

ANDRES SUPERABLE, PLAINTIFF-APPELLANT, VS. SPOUSES PASTOR AND AURORA ROBLES & SPOUSES BERNARDO AND ELVIRA CORDOVIZ, DEFENDANTS-APPELLEES.

Ponente: PAREDES, J.

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PAREDES, J.:

THE CASE

THIS IS ON THE APPEAL filed by plaintiff-appellant Andres Superable (plaintiff-appellant) assailing the Decision[1] dated December 17, 2009 of the Regional Trial Court (RTC), Branch 274, Parañaque City, in Civil Case No. 02-0435 for Annulment of Extra-judicial Foreclosure Sale and Title with Damages.

THE ANTECEDENTS

Plaintiff-appellant filed a Complaint² alleging that: Defendants-appellees spouses Pastor and Aurora Robles (spouses Robles) were the registered owners of two (2) residential lots and the house standing thereon located at No. 9 Peace Street, Multinational Village, Parañaque City, and covered by Transfer Certificates of Title (TCTs) Nos. 38396[3] and 105735[4] (subject properties). Spouses Robles represented that the subject properties were free from any liens and encumbrances, and sold it to plaintiff-appellant for Four Million Five Hundred Thousand Pesos (P4,500,000.00); the purchase is evidenced by a Contract to Sell⁵ dated September 16, 1997.

Upon full payment of the purchase price on July 20, 1998, plaintiff-appellant and his family occupied the subject properties and introduced some improvements amounting to Five Hundred Thousand Pesos (P500,000.00). Consequently, spouses Robles executed a Deed of Absolute Sale[6] (Deed) dated July 15, 1998, albeit the Deed is not notarized, and spouses Robles failed to deliver a copy of the titles to plaintiff-appellant.

When plaintiff-appellant requested for a copy of the titles from the Register of Deeds of Parañaque City, he discovered a mortgage lien annotated on the titles on August 27, 1997. When plaintiff-appellant confronted spouses Robles about the mortgage lien[7], the latter admitted their misrepresentation and promised to settle the problem with the mortgagee, defendant-appellee spouses Bernardo and Elvira Cordoviz (spouses Cordoviz).

Plaintiff-appellant was able to secure, thru spouses Robles, a Certification[8] dated September 17, 1998, stating that spouses Cordoviz will not foreclose the subject properties. However, unknown to plaintiff-appellant, at the time spouses Cordoviz issued the Certification, they had already foreclosed the subject properties on February 3, 1998. This fact is apparent from the Affidavit of Consolidation[9] executed by spouses Cordoviz on October 22, 2001. Plaintiff-appellant was made to believe that the mortgage was still subsisting but that spouses Robles would pay the balance of their obligation amounting to P1,000,000.00 out of a total indebtedness of P3,500,000.00 to spouses Cordoviz. When spouses Cordoviz foreclosed the mortgage, they surreptitiously indicated that spouses Robles were indebted to them for the principal amount of P4,375,000.00 as stated in the Certificate of Sale[10], which was more than the true balance of indebtedness of P1,500,000.00 since spouses Robles already paid P2,000,000.00. On January 31, 2000, spouses Cordoviz were issued a Certificate of Sale[11] over the subject

properties.

In their Answer[12], spouses Robles alleged that: On February 22, 1994, Pastor Robles, without the knowledge of his wife, Aurora Robles, secured a loan of P1,000,000.00, payable in three (3) years, or from April 1994 to April 1997, from Luzon Development Bank; the subject properties were used as security for the loan. Without waiting for the expiration of the three (3) year period, Pastor Robles accepted the assistance offered by Mrs. Beth De Leon, and agreed to the buy-out of the loan from Luzon Development Bank from the funds provided by the financiers, spouses Cordoviz, at a lower repayment interest; the latter were named as the new mortgagees.

It was only in August 1997 that Pastor Robles informed his wife of the mortgage in favor of spouses Cordoviz; Aurora Robles was then made to sign the mortgage contract in blank against her will. The amount of the loan was subsequently filled-in with the sum of P2,000,000.00 (should be P3,500,000.00). Pastor Robles trusted Mrs. Beth De Leon completely that he guaranteed it safe for his wife to sign the blank document.

In September 1997, Pastor sold the subject properties to plaintiff-appellant on installment, which was subsequently paid by the latter in full on July 20, 1998. Pastor Robles executed a Deed of Absolute Sale but failed to deliver the titles over the subject properties because of the spouses Cordoviz's unreasonable refusal to release the titles despite their payment of more than P2,300,000.00. Spouses Cordoviz claimed that spouses Robles failed to settle the loan, which had by now ballooned to P3,800,000.00. Meanwhile, spouses Cordoviz executed an undertaking not to foreclose the subject properties pending full payment by spouses Robles.

On July 15, 1999, spouses Robles, thru counsel, appealed[13] for the settlement of the obligation in exchange for the release of the two (2) titles in the (additional) sum of P1,500,000.00, but the spouses Cordoviz declined[14], reiterating that the obligation had ballooned to P3,800,000.00 as of August 20, 1999.

As cross-claim[15] spouses Robles alleged that: a few months into his loan with Luzon Development Bank, Mrs. Beth De Leon advised Pastor Robles that spouses Cordoviz had P2,000,000.00 available for him to take out his loan of P1,200,000.00 with Luzon Development Bank, at lower interest rates. He agreed to the scheme. An advance interest charge of P200,000.00 was paid to spouses Cordoviz, service fee of P100,000.00 was given to Mrs. Beth De Leon, and P50,000.00 as processing fee for a new title[16], for a total of P1,550,000.00. Of the amount of P2,000,000.00 in the promissory note, spouses Robles had already paid P2,300,000.00, but spouses Cordoviz wanted an additional P3,800,000.00 to fully pay their obligation to them. To buy peace, spouses Robles tendered P1,500,000.00 in addition to the previous payment of P2,300,000.00, which spouses Cordoviz still refused, according to the latter's counsel.

Spouses Cordoviz, in their Answer[17], claimed that: The complaint states no cause of action against them since plaintiff-appellant's cause of action is against spouses Robles. Spouses Cordoviz are not privy to the contract of sale between plaintiff-appellant and spouses Robles. Besides, spouses Robles had constructive knowledge of the mortgage as it was duly registered with the Register of Deeds of Cavite. The stipulations embodied in the contract of sale do not affect or bind spouses Cordoviz. The remedy of the plaintiff-appellant is to proceed against spouses Robles and not to seek the annulment of the foreclosure and the titles acquired by spouses Cordoviz after the lapse of the redemption period. The Certification issued by spouses Cordoviz is merely the grant of a grace period to settle the mortgage indebtedness. The principal contract was not invalidated by the Certification and therefore, the mortgage contract subsists. The mortgage lapsed on February 27, 1998 while the Certification was executed only on September 17, 1998, or seven (7) months after the lapse of the mortgage. Spouses Cordoviz could have foreclosed the subject properties after February 27, 1998 but they did not and, in fact, foreclosed the subject properties only on January 31, 2000. The Certificate of Sale was issued on February 7, 2000 and the titles were registered in their names only on October 12, 2000, while the Affidavit of Consolidation was issued on October

22, 2001. Besides, the tenor of the Certification was that spouses Cordoviz will not foreclose the subject properties if spouses Robles are able to pay the loan in full. Therefore, the Certification did not result in the absolute waiver of the right to foreclose but merely a suspension of the exercise of such right.

At pre-trial, and as contained in the Pre-Trial Order[18], the parties admitted the following:

- Both defendants (appellees) Cordoviz and Robles admit that plaintiff (appellant) bought the subject property from defendant (appellee)[s]pouses Robles;
- Both defendants (appellees) Cordoviz and Robles admit that plaintiff (appellant) already paid in full the purchase price of the subject property to defendant (appellee) [s]pouses Robles;
- Both defendants (appellees) Cordoviz and Robles admit that plaintiff (appellant) and his family have been in actual physical possession of the subject property since July 20, 1998;
- Both plaintiff (appellant) and defendants (appellees) spouses Robles admit that the [s]ps. Robles entered into a contract of sale over the subject parcels of land with the plaintiff (appellant) on September 15, 1997 without informing the [s]ps. Cordoviz;
- Plaintiff (appellant) admit[s] that at the time the [s]ps. Robles entered into a contract of sale over the subject parcels of land with the plaintiff (appellant), they did not inform the plaintiff (appellant) that the said parcels of land were mortgaged to[,] and that the original titles thereof were in the possession of[,] the [s]ps. Cordoviz;
- Both plaintiff (appellant) and defendant (appellee) Robles admit that on September 17, 1998 when the Certification was issued, the six-month period stipulated on (sic) the Real Estate Mortgage had already lapsed;
- Both plaintiff (appellant) and defendant (appellee) Robles admit that the certification dated September 17, 1998 does not contain nor does it mention the name of the plaintiff (appellant);
- Both plaintiff (appellant) and defendant (appellee) Robles admit that the actual foreclosure was made on January 31, 2000;
- Both plaintiff (appellant) and defendant (appellee) Robles admit that the certificate of sale was issued to the [s]ps. Cordoviz on February 31, 2000;
- Both plaintiff (appellant) and defendant (appellee) Robles admit that the certificate of sale was registered with the Office of the Registry of Deeds of Parañaque City on October 12, 2000;

- Both plaintiff (appellant) and defendant (appellee) Robles admit that the [s]ps. Robles failed to redeem the subject parcels of land from the [s]ps. Cordoviz from October 12, 2000 until October 12, 2001;

- Both plaintiff (appellant) and defendant (appellee) Robles admit that the plaintiff (appellant) paid the purchase price for the subject parcels of land without seeing the original titles thereto;

- Both plaintiff (appellant) and defendant (appellee) Robles admit that the Deed of Absolute Sale executed by the [s]ps. Robles in favor of the plaintiff (appellant) is not in a public instrument and the [s]ps. Cordoviz are not parties thereto[.]

Trial proceeded thereafter.

Plaintiff-appellant's testimony[19] reiterated the allegations in the Complaint, and added that: He retired from the Philippine National Police as a three-star General on November 30, 1997, and used his retirement money, which is a product of his 36 years of service, to purchase the subject properties. Upon full payment of the purchase price on July 20, 1998, plaintiff-appellant and his family occupied the subject properties but they vacated sometime in 2003 to avoid further humiliation and trouble. He is now renting a house in Parañaque City. His monthly pension is not even enough to pay the rental and he merely relies on the monthly stipend sent by his children to pay rents.

For their part, Engineer Bernardo Cordoviz (Engr. Cordoviz) testified[20] that: Sometime in 1997, Mrs. Beth De Leon, a family friend, referred spouses Robles to them in connection with the redemption of the subject properties, which was mortgaged with the Luzon Development Bank for a loan of P1,500,000.00. Spouses Robles asked for a loan of P2,000,000.00 from spouses Cordoviz, who granted a loan of P3,500,000.00, inclusive of interest, payable within six (6) months. The subject properties, which were redeemed from Luzon Development Bank, were used as a collateral to guaranty the loan extended to spouses Robles.

For failure of spouses Robles to pay the loan in full, spouses Cordoviz foreclosed the subject properties sometime in February 1998. Subsequently, spouses Cordoviz met with plaintiff-appellant who inquired if the subject properties were indeed mortgaged to them and telling them, in turn, that spouses Robles had sold the subject properties to him. Spouses Cordoviz had two (2) other meetings with plaintiff-appellant and in one of these, plaintiff-appellant offered his two (2) shares in a golf club worth P1,700,000.00 to redeem the titles, but Engr. Cordoviz refused. To give spouses Robles more time within which to settle their indebtedness, spouses Cordoviz issued a Certification dated September 17, 1998, stating that they would not foreclose the subject properties. Despite the extension of time to settle, spouses Robles failed to do so.

Sometime in January 2000, Engr. Cordoviz proceeded with the foreclosure proceedings and an auction was conducted; spouses Cordoviz were proclaimed the highest bidder at P4,500,000.00. A Certificate of Sale was issued on February 7, 2000 and which sale was registered on October 12, 2000. Spouses Robles failed to redeem the subject properties within the one-year redemption period, thus, ownership over the subject properties was consolidated in the name of spouses Cordoviz on November 5, 2001; consequently, TCT Nos. 150337[21] and 150338[22] were issued in their name. When spouses Cordoviz filed a petition for the issuance of a Writ of Possession, plaintiff-appellant did not object and voluntarily vacated the premises. However, plaintiff-appellant appealed the decision granting the writ of possession, but the appeal was dismissed by the Court of Appeals in its Decision[23] dated February 3, 2003. Plaintiff-appellant elevated the Decision of the Court of Appeals to the Supreme Court which affirmed the CA Decision.

Atty. Ricardo De Leon, Sr.[24] (Atty. De Leon) corroborated the testimony of Engr. Cordoviz.

Another witness for spouses Cordoviz, Mrs. Consolacion De Leon[25] (Mrs. De Leon), testified that: She was introduced to spouses Robles by Manny Granados, Manager of Luzon Development Bank. Manny Granados asked her to help spouses Robles to settle their obligation with the bank. She requested spouses Cordoviz to extend a loan of P2,000,000.00 to spouses Robles. Spouses Cordoviz agreed and the P2,000,000.00 was used to pay the loan of spouses Robles with Luzon Development Bank. The loan to spouses Cordoviz is payable in six (6) months, or from December 1995 to June 1996. Deductions on the loan were: (1) P200,000.00 representing two (2) months' advance interest; (2) P100,000.00 service charge as her commission; (3) P50,000.00 as processing fee for the issuance of a new title[26]. At the time, the real estate mortgage was not registered or annotated in the titles at the request of spouses Robles. Aside from the two (2) months' advance payment, spouses Robles also paid spouses Cordoviz the amount of P100,000.00 on March 8, 1996. When spouses Robles failed to pay in June 1996, they asked for an extension of six (6) months, which spouses Cordoviz granted. For failure of spouses Robles to settle their obligation, spouses Cordoviz registered the Real Estate Mortgage (REM) with the Register of Deeds and a mortgage lien was annotated on the titles. After the annotation on August 27, 1997, spouses Robles paid spouses Cordoviz, on two(2) separate occasions, a total of P2,000,000.00. They were also given six (6) months from the annotation, or until February 1998, to fully settle.

Although the Spouses Robles borrowed only P2,000,000.00 from spouses Cordoviz, she was aware that in the REM, the principal amount stated was P3,500,000.00. The P2,000,000.00 loan earns a 5% monthly interest of P100,000.00.

Defendant Aurora Robles testified[27] on the allegations in their Answer and added that: their total debt to Spouses Cordoviz is only P1Million, but they were already made to pay P2,300,000.00 by spouses Cordoviz. It was only thru Atty. De Leon and Mrs. De Leon that she knew of the P3,500,000.00 loan. When the mortgage document was brought to them by Mrs. Cordoviz, it was in blank. It seems that spouses Cordoviz will not give her a chance to settle the loan.

On December 17, 2009, the RTC rendered the assailed Decision[28], the dispositive portion of which reads:

WHEREFORE, all the foregoing duly considered, judgment is hereby rendered in favor of the plaintiff and against defendants-spouses Robles only, ordering the latter to pay the former as follows:

- P4,500,000.00 as actual damages;
- P100,000.00 as moral damages;
- P100,000.00 as exemplary damages;
- P100,000.00 and P5,000.00 for every court appearance as attorney's fees; and
- Costs of suit.

The case against defendants-spouses Cordoviz is hereby dismissed, with no pronouncement as to cost.

SO ORDERED.

On March 15, 2010, plaintiff-appellant filed this appeal[29].

Appellant raised the following assignment of errors, viz.:

I

THE LOWER COURT ERRED IN FAILING TO APPRECIATE THE LEGAL EFFECT OF THE “CERTIFICATION UNDER OATH” DATED SEPTEMBER 17, 1998 (EXHIBIT “F”) EXECUTED BY DEFENDANTS-APPELLEES SPOUSES CORDOVIZ IN FAVOR OF DEFENDANTS-APPELLEES SPOUSES ROBLES THAT THE MORTGAGE CONSTITUTED ON THE PROPERTY OF DEFENDANTS-APPELLEES SPOUSES ROBLES WOULD NOT BE FORECLOSED UNTIL THEIR OBLIGATION WITH DEFENDANTS-APPELLEES SPOUSES CORDOVIZ WOULD BE FULLY PAID.

II

THE LOWER COURT ERRED IN HOLDING THAT DEFENDANTS-APPELLEES SPOUSES CORDOVIZ WERE MORTGAGEES IN GOOD FAITH; CONSEQUENTLY THEY SHOULD BE HELD JOINTLY AND SEVERALLY LIABLE WITH DEFENDANTS-APPELLEES SPOUSES ROBLES FOR DAMAGES.

III

THE LOWER COURT ERRED IN NOT RULING THAT THE INTEREST RATES IMPOSED BY DEFENDANTS-APPELLEES SPOUSES CORDOVIZ AND THE BID AMOUNT BASED ON THE SAID INTEREST RATES WERE EXCESSIVE AND CONTRARY TO MORALS AND PUBLIC POLICY.

At the heart of the controversy are the issues of: (1) whether spouses Cordoviz are lenders/mortgagees in good faith; (2) whether spouses Robles were in default on their loan to spouses Cordoviz to sustain the legality of the foreclosure; and (3) whether spouses Robles alone should be held liable to plaintiff-appellant for the damages he sustained.

THE COURT'S RULING

The appeal is meritorious.

The issues being interrelated are discussed jointly.

Spouses Cordoviz are NOT
lenders/mortgagors in good faith

Worthy of note is that, although there is a Real Estate Mortgage, there is no document evidencing the principal loan including a statement on the interest, charges, and other terms of payment. This is contrary to Republic Act No. 3765 (RA No. 3765), known as the “Truth in Lending Act”, which seeks to protect citizens from a lack of awareness of the true cost of credit by assuring full disclosure of such costs. RA No. 3765 requires the disclosure of specific information, which includes, among others, the interest and other charges incident to the extension of credit[30]. Clearly, the extension of the loan to spouses Robles, evidenced only by the REM, is contrary to law.

Aside from the fact that there was no stipulation as to the interest rate in the REM, which is contrary to law, the loan amount indicated therein, of P3,500,000.00, was not the loan agreed upon. Spouses Cordoviz explained that the P3,500,000.00 loan amount in the REM incorporated the interest of 5% a month, or P100,000.00 a month, on the P2,000,000.00 loan. In a plethora of cases[31], the Supreme Court declared that a stipulated interest rate of 3%

per month and higher are excessive, iniquitous, unconscionable and exorbitant[32]. Not only is the interest excessive and unconscionable, but the collection of interest, without any stipulation in writing, is also prohibited by law[33].

In *Asian Cathay Finance and Leasing Corporation vs. Spouses Cesario Gravador and Norma De Vera and Spouses Emma Concepcion G. Dumigpi and Federico L. Dumigpi*[34], the Supreme Court discoursed on the effect of an unconscionable interest rate, thus:

It is true that parties to a loan agreement have a wide latitude to stipulate on any interest rate in view of Central Bank Circular No. 905, series of 1982, which suspended the Usury Law ceiling on interest rate effective January 1, 1983. However, interest rates, whenever unconscionable, may be equitably reduced or even invalidated. In several cases, this Court had declared as null and void stipulations on interest and charges that were found excessive, iniquitous and unconscionable.

Records show that the amount of loan obtained by respondents on October 22, 1999 was P800,000.00. Respondents paid the installment for November 1999, but failed to pay the subsequent ones. On February 1, 2000, ACFLC demanded payment of P1,871,480.00. In a span of three months, respondents' obligation ballooned by more than P1,000,000.00. ACFLC failed to show any computation on how much interest was imposed and on the penalties charged. Thus, we fully agree with the CA that the amount claimed by ACFLC is unconscionable.

In *Spouses Isagani and Diosdada Castro v. Angelina de Leon Tan, Sps. Concepcion T. Clemente and Alexander C. Clemente, Sps. Elizabeth T. Carpio and Alvin Carpio, Sps. Marie Rose T. Soliman and Arvin Soliman and Julius Amiel Tan* (Citation omitted), this Court held:

The imposition of an unconscionable rate of interest on a money debt, even if knowingly and voluntarily assumed, is immoral and unjust. It is tantamount to a repugnant spoliation and an iniquitous deprivation of property, repulsive to the common sense of man. It has no support in law, in principles of justice, or in the human conscience nor is there any reason whatsoever which may justify such imposition as righteous and as one that may be sustained within the sphere of public or private morals.

Stipulations authorizing the imposition of iniquitous or unconscionable interest are contrary to morals, if not against the law. Under Article 1409 of the Civil Code, these contracts are inexistent and void from the beginning. They cannot be ratified nor the right to set up their illegality as a defense be waived. xxx

It is undisputed that spouses Robles already paid a total of P2,300,000.00 and tendered an additional P1,500,000.00 which, for all intents and purposes, would have settled in full the indebtedness of spouses Robles in the REM, but which was thumbed down by spouses Cordoviz. Although the principal sum of indebtedness stated in the REM is P3,500,000.00, it could be gleaned from the records, especially from the testimonies of the witnesses for spouses Cordoviz, that the principal amount of indebtedness is only P2,000,000.00. The REM did not contain a statement on the rate of interest.

Under *Bangko Sentral ng Pilipinas (BSP) Circular No. 799* dated June 21, 2013[35], the rate of interest for the loan or forbearance of money, goods or credit, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum. Hence, the P2,000,000.00 loan will earn an annual interest of P120,000.00. Spouses Robles paid P2,300,000.00, or an excess of P180,000.00, thereby entitling them to the return of the excess amount pursuant to Article 2154 of the Civil Code[36].

In such a case, a creditor-debtor relationship is created under a quasi-contract whereby the payor becomes the creditor who then has the right to demand the return of payment made by mistake, and the person who has no right to receive such payment becomes obligated to return the same[37]. The roots of *solutio indebiti* is the

ancient principle that no one shall unjustly enrich himself at the expense of another[38]. The Supreme Court has held in *Sebastian Siga-an vs. Alicia Villanueva*[39] that the principle of *solutio indebiti* applies in case of erroneous payment of undue interest.

Spouses Robles were not in default
so as to sustain the legality of the
foreclosure; REM is null and void

In order that the debtor may be in default, it is necessary that the following requisites are present: (1) that the obligation be demandable and already liquidated; (2) that the debtor delays performance; and (3) that the creditor requires the performance judicially and extrajudicially[40].

The spouses Cordoviz never made a demand upon spouses Robles for the payment of their indebtedness prior to foreclosing the subject properties. A demand, judicially or extrajudicially, is required in order that the debtor may be considered in default[41].

In the *Asian Cathay Finance and Leasing Corporation* case above, the Supreme Court held that under Article 1409 of the Civil Code, contracts authorizing the imposition of iniquitous or unconscionable interest are inexistent and void from the beginning; these contracts cannot be ratified as being contrary to morals, if not contrary to law; and the defense of illegality of these contracts cannot be waived. Here, the REM incorporated an iniquitous and unconscionable interest of 5% a month on the loan of P2,000,000.00. The REM was, therefore, an illegal, inexistent contract, void from the beginning, and incapable of being ratified. A void and inexistent contract cannot give rise to any right or obligation which can be enforced[42]. Hence, the foreclosure was null and void[43]. Consequently, the derivative titles, TCT Nos. 150337[44] and 150338[45] in the name of spouses Cordoviz, emanating as it does from an illegal foreclosure, should also be annulled. Spouses Cordoviz are directed to reconvey the subject properties to the spouses Robles, and the spouses Robles to subsequently convey the subject properties to plaintiff-appellant, at the expense of defendants-appellees spouses Cordoviz and spouses Robles, respectively.

Joint and solidary liability of spouses
Cordoviz and spouses Robles to
plaintiff-appellant

In *Spouses Eliseo R. Bautista and Emperatriz C. Bautista vs. Spouses Mila Jalandoni and Antonio Jalandoni and Manila Credit Corporation*[46] and *Manila Credit Corporation vs. Spouses Mila and Antonio Jalandoni, and Spouses Eliseo and Emperatriz C. Bautista*[47], the Supreme Court defined a “buyer in good faith”, thus:

"A buyer in good faith is one who buys the property of another without notice that some other person has a right to or interest in such property. He is a buyer for value if he pays a full and fair price at the time of the purchase or before he has notice of the claim or interest of some other person in the property." "Good faith connotes an honest intention to abstain from taking unconscientious advantage of another." To prove good faith, the following conditions must be present: (a) the seller is the registered owner of the land; (b) the owner is in possession thereof; and (3) at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property. All these conditions must be present, otherwise, the buyer is under obligation to exercise extra ordinary diligence by scrutinizing the certificates of title and examining all factual circumstances to enable him to ascertain the seller's title and capacity to transfer any interest in the property. (citations omitted)

By the standard set forth in jurisprudence, plaintiff-appellant was a buyer in good faith and for value. The sellers,

spouses Robles were, at the time of the sale and full payment of the purchase price, the registered owners of the subject properties, from whom plaintiff-appellant bought the subject properties. Spouses Robles were in possession of the subject properties which was why plaintiff-appellant and his family were able to occupy and possess these and where the latter introduced improvements. Unknown to plaintiff-appellant, spouses Robles had mortgaged the subject properties to spouses Cordoviz. Upon verification of the titles, plaintiff-appellant came to know of the mortgage and entered an adverse claim thereon, annotated as Entry No. 7950[48]. Despite overtures for amicable settlement from spouses Robles and plaintiff-appellant, spouses Cordoviz refused and foreclosed the subject properties. In shame and humiliation, plaintiff-appellant vacated the subject properties.

Although spouses Cordoviz were not a party to the sale of the subject properties, they insinuated themselves into the transaction with their execution, in bad faith, of the following: (1) issuance of a false and misleading Certification[49], notarized on September 28, 1998, stating that they will not foreclose the subject properties mortgaged to them until the obligation of the spouses Robles has been fully settled, when in truth, they had instituted foreclosure proceedings as early as February 3, 1998, or about seven (7) months prior to the execution of the "Certification", as evidenced in the Affidavit of Consolidation[50] executed by them on October 22, 2001; (2) the REM which stated a loan of P3,500,000.00, when in truth, the loan was for P2,000,000.00; (2.a) incorporating, without so stating, an unconscionable interest rate of 5% per month; (3) extra-judicial foreclosure documents; and (4) Affidavit of Consolidation in order for titles to the subject properties be issued and registered in their name.

On the other hand, spouses Robles have not appealed the judgment and such decision had become final and executory as against them[51], with the modification that the payment of actual damages in the amount of P4,500,000.00 as actual damages is deleted in light of the order for spouses Robles to convey the subject properties to plaintiff-appellant.

WHEREFORE, premises considered, the Appeal is GRANTED. The Decision dated December 17, 2009 of the Regional Trial Court, Branch 274, Parañaque City in Civil Case No. 02-0435 is REVERSED and SET ASIDE. A new one is rendered in favor of plaintiff-appellant Andres Superable, declaring and directing the following:

- (1) Declaring the Real Estate Mortgage dated August 27, 1997, null and void;
- (2) Declaring the extra-judicial foreclosure and the proceedings held in furtherance thereof, null and void;
- (3) Declaring Transfer Certificate of Title Nos. 150337 and 150338 of the Register of Deed of Parañaque City, in the name of spouses Bernardo and Elvira Cordoviz, null and void;
- (4) Directing spouses Bernardo and Elvira Cordoviz to reconvey, at their own expense, the real properties described in TCT Nos. 150337 and 150338 of the Register of Deeds of Parañaque City, to spouses Pastor and Aurora Robles;
- (5) Directing spouses Pastor and Aurora Robles to convey, at their own expense, the real properties described in TCT Nos. 150337 and 150338 of the Register of Deeds of Parañaque City, to plaintiff-appellant Andres Superable;
- (6) Directing spouses Bernardo and Elvira Cordoviz to return to spouses Pastor and Aurora Robles, the amount of One Hundred Eighty Thousand Pesos (P180,000.00), the said amount to earn interest at six percent (6%) per annum from finality of this Decision until fully paid; and
- (7) Directing spouses Bernardo and Elvira Cordoviz and spouses Pastor and Aurora Robles, jointly and solidarily, to pay to plaintiff-appellant Andres Superable, the following:
 - (a) One Hundred Thousand Pesos (P100,000.00) as moral damages;

(b) One Hundred Thousand Pesos (P100,000.00) as exemplary damages;

(c) One Hundred Thousand Pesos (P100,000.00) as attorney's fees, plus Five Thousand Pesos (P5,000.00) per court appearance.

All amounts herein adjudged shall earn interest at six percent (6%) per annum from finality of this Decision until fully paid.

(d) Costs of suit.

SO ORDERED.

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

Dicdican, I.P., Chairperson, and Elbinias, M.P., JJ. concur.

[1] Records, Volume 1, pp. 714-27.

[2] Records, Volume 1, pp. 5-16.

[3] Records, Volume 1, pp. 266-7.

[4] Records, Volume 1, pp. 268-9..

[5] Records, Volume 1, p. 270.

[6] Records, Volume 1, 271-2.

[7] Records, Volume 1, pp. 273-5.

[8] Records, Volume 1, p. 276.

[9] Records, Volume 1, pp. 277-8.

[10] Records, Volume 1, pp. 280-2.

[11] Records, Volume 1, pp. 280-2.

[12] Records, Volume 1, pp. 76-81.

[13] Letter dated July 15, 1999, records, Volume 1, pp. 624-5.

[14] Letter dated August 23, 1999, records, Volume 1, pp. 623-4.

[15] Records, Volume 1, pp. 79-80.

[16] Records, Volume 1, pp. 618.

[17] Records, Volume 1, pp. 111-20.

[18] Records, Volume 1, pp. 222-6.

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- [22] Records, Volume 1, pp. 479-80.
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- [26] Exh. "1", records, Volume 1, p. 618.
- [27] TSN, December 3, 2007, April 21, 2008, and January 27, 2009, records, Volume 2, pp. 1285-1430.
- [28] Records, Volume 1, pp. 714-27.
- [29] Notice of appeal, records, Volume 1, p. 729.
- [30] Heirs of Zoilo Espiritu and Primitiva Espiritu vs. Spouses Maximo Landrito and Paz Landrito, G.R. No. 169617, April 4, 2007.
- [31] Salvador Chua and Violeta Chua vs. Rodrigo Timan, et al., G.R. No. 170452, August 13, 2008; Corazon G. Ruiz vs. Court of Appeals and Consuelo Torres, G.R. No. 146942, April 22, 2003; Mansueto Cuaton vs. Rebecca Salud and Court of Appeals, G.R. No. 158382, January 27, 2004.
- [32] Salvador Chua and Violeta Chua vs. Rodrigo Timan, et al., G.R. No. 170452, August 13, 2008.
- [33] Prisma Construction & Development Corporation and Rogelio S. Panteleon vs. Arthur F. Menchavez, G.R. No. 160545, March 9, 2010.
- [34] G.R. No. 186550, July 5, 2010.
- [35] Pertinent portion is quoted: Sec. 1. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum. (Effectivity date: July 1, 2013).
- [36] Art. 2154. If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises.
- [37] Sebastian Siga-an vs. Alicia Villanueva, G.R. No. 173227, January 20, 2009.
- [38] Sebastian Siga-an vs. Alicia Villanueva, G.R. No. 173227, January 20, 2009.
- [39] G.R. No. 173227, January 20, 2009.
- [40] Rodolfo G. Cruz and Esperanza Ibias vs. Atty. Delfin Gruspe, G.R. No. 191431, March 13, 2013.
- [41] Ibid.
- [42] Milagros De Belen Vda. De Cabalu, Meliton Cabalu, Sps. Angela Cabalu and Rodolfo Talavera, and Patricio Abus vs. Sps. Renato Tabu and Dolores Tabu Laxamana and the Municipal Trial Court in Cities, Tarlac City, Branch II, G.R. No. 188417, September 24, 2012.

[43] Development Bank of the Philippines vs. Alejandro and Adelaida Licuanan, G.R. No. 150097, February 26, 2007.

[44] Records, Volume 1, pp. 477-8.

[45] Records, Volume 1, pp. 479-80.

[46] G.R. No. 171464, November 27, 2013.

[47] Consolidated Petitions. G.R. No. 199341, November 27, 2013.

[48] Decision, records, vol. 1, pp. 714-27, at 725.

[49] Exh. "F", records, vol. 1, p. 276.

[50] Exh. "G", records, vol. 1, pp. 277-8.

[51] Singapore Airlines Limited vs. The Court of Appeals and Philippine Airlines, G.R. No. 107356 March 31, 1995.

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