LEONORA G. PANGAN AND HEIRS OF EMILIO S. PANGAN, NAMELY: EMYLOU P. FILAMOR, HAYDEE P. VERSOZA, TITUS G. PANGAN, AND ELIZABETH P. RANADA, PLAINTIFFS-APPELLANTS, VS. CLERK OF COUR...

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GALAPATE-LAGUILLES, J:

This is an Appeal assailing the Decision[1] dated June 29, 2007 of the Regional Trial Court, Branch 172, of Valenzuela City rendered in Civil Case No. 33-V-01 for Nullification of Deed of Mortgage and Related Documents and Foreclosure Proceedings thereof, Reconveyance of Real Estate Property, Recovery of Damages with Prayer for TRO and Injunctive Writ, the dispositive portion of which reads:

> WHEREFORE, the subject Deed of Real Estate Mortgage dated January 25, 1996 is hereby declared null and void but only insofar as it affects the 1/10 share of each of plaintiffs Haydee P. Versoza, Titus G. Pangan, and Elizabeth P. Ranada over the property covered by T.C.T. No. T-42643. Defendant UCPB is directed to reconvey to said plaintiffs their aforesaid shares in the property.
>
> No pronouncement as to damages and costs.
>
> SO ORDERED.[2]

The facts are not disputed.

The loans granted by United Coconut Planters Bank to EPE Technology Corporation (EPE Technology), to which Emylou P. Filamor (Emylou) was then the President, sometime in January 1996 in the amount of P1,033,050.56[3] and P966,949.44,[4] respectively, precipitated the present controversy. To secure payment of the two loans, a Real Estate Mortgage[5] was executed in favor of United Coconut Planters Bank (UCPB) by the spouses Emilio S. Pangan and Leonora G. Pangan and spouses Pamela R. Reyes and Alberto E. Reyes, Jr., involving the real properties covered by the following Torrens Title:

1. Transfer Certificate of Title No. 579448 owned by the spouses Reyes;
2. Transfer Certificate of Title No. 579449 owned by the spouses Reyes;
3. Transfer Certificate of Title No. 556682 owned by the spouses Reyes; and
4. Transfer Certificate of Title No. 42643 owned by the spouses Pangan.

When EPE Technology failed to pay its indebtedness, UCPB instituted an extrajudicial foreclosure proceedings against the mortgaged real properties above-mentioned. In the foreclosure sale conducted on September 30, 1997, the property owned by the spouses Pangan was sold to UCPB, being the highest bidder in the sum of P1,320,000.00.[6] The spouses Pangan and their heirs were unable to redeem the subject property within the prescribed period. Hence, UCPB consolidated its ownership and was later issued Transfer Certificate of Title No. V-58694[7] which canceled Transfer Certificate of Title No. 42643 in the name of spouses Pangan.

On February 5, 2001, Leonora and the heirs of Emilio, namely: Emylou, Haydee P. Versoza, Titus G. Pangan, and Elizabeth P. Ranada (plaintiffs-appellants) filed the instant Complaint[8] against UCPB and Dominador D. Bornasal, Jr., in his capacity as Clerk of Court VI and Ex-oficio Sheriff. The plaintiffs-appellants alleged, in the main, that the signature of Emilio that appeared on the Real Estate Mortgage was forged as the latter died on June 15, 1978, or almost 20 years before the execution of the said mortgage document. They further contended that by operation of intestate succession, the heirs of Emilio became the owners pro-indiviso of one-half portion of the mortgaged real property while the other half was retained by Leonora as her share of the conjugal property. They thus argued that the Real Estate Mortgage is invalid and unenforceable as against one-half of the portion of the real property that pertained to them as heirs of Emilio because they did not authorize Leonora to mortgage their share of the said property.

In its Answer with Counterclaim,[9] UCPB averred that the plaintiffs-appellants could not feign ignorance of the execution of the Real Estate Mortgage, especially Emylou because the same was made to secure the loans she and Pamela Reyes contracted from the said bank. It contended that the foreclosure proceedings was regularly conducted and complied with the requisites of the law. UCPB further alleged that the plaintiffs-appellants were barred from questioning its rightful ownership of the foreclosed property because of the latter's silence and failure to take any action to recover the said property. According further to UCPB, it is an innocent mortgagee for value who in good faith relied on the clean title of the spouses Pangan.

On June 29, 2007, the RTC rendered the assailed Decision[10] holding that the Real Estate Mortgage was void insofar as it affected the shares of the other heirs of Emilio, except Emylou and Leonora who had knowledge of the forgery, thus:

> The circumstances of the case unerringly show that Emylou knew, if not the author, of the forgery. Moreover, the loans secured by the mortgage were obtained for EPE Technology Corporation of which she was then the Vice President and Chief Executive Officer. Plaintiff Leonoa G. Pangan cannot likewise pretend not to be aware of the forgery. She knew that the real estate mortgage was purportedly executed by her husband long after his death and she was the one who gave to her daughter Emylou the owner's duplicate copy of TCT No. T-42643 in order that the planned execution of the subject mortgage will push through. Both plaintiffs Leonora and Emylou are not estopped from questioning the validity of the subject real estate mortgage after they made defendant UCPB to believe that said document was executed by the deceased and after both of them benefited from the proceeds of the loans secured by the mortgage.

Unsatisfied by the said Decision, both parties filed Motions for Partial Reconsideration but the same were denied for lack of merit by the RTC per Order dated July 8, 2009.[11] Hence, UCPB and the plaintiffs-appellants filed their respective notices of appeal.

In their Brief, plaintiffs-appellants ascribe the following errors to the RTC:

> The Court a quo erred in granting efficacy to what it found was a forged document, the real estate mortgage (REM)
>
> The Court a quo erred in finding plaintiff Emylou Filamor “knew, if not the author, of the forgery[”];
>
> The Court a quo erred in finding that plaintiff Leonora G. Pangan “knew that the REM was purportedly executed by her husband long after his death”;
>
> The Court a quo erred in finding that plaintiffs-appellants Emylou Filamor and Leonora G. Pangan “benefited from the proceeds of the loan secured by the mortgage”;
>
> The Court a quo erred in finding that both plaintiffs Emylou Filamor and Leonora Pangan “are now estopped from questioning the validity of the REM”.[12]

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On the other hand, the appeal of UCPB was deemed dismissed because of its failure to timely file its appellant's brief.[13] Thus, only the appeal of the plaintiffs-appellants subsists.

The issues proffered in the brief of plaintiffs-appellants can be summarized into two core issues, as follows: (1) whether the forgery of the signature of Emilio Pangan rendered the Real Estate Mortgage entirely void ab initio; and (2) whether Emylou is barred from questioning the validity of the said Real Estate Mortgage.

Validity of the
Real Estate Mortgage

It is not disputed that the signature of Emilio in the Real Estate Mortgage was forged as he was already dead at the time of its execution. Verily, civil personality is extinguished by death[14] stripping Emilio of his juridical personality and capacity to enter into contracts. Now, We are confronted with the query of whether or not the forged signature of Emilio invalidated altogether the Real Estate Mortgage. We answer in the negative.

As borne by the records, the subject property was acquired in 1963 during the marriage of the spouses Emilio and Leonora Pangan.[15] There is no evidence that the property is exclusively owned by either of them; thus, the legal presumption under Article 160 of the Civil Code, which was the law prevailing when the property was acquired, applies, i.e., all property of the marriage is presumed to belong to the conjugal partnership. Besides, the parties admitted in the Complaint that the subject real property was acquired during the conjugal union of the spouses Pangan. As such, upon the death of Emilio, the property ceased to be conjugal[16] and one-half of the said conjugal property was automatically reserved to the surviving spouse, Leonora, as her share in the conjugal partnership. Emilio's rights over one-half of the property, by operation of law, were transmitted upon his death to his heirs, including the surviving spouse, Leonora. By law on intestate succession, Leonora and her four children, namely: Emylou, Haydee, Titus, and Elizabeth, inherited Emilio's share at one-fifth (1/5) each pro indiviso.[17] Inasmuch as Leonora inherited one-fifth (1/5) of her husband's conjugal share in the said property and is the owner of one-half (1/2) thereof as her conjugal share, she owned a total of 6/10 of the subject property. Thus, a regime of co-ownership existed between Leonora and her four children in relation to the subject property.[18]

The long-standing rule, as provided by Article 2085[19] of the Civil Code, is that only the absolute owner of the property can constitute a valid mortgage thereon.[20] Leonora, as a co-owner of the subject property, can alienate, sell or mortgage her whole undivided share[21] but cannot alienate those which belong to her co-heirs, based on the principle that “no one can give what he does not have”.[22] Hence, even if Leonora mortgaged the whole property as hers, the same will affect only her own share but not those of the other co-owners who did not consent thereto. To be sure, this does not render the Real Estate Mortgage in its entirety a nullity; it is valid but only as to the portion pertaining to Leonora.[23] At this juncture, We take cognizance of the entrenched principle that the binding force of a contract must be recognized as far as it is legally possible to do so. Quando res non valet at ago, valeat quantum valere postes – When a thing is of no force as I do it, it shall have as much force as it can have.[24]

Principle of Estoppel

While Leonora is bound by her signature on the Real Estate Mortgage despite the forgery of Emilio's signature thereon, We hold that Emylou is precluded from setting up the defense of forgery on the ground of estoppel as laid down under Article 1431 of the Civil Code, which reads:

> Article 1432. Through estoppel, an admission or representation is rendered conclusive upon the person making it and cannot be denied or disproved as against the person relying thereon.

This substantive law is implemented under Section 2 (a) of Rule 131 of the Revised Rules of Court which

provides that whenever a party has by his own declaration, act or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act or omission be permitted to falsify it. The successful invocation of this principle can therefore bar a right and not merely its equitable enforcement, provided the following requisites concur:

> (1) the actor who usually must have knowledge, notice or suspicion of the true facts, communicates something to another in a misleading way, either by words, conduct or silence;
>
> (2) the other in fact relies, and relies reasonably or justifiably, upon that communication;
>
> (3) the other would be harmed materially if the actor is later permitted to assert any claim inconsistent with his earlier conduct; and
>
> (4) the actor knows, expects or foresees that the other would act upon the information given or that a reasonable person in the actor's position would expect or foresee such action.[25]

All the requisites are obtaining in the instant case. The records are replete with evidence that Emylou had knowledge of the death of her father and the falsity of the latter's signature on the Real Estate Mortgage and yet she concealed this material information from UCPB. It bears stressing that Leonora handed the owner's duplicate copy of T.C.T. No. T-42643 to Emylou as a requirement for the execution of the Real Estate Mortgage that secured the loan of EPE Technology, to which the latter was then President.[26] She could not feign ignorance, therefore, of the fact that the said title would guarantee her loan application as she even submitted to the bank a Special Power of Attorney[27] allegedly authorizing her to mortgage the subject real property which, unfortunately, was rejected by UCPB. It is far-fetched that Emylou did not know that somebody represented himself and signed the Real Estate Mortgage as “Emilio” considering that she initiated the loan transaction with UCPB and considering further that the real property subject of the mortgage belonged to her parents.

More importantly, Elizabeth R. Sta. Ana, who bore witness to the execution of the mortgage contract, categorically testified that Emylou was present at the time of its signing and, in fact, represented to the bank that the man signing as “Emilio” was her father when in truth her father was already dead for more than a decade.[28] The positive testimony of Sta. Ana was not rebutted by the mere denial of Emylou.[29] Also, Emylou was silent regarding the issue of forgery from the time of the execution of the mortgage contract up to the time of its foreclosure. She and the other plaintiffs-appellants belatedly invoked the said defense when the new transfer certificate of title was issued to UCPB and the latter moved for the issuance of a writ of possession.

Indeed, there is no gainsaying that Emylou's misrepresentation and silence were the compelling reasons why UCPB agreed to the execution of the mortgage which eventually led to the approval of the loan of EPE Technology. In short, Emylou is barred from undoing her representation that was relied upon by UCPB and she must thus bear any loss that she might suffer by reason thereof.

IN VIEW OF THE FOREGOING, the instant Appeal is hereby DENIED for lack of merit and the Decision dated June 29, 2007 and Order dated July 8, 2009 of the Regional Trial Court, Branch 172, of Valenzuela City rendered in Civil Case No. 33-V-01 are AFFIRMED.

SO ORDERED.

Punzalan Castillo, M.P., Chairperson and Macalino, F.S., JJ., concur.

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[1] Records, pp. 200-205. Penned by Judge Floro P. Alejo.

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[2] Id., p. 205.

[3] Covered by Promissory Note No. 5735-96-00447-7 dated February 13, 1996. Folder of Exhibits, p. 16.

[4] Covered by Promissory Note No. 5735-96-01567-3 dated May 23, 1996. Id., p. 18.

[5] Id., pp. 20-21.

[6] Certificate of Sale. Id., p. 32.

[7] Id., pp. 34-37.

[8] Records, pp. 1-8.

[9] Id., pp. 47-54.

[10] Id., pp. 200-205. Penned by Judge Floro P. Alejo.

[11] Id., pp. 230-231.

[12] Rollo, p. 32.

[13] Minute Resolution dated August 3, 2011. Rollo, p. 167. The said dismissal of appeal became final and executory on September 1, 2011; hence, a partial entry of judgment was issued on December 14, 2011. Rollo, p. 190.

[14] Article 42 of the Civil Code.

[15] TCT No. 42643. Folder of Exhibits, p. 6.

[16] Civil Code, Article 175. The conjugal partnership of gains terminates:

1. Upon the death of either spouse.

xxx xxx xxx

[17] Civil Code, Article 999. When the widow or widower survives with the legitimate children or their descendants and illegitimate children and their descendants, whether legitimate or illegitimate, such widow or widower shall be entitled to the same share as that of a legitimate child.

[18] Flora, et al. v. Prado, et al., G.R. No. 156879, January 20, 2004.

[19] Article 2085, Civil Code. "The following requisites are essential to the contracts of pledge and mortgage: (1) That they be constituted to secure the fulfillment of a principal obligation; (2) That the pledgor or mortgagor be the absolute owner of the thing pledged or mortgaged; and (3) That the persons constituting the pledge or mortgage have the free disposal of their property, and in the absence thereof, that they be legally authorized for the purpose." (Italics supplied).

[20] Cruz v. Bancom Finance Corp., G.R. No. 147788, March 19, 2002 citing Lagrosa v. CA, 312 SCRA 298, August 12, 1999.

[21] Civil Code, Article 493. Each co-owner shall have full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign, or mortgage it, and even substitute another person in its enjoyment xxx.

[22] Spouses Del Campo v. Court of Appeals, et al., G.R. No. 108228, February 1, 2001.

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[23] Alano v. Planter's Development Bank, G.R. No. 171628, June 13, 2011.

[24] See Spouses Del Campo v. Court of Appeals, et al., G.R. No. 108228, February 1, 2001, citing Lopez v. Vda. De Cuaycong, et al., 74 Phils. 601 (1944).

[25] Philippine Bank of Communications v. Court of Appeals, et al., G.R. No. 109803, April 20, 1998.

[26] TSN dated November 8, 2001, pp. 6-9.

[27] Folder of Exhibits, pp. 22-23.

[28] Memorandum for Defendant UCPB filed with the RTC. Records, pp. 76-78.

[29] Memorandum for Plaintiffs filed with the RTC. Records, p. 194.

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