, purchased it for P2,010.
7. By then, Mirang's debt had ballooned to P19,714.35.
8. Mirang did not redeem the property within the statutory period, and the DBP sued him for the outstanding balance of P16,013.13 plus interest and attorney's fees.
9. The Court of First Instance of Davao ruled in favor of the DBP. Mirang appealed to the Court of Appeals, which certified the case to the Supreme Court due to the pure legal questions involved.

****Issues:****

1. Can the DBP recover the balance of the debt after the property was sold for less than the owed amount?
2. Should Mirang be exempted from paying the debt due to the destruction of his abaca plantation by mosaic disease?
3. To redeem his property, should Mirang pay the auction price or the total outstanding obligation?

****Court's Decision:****

1. ****Right to Recover Deficiency:****
 - The Court affirmed that DBP could recover the deficiency after extrajudicial foreclosure despite Act 3135's silence on this issue. Citing precedents like *Philippine Bank of Commerce v. De Vera* and other similar rulings, the Court noted that the mortgage remains a security mechanism, not the entirety of debt satisfaction.
 - Article 2131 of the Civil Code and the Mortgage Law permit such recovery of deficiencies

without explicitly barring it in extrajudicial foreclosures.

2. **Exemption Due to Disease:**

- The Court rejected the appellant's plea for exemption or reduction based on the destruction caused by mosaic disease. Mirang's loan was neither conditional nor aleatory, and contractual terms were clear and binding.
- Sympathy for the appellant's predicament does not override the legal obligation stipulated in the contract.

3. **Redemption Price:**

- The Supreme Court held that Mirang must pay the total outstanding debt to redeem the property, not merely the auction price. This aligns with Section 31 of Commonwealth Act No. 459.

Consequently, the trial court's decision was upheld.

Doctrine:

- **Deficiency Judgment:** Mortgagors can be liable for any remaining debt post-foreclosure, whether judicial or extrajudicial, unless explicitly prohibited by law.
- **Contractual Adherence:** Hardships due to unforeseen events do not automatically nullify clear contractual obligations.
- **Redemption Rights:** The amount due for redemption includes the total outstanding debt rather than just the winning bid at the foreclosure sale.

Class Notes:

- **Deficiency Judgment:** Article 2131, Mortgage Law, and existing jurisprudence underpin the mortgagee's right to recover deficiencies post-foreclosure.
- **Redemption Process:** Redeeming a foreclosed property requires full debt repayment, not just the auction price.
- **Contractual Obligations:** Unforeseen damages do not exempt debtors from fulfilling clear, unconditional contracts.

Historical Background:

The case occurred during a period of agricultural development in the Philippines, where government loans for such undertakings were common via agencies like the DBP. This reflects post-World War II initiatives focused on national economic rehabilitation via agricultural and industrial financing. The ruling underscores the era's legal thrust towards maintaining financial obligations while also highlighting judicial balance amid personal and

economic adversities faced by debtors.