

Title:

****Goldenway Merchandising Corporation vs. Equitable PCI Bank, G.R. No. 195540****

Facts:

1. ****Initial Mortgage and Loan****: On November 29, 1985, Goldenway Merchandising Corporation (petitioner) executed a Real Estate Mortgage in favor of Equitable PCI Bank (respondent) over various real properties in Valenzuela, Bulacan. The mortgage secured a loan of P2,000,000.00 and was duly registered.
2. ****Foreclosure and Auction****: Due to the petitioner's failure to settle the loan, the respondent foreclosed the mortgage extrajudicially on December 13, 2000. The mortgaged properties were auctioned and sold to the respondent for P3,500,000.00. A Certificate of Sale was issued on January 26, 2001 and registered on February 16, 2001.
3. ****Redemption Attempt****: On March 8, 2001, petitioner's counsel offered to redeem the properties by tendering a check for P3,500,000.00. However, the respondent rejected the redemption, stating it was too late as the Certificate of Sale had already been registered and new titles were issued in the respondent's name on March 9, 2001.
4. ****Filing of Complaint****: On December 7, 2001, petitioner filed a complaint for specific performance and damages, arguing the one-year redemption period under Act No. 3135 should apply, not the shortened period under Republic Act (R.A.) No. 8791.
5. ****Claims by Petitioner****: Petitioner asserted that applying Section 47 of R.A. No. 8791 retroactively impaired their contract rights and violated the equal protection clause.
6. ****Respondent's Defense****: Respondent countered that petitioner knew the redemption amount as per R.A. No. 8791 and had adequate time to redeem the property before the Certificate of Sale registration. Further, they stated even if redemption were timely, the tendered check did not meet legal requirements.
7. ****Trial Court Decision****: On January 8, 2007, the trial court dismissed the petitioner's complaint, rejecting the claimed constitutional issues since they were not raised during pre-trial. They ruled that the redemption was late and invalid because petitioner's counsel was not properly authorized.
8. ****Appeal to CA****: Petitioner appealed, but the Court of Appeals affirmed the trial court's decision, stating petitioner failed to justify why Section 47 of R.A. No. 8791 should be

declared unconstitutional.

Issues:

1. **Constitutionality of Section 47 of R.A. No. 8791**: Does the application of Section 47 of R.A. No. 8791 violate the constitutional proscription against impairment of contractual obligations?
2. **Equal Protection Clause**: Does Section 47 of R.A. No. 8791 violate the equal protection clause by treating juridical entities differently from natural persons?

Court's Decision:

1. **Impairment of Contracts**:

- **Court's Ruling**: The court held that Section 47 of R.A. No. 8791 does not impair the obligations of contracts but merely modifies the redemption period. It reasoned that legislative amendments can validly change the period of redemption without retroactively impairing existing contractual rights.

- **Analysis**: The provision exempts properties foreclosed prior to its effectivity, retaining traditional one-year redemption rights for those properties, negating retroactivity issues.

2. **Equal Protection Clause**:

- **Court's Ruling**: The court upheld that the differentiation between juridical persons and natural persons in redemption periods is based on reasonable classification aligning with legislative intent and public interest.

- **Analysis**: It highlighted the context of the General Banking Law's reforms following the 1997 financial crisis to ensure the solvency and liquidity of banks, underscoring that properties used in commerce (by juridical persons) necessitate shorter redemption periods.

Doctrine:

1. **Doctrine on Equal Protection**: Legislation allowing different treatment of juridical and natural persons is permissible if the classification is based on relevant and real distinctions, and related to the law's purpose.

2. **Police Power and Contractual Obligations**: The government's police power can alter private contracts, particularly in regulated industries like banking, to ensure public welfare and economic stability.

3. **Non-impairment of Contract Clause**: Modifying statutory redemption periods does not constitute constitutional impairment of contracts if the overall contractual obligations and remedies remain accessible within reasonable statutory frameworks.

Key Elements for Class Notes:

1. **Impairment of Contracts** (Art. III, Sec. 10, 1987 Constitution):
 - Impairment involves altering law terms or conditions of a contract.
 - Police power can justify alterations in public interest.
 - Section 47 of R.A. No. 8791: Alters redemption periods for juridical persons.
2. **Equal Protection Clause**:
 - Permits reasonable classification.
 - Legislative purpose: Ensuring banking system stability post-financial crisis.
3. **Redemption Periods under Foreclosure**:
 - Act No. 3135: One-year for all entities.
 - R.A. No. 8791: Shortened periods for juridical persons, retaining one-year for natural persons' residential properties.

Historical Background:

- **Context of R.A. No. 8791**: Enacted post-1997 Asian financial crisis to modernize and strengthen the banking framework, focusing on reducing uncertainties and enhancing liquidities by encouraging faster turnover of foreclosed properties. The reforms, including shortened redemption periods, aimed to stabilize financial institutions and thus the broader economy.