

EMILIA B. SANTIAGO, PLAINTIFF APPELLANT, VS. PIONEER SAVINGS AND LOAN BANK, ET. AL., DEFENDANTS-APPELLEES.

G.R. No. L-77502. January 15, 1988

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

An appeal certified by the Court of Appeals to this Tribunal for determination since only a question of law is involved.

The facts are not controverted.

Plaintiff-appellant, Emilia P. Santiago, is the registered owner of a parcel of land situated at Polo, Valenzuela, Metro Manila, with an area of approximately 39,007 square meters, covered by T.C.T. No. B-41669 (briefly, the Title) of the Register of

Deeds of Caloocan City (hereinafter, simply the Disputed Property).

On 7 April 1983, plaintiff-appellant executed a Special Power of Attorney in favor of Construction Resources Corporation of the Philippines (CRCP, for short) authorizing and empowering CRCP:

“1. To borrow money and make, execute, sign and deliver mortgages of real estate now owned by me and standing in my name and to make, sign, execute and deliver any and all promissory notes necessary in the premises.

“2. For the purpose of these presents,, or for the purpose of securing the payment of any loan, indebtedness or obligation which my attorney-in-fact may obtain or contract with the bank, its renewal, extension of payment of the whole or any part thereof, said attorney- in-fact is hereby authorized and empowered to transfer and convey by way of mortgage in favor of the bank, xxx (the Disputed Property).”

On 8 April 1983, CRCP executed a Real Estate Mortgage over the Disputed Property in favor of FINASIA Investment and Finance Corporation to secure a loan of P1 million. The mortgage contract specifically provided that in the event of default in payment, the mortgagee may immediately foreclose the mortgage judicially or extrajudicially. The promissory note evidencing the indebtedness was dated 4 March 1983.

The Special Power of Attorney executed by plaintiff-appellant in CRCP’s favor, the Real Estate Mortgage by CRCP in favor of FINASIA, together with the Board Resolution dated 28 March 1983 authorizing the CRCP President to sign for and on its behalf, were duly annotated on the Title on 12 April 1983.

On 29 July 1983, FINASIA executed in favor of defendant- appellee. Pioneer Savings & Loan Bank, Inc. (Defendant Bank, for brevity), an “Outright Sale of Receivables without Recourse” including the receivable of P610,752.59 from CRCP.

On 21 May 1984 FINASIA executed a “Supplemental Deed of Assignment” in favor of Defendant Bank confirming and ratifying the assignment in the latter's favor of the receivable of P610,752.59 from CRCP and of

the mortgage constituted by CRCP over the Disputed Property.

On 12 July 1984, the aforesaid Supplemental Deed of Assignment was inscribed on the Title.

CRCP failed to settle its obligation and Defendant Bank opted for extrajudicial foreclosure of the mortgage. The notice of auction sale was scheduled on 16 May 1985.

On 13 May 1985, on learning of the intended sale, plaintiff- appellant filed before the Regional Trial Court of Valenzuela, Metro Manila, Branch CLXXII, an action for declaration of nullity of the real estate mortgage with an application for a Writ of Preliminary Injunction (Civil Case No. 2231-V-85).

On 14 May 1985, the Trial Court[1] issued a Temporary Restraining Order enjoining the sale at public auction of the Disputed Property.

Basically, plaintiff-appellant claimed in her Complaint that she was not aware of any real estate mortgage she had executed in favor of Defendant Bank; that she had not authorized anyone to execute any document for the extrajudicial foreclosure of the real estate mortgage constituted on the Disputed Property and that since the notice of Sheriff s sale did not include her as a party to the foreclosure proceedings, it is not binding on her nor on her property.

Defendant Bank opposed the application for Preliminary Injunction and asserted its right to extrajudicially foreclose the mortgage on the Disputed Property based on recorded public documents.

During the hearing on the petition for Preliminary Injunction, plaintiff-appellant, through counsel, admitted the due execution of plaintiff-appellant's Special Power of Attorney in favor of CRCP, the Real Estate Mortgage by CRCP to FINASIA, the Outright Sale of Receivables by FINASIA to Defendant Bank, as well as the Supplemental Deed of Assignment by FINASIA to Defendant Bank.

On 30 May 1985, the Trial Court granted the Petition for Preliminary Injunction enjoining the public auction sale of the mortgaged property upon plaintiff-appellant's posting of a bond in the amount of P100,000.00.

On 7 June 1985, Defendant Bank filed a Motion to Dismiss the main case on the ground that the complaint did not state a cause of action followed on 24 June 1985 with a Motion for Reconsideration of the Order granting the Writ of Preliminary Injunction, both of which Motions plaintiff-appellant opposed.

On 30 August 1985, the Trial Court reconsidered its Order of 30 May 1985, dissolved the Writ of Preliminary Injunction, and ordered the dismissal of the case for lack of cause of action.

Plaintiff-appellant appealed to the Court of Appeals, which, as stated at the outset, certified the case to us on a pure question of law.

In the meantime, with the dissolution of the Preliminary Injunction, it appears that Defendant Bank completed its extrajudicial foreclosure and the Disputed Property was sold at public auction on 7 January 1986, after a re-publication of the notice of sale, since the first scheduled sale was enjoined by the Trial Court.

Plaintiff-appellant maintains that:

“I.

The Lower Court erred in dismissing the complaint and lifting the Preliminary Injunction by relying solely on the admission of the counsel of the plaintiff-appellant of certain documentary exhibits presented by the counsel of the defendant-appellee.

II.

The Lower Court erred in relying on the case of Wenceslao Vinzons Tan vs. Director of Forestry which it qualifies as ‘on all fours with the case at bar.’

III.

The Lower Court erred in ignoring the pertinent doctrines in the Supreme Court cases cited by the plaintiff-appellant in her Opposition to Motion to Dismiss.

IV.

The Lower Court erred in holding that notice of the scheduled sale of the land sent to the agent (CRCP) is also notice to the principal (Plaintiff-Appellant), the land owner.”

and prays that she be given “a real day in Court” so that she may testify and give her side of the case.

Upon the factual and legal context, the errors assigned are without merit.

It is true that the determination of the sufficiency of a cause of action must be limited to the facts alleged in the Complaint and no other should be considered.[2] In this case, however, a hearing was held and documentary evidence was presented, not on the Motion to Dismiss but on the question of granting or denying plaintiff-appellant's application for a Writ of Preliminary Injunction. Counsel for plaintiff-appellant admitted all the evidence presented. That being so, the Trial Court committed no reversible error in considering said evidence in the resolution of the Motion to Dismiss.

"Furthermore, 'even if the complaint stated a valid cause of action, a motion to dismiss for insufficiency of cause of action will be granted if documentary evidence admitted by stipulation disclosing facts sufficient to defeat the claim enabled the court to go beyond disclosure in the complaint' (LOCALS No. 1470, No. 1469, and No. 1512 of the International Longshoremen's Association vs. Southern Pacific Co., 6 Fed. Rules Service, p. 107; U.S. Circuit Court of Appeals, Fifth Circuit, Dec. 7, 1952; 131 F.2d 605). Thus, although the evidence of the parties were presented on the question of granting or denying petitioner-appellant's application for a writ of preliminary injunction, the trial court correctly applied said evidence in the resolution of the motion to dismiss, x x x"[3]

While, as contended by plaintiff-appellant, some aspects of this case differ from those in Tan, the doctrinal ruling therein, as quoted above, is squarely applicable to the case at bar. The cases which plaintiff-appellant cites express the general rule when there is no “documentary evidence admitted by stipulation disclosing facts sufficient to defeat the claim.” Where, however, such evidence is before the Court and has been stipulated upon, a Court can go “beyond the disclosure in the complaint.”[4]

Moreover, the rule is explicit that “rules of procedure are not to be applied in a very rigid, technical sense; rules of procedure are used only to help secure substantial justice.”[5]

The evidence on record sufficiently defeats plaintiff-appellant’s claim for relief from extrajudicial foreclosure. Her Special Power of Attorney in favor of CRCP specifically included the authority to mortgage the Disputed Property. The Real Estate Mortgage in favor of FINASIA explicitly authorized foreclosure in the event of default. Indeed, foreclosure is but a necessary consequence of non-payment of a mortgage indebtedness. Plaintiff-appellant, therefore, cannot rightfully claim that FINASIA, as the assignee of the mortgagee, cannot extrajudicially foreclose the mortgaged property. A mortgage directly and immediately subjects the property upon which it is imposed to the fulfillment of the obligation for whose security it was constituted.[6]

The assignment of receivables made by the original mortgagee, FINASIA, to Defendant Bank was valid, since a mortgage credit may be alienated or assigned to a third person, in whole or in part, with the formalities required by law.[7] Said formalities were complied with in this case. The assignment was made in a public instrument and proper recording in the Registry of Property was made.[8] While notice may not have been given to plaintiff-appellant personally, the publication of the Notice of Sheriff's Sale, as required by law, is notice to the whole world.

The full-dress hearing that plaintiff-appellant prays for wherein she intends to prove that she tried to contact the President of CRCP to urge him to pay the mortgage loan; that she had failed to do so despite several attempts; that she did not know that FINASIA had sold its receivables including that of CRCP to Defendant Bank; and that she was not informed by CRCP of the scheduled foreclosure sale will not tilt the scales of justice in her favor in the face of incontrovertible documentary evidence before the Court.

Plaintiff-appellant's recourse is against CRCP, specially considering her allegation that the latter had failed to observe their agreement.

WHEREFORE, the Order appealed from is hereby **AFFIRMED**, with costs against plaintiff-appellant.

SO ORDERED.

Yap (Chairman), Paras, Padilla, and Sarmiento, JJ., concur.

[1] Judge Samilo N. Barlongay, presiding.

[2] *Adamos vs. J.M Tuason A Co., Inc.* L-21957, October 14, 1968. 25 SCRA529.

[3] *Tan vs. Director of Forestry*, L-24548, October 27. 1983, 125 SCRA 302.

[4] *Ibid.*

[5] Vol.1 Francisco, *Civil Procedure*, 2 ed..1973, p. 157. citing cases.

[6] Article 2126. Civil Code.

[7] Article 2128. *ibid.*

[8] Article 1625, *ibid.*

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