

RODOLFO GENERAL AND CARMEN GONTANG, PETITIONERS, VS. LEONCIO BARRAMEDA, RESPONDENT.

G.R. No. L-29906. January 30, 1976

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Petition for certiorari to review the decision of the Court of Appeals (Second Division) in CA-G.R. No. 38363-R, entitled "Leoncio Barrameda, plaintiff-appellant, vs. Development Bank of the Philippines (Naga Branch, Naga City), Rodolfo General and Carmen Gontang, defendants-appellees," which reversed the decision of the Court of First Instance of Camarines Sur in its Civil Case No. 5697, "dismissing the complaint with costs against plaintiff".

Appellate Court's decision has the following dispositive portion:

"We therefore find that the appealed judgment should be reversed and set aside and another one entered declaring (1) null and void the sale executed on September 3, 1963, by defendant Development Bank of the Philippines in favor of its co-defendants Rodolfo General and Carmen Gontang, (2) T.C.T. No. 5003 cancelled and (3) the mortgaged property redeemed; and ordering the Clerk of the lower court to deliver the amount of P7,271.22 deposited to defendants Rodolfo General and Carmen Gontang and the Register of Deeds to issue a new Transfer Certificate of Title in the name of plaintiff in lieu of T.C.T. No. 5003 upon payment by him of corresponding fees; with costs against the defendants in both instances."

Undisputed facts are:

"Plaintiff seeks to redeem the land formerly embraced in Transfer Certificate of Title No. 1418, containing an area of 59.4687 hectares, situated in barrio Taban, Minalabac, Camarines Sur; to annul any and all contracts affecting said property between the Development Bank of the Philippines (DBP) and Rodolfo General and Carmen Gontang; and to recover damages, attorney's fees and costs.

"The land in dispute was mortgaged by plaintiff to the DBP to secure a loan of P22,000.00. For failure of the mortgagor to pay in full the installments as they fall due, the mortgagee foreclosed extrajudicially pursuant to the provisions of Act 3135. On April 23, 1962, the provincial sheriff conducted an auction sale in which the mortgagee, as the highest bidder, bought the mortgaged property for P7,271.22. On May 13, 1963, the sheriff executed a final deed of sale in favor of the DBP (Exhibit 2) and the DBP executed an affidavit of consolidation of ownership (Exhibit 3). Upon registration of the sale and affidavit on September 2, 1963 (Exhibit 1), TCT No. 1418 in the name of plaintiff was cancelled and TCT No. 5003 issued to the DBP (Exhibit 5) in its stead. On September 3, 1963, defendants Rodolfo General and Carmen Gontang purchased the land from their co-defendant. The sale in their favor was annotated on TCT No. 5003 on November 26, 1963 only.

"Prior to the date last mentioned, or on November 20, 1963, plaintiff offered to redeem the land. In view of the refusal of the DBP to allow the redemption, plaintiff commenced this suit. The original complaint was filed in court on November 23, 1963. On August 12, 1964, plaintiff deposited with the clerk of court the sum of P7,271.22, representing the repurchase price of the land.

"The trial court held that the one-year period of redemption began to run on April 23, 1962, when the sale at public auction was held, and ended on April 24, 1963; that the plaintiffs offer to redeem on November 20, 1963 and the deposit of the redemption price on August 12, 1964 were made beyond the redemption period; and that defendants Rodolfo General and Carmen Gontang 'are legitimate purchasers for value.' "

Two principal issues raised are:

(1) In the interpretation and application of Section 31, Commonwealth Act 459 (Law that created the Agricultural and Industrial Bank, now Development Bank of the Philippines) which provides:

"The mortgagor or debtor to the Agricultural and Industrial Bank whose real property was sold at public auction, judicially or extra-judicially, for the full or partial payment of an obligation to said bank shall, within one year from the date of the auction sale, have the right to redeem the real property ***." (Italicized for emphasis),

shall the period of redemption start from the date of auction sale or the date of the registration of the sale in the register of deeds as the respondent Appellate Court held?

(2) Were petitioners under obligation to look beyond what appeared in the certificate of title of their vendor the Development Bank of the Philippines and investigate the validity of its title before they could be classified as purchasers in good faith?

Petitioners' principal contentions are: that Section 31 of Commonwealth Act No. 459 which created the Agricultural and Industrial Bank, predecessor of the Rehabilitation Finance Corporation and the Development Bank of the Philippines, clearly provides that the right to redeem the real property sold at public auction judicially or extra-judicially may only be exercised "within one year from the date of the auction sale"; that there is no provision in Commonwealth Act No. 459 expressly stating that the redemption period of one year shall start from the registration of the certificate of sale in the register of deeds; that Sec. 31 of C.A. 459 is a specific provision of law which governs redemption of real property foreclosed by the Agricultural and Industrial Bank (now the Development Bank of the Philippines), and prescribes the redemption period for both judicial and extra-judicial foreclosures of mortgage; that insofar as foreclosures of mortgage by banking and financial institutions are concerned, the period of redemption applicable must be the one prescribed in their respective charters as, in the case at bar, Section 31, C.A. No. 459; that the ruling in the case of *Agbulos vs. Alberto*, G.R. No. L-17483, July 31, 1962, cited by respondent Appellate Court as a basis for its decision, is not applicable to the case at bar because this Court based its *Agbulos* ruling on Section 26 (now Sec. 30) of Rule 39 of the Rules of Court, wherein it is not clear when the period of redemption should start (date when execution sale was conducted, or when the certificate of sale was executed by sheriff, or when the certificate of sale was registered in the registry of deeds), and this Court ruled that as the land involved in that case is registered under the Torrens system, the date of redemption should begin to run from the date of registration, unlike in the case at bar where Section 31 of Commonwealth Act 459 specifically and clearly provides that the running of the redemption period shall start from the date of the auction sale; and that the ruling of this Court in *Gonzales vs. P.N.B.*, 48 Phil. 824, also invoked by respondent Appellate Court as a basis for its decision, is likewise not applicable to the case at bar because the provisions on the matter of the P.N.B. Charter, Act No. 2938, are different from that of Commonwealth Act 459. Section 32 of Act 2938, which is now Section 20 of R.A. No. 1300 (PNB Charter) provides that the mortgagor shall have the right to redeem within one year after the sale of the real estate. This is identical to the provision appearing in Sec. 26, now Sec. 30, Rule 39, Rules of Court, while under Sec. 31 of Commonwealth Act 459, the period of redemption shall start from the date of the auction sale, and the latter provision is applicable specifically and expressly to the case at bar.

It is also petitioners' principal argument that the ruling in *Metropolitan Insurance Company*, substituted by

spouses Loreto Z. Marcaida and Miguel de Marcaida vs. Pigtain, 101 Phil. 1111, 1115-1116, wherein this Court, in construing Sec. 6 of Act No. 3135, categorically stated that the one year redemption period shall start from the date of sale and not from the report of the sale or the registration of the sale certificate in the office of the Register of Deeds, is more applicable to the present case. The pertinent portion of the decision in the Marcaida case follows:

"But again the appellants claim that in this particular case, the statutory redemption period of one year should begin from December 17, 1954, when the auction sale was actually recorded in the office of the Register of Deeds of Manila and not from December 15, 1953, when the sale at public auction of the properties in question took place. We find this contention to be also untenable in view of the clear provision of the aforesaid Section 6 of Act No. 3135 to the effect that the right of redemption should be exercised within one year from the date of the sale. It should not be overlooked that the extrajudicial sale in question was for foreclosure of a mortgage and not by virtue of an ordinary writ of execution in a civil case. * * * And since the appellants had failed to redeem the land in question within the time allowed by Section 6 of Act 3135, the appellee has perfect right to require the cancellation of the attachment lien in question" (Italicized for emphasis)

Notwithstanding the impressive arguments presented by petitioners, the crucial issue to determine is the choice of what rule to apply in determining the start of the one year redemption period, whether from the date of the auction sale or from that of the registration of the sale with the registry of deeds. In other words it is whether a literal interpretation of the provision of Section 31 of Commonwealth Act 459 — that the period of redemption shall start from the date of the auction sale — shall govern, or whether the words, "auction sale", shall be considered in their ordinary meaning or in the same sense that "sale" is used in the texts of Section 26, now 30, of Rule 39 of the Rules of Court, and Section 26 of Act 2938, now Section 20, R.A. 1300 (Charter of PNB). Stated differently, should the word "sale" used in the above indicated provisions of the Rules of Court and the PNB Charter, under which We ruled that the redemption period shall start from the registration of the sale in the registry of deeds be applied to foreclosure sales for the DBP and give to the words "auction sale" in its charter the same meaning of "sale" as used in connection with registered land?

We are of the view that a correct solution to the foregoing issue must entail not merely trying to determine the meaning of the words "auction sale" and "sale" in different legislative enactments, but, more importantly, a determination of the legislative intent which is quite a task to achieve as it depends more on a determination of the purpose and objective of the law in giving mortgagors a period of redemption of their foreclosed properties. Mortgagors whose properties are foreclosed and are purchased by the mortgagee as highest bidder at the auction sale are decidedly at a great disadvantage because almost invariably mortgagors forfeit their properties at a great loss as they are purchased at nominal costs by the mortgagee himself who ordinarily bids in no more than his credit or the balance thereof at the auction sale. That is the reason why the law gives them a chance to redeem their properties within a fixed period. It cannot be denied that in all foreclosures of mortgages and sale of property pursuant to execution, whether judicial or extrajudicial in nature, under different legislative enactments, a public auction sale is an indispensable pre-requisite to the valid disposal of properties used as collateral for the obligation. So that whether the legislators in different laws used the term "sale" or "auction sale" is of no moment, since the presumption is that when they used those words "sale" and "auction sale" interchangeably in different laws they really referred to only one act — the sale at public auction indispensably necessary in the disposition of mortgaged properties and those levied upon to pay the civil obligations of their owners.

In the case of Ernesto Salazar, et al. vs. Flor De Lis Meneses, et al., G.R. No. L-15378, promulgated July 31, 1963, this Court stated:

"The issue decisive of this appeal is the one raised by appellants in their third assignment of error, which is to this effect: that the lower court erred in not holding that the period of redemption in this case, as far as

appellants are concerned, started only on May 26, 1956, the date when the certificate of sale issued by the sheriff was registered. Should We rule to this effect, it is clear that when appellants attempted to exercise their right to redeem, as judgment creditors of the deceased mortgagor by judgment subsequent to the extrajudicial foreclosure sale, and when they initiated the present action on October 1, 1956, the period of redemption had not yet expired.

"We find appellants' contention to be meritorious. In the case of *Agbulos vs. Alberto*, G.R. No. L-17483, promulgated on July 31, 1962, We held:

"The property involved in the present case is registered land. It is the law in this jurisdiction that when property brought under the operation of the Land Registration Act is sold, the operative act is the registration of the deed of conveyance. The deed of sale does not take effect as a conveyance or bind the land until it is registered. (Section 50, Act 496; *Tuason vs. Raymundo*, 28 Phil. 635; *Sikatuna vs. Guevara*, 43 Phil. 371; *Worcester vs. Ocampo*, 34 Phil. 646)' " (*Italicized for emphasis*)

We find no compelling reason to deviate from the aforequoted ruling and not apply the same to the present case. To Us petitioners' main contention that there is a great deal of difference in legislative intent in the use of the words "auction sale" in Sec. 31 of Commonwealth Act 459 and the word "sale" in Sec. 32 of Act 2938, and Sec. 30 of Rule 39 of the Rules of Court, pales into insignificance in the light of Our stand that those words used interchangeably refer to one thing, and that is the public auction sale required by law in the disposition of properties foreclosed or levied upon. Our stand in the *Salazar* case and in those mentioned therein (*Garcia vs. Ocampo*, G.R. No. L-13029, June 30, 1959; *Gonzales, et al. vs. Philippine National Bank, et al.*, 48 Phil. 824) is firmly planted on the premise that registration of the deed of conveyance for properties brought under the Torrens System is the operative act to transfer title to the property and registration is also the notice to the whole world that a transaction involving the same had taken place.

To affirm the previous stand this Court has taken on the question of when the one year period of redemption should start (from the time of registration of the sale) would better serve the ends of justice and equity especially in this case, since to rule otherwise would result in preventing the respondent-mortgagor from redeeming his 59.4687 hectares of land which was acquired by the Development Bank of the Philippines as the highest bidder at the auction sale for the low price of only P7,271.22 which was simply the unpaid balance of the mortgage debt of P22,000.00 after the respondent-mortgagor had paid the sum of P14,728.78. As it is, affirmance of the Appellate Court's decision would not result in any loss to petitioners since the amount of P7,271.22 they paid to the Bank will be returned to them. What further strengthens Our stand is the fact found by the respondent Appellate Court that respondent Barrameda has always been in possession of the disputed land.

In the light of the foregoing, We find it no longer necessary to determine whether the petitioners are purchasers in good faith of the land involved, since the respondent Barrameda redeemed the mortgaged property within the legal period of redemption and, consequently the sale of the property executed on September 3, 1963, by the Development Bank of the Philippines in favor of the petitioners is null and void.

Wherefore, the decision of the respondent Appellate Court is affirmed, with costs against petitioners. So ordered.

Teehankee (Chairman), Makasiar, Muñoz Palma, and Martin, JJ., concur.

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