

PHILIPPINE NATIONAL BANK, PLAINTIFF-APPELLEE, VS. HEIRS OF HUMBERTO VILLEGAS AND GUILLERMA VILLEGAS, DEFENDANTS-APPELLANTS.

Ponente: DIY, J.

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DIY, J.:

Defendants-appellants appeal the May 29, 2009 Decision[1] of Branch 34, Regional Trial Court of Dumaguete City, which granted plaintiff-appellee Philippine National Bank's (PNB, for brevity) complaint for specific performance with damages.[2]

The appealed decision decreed:

WHEREFORE, premises considered, defendants are hereby directed to surrender Transfer Certificate of Title No. FV-19955 in the name of Guillerma Villegas to plaintiff Philippine National Bank so that the mortgages of the lot thereon will be annotated on the said certificate of title. The extrajudicial foreclosure and the Sheriff's Certificate of Sale, however, could not yet be annotated on said certificate in view of the decision of the Court of Appeals in the related case docketed as Special Civil Action No. 13518, entitled Heirs of Humberto Villegas versus Philippine National Bank for Mandamus with Damages lodged in Branch 39 of this Court stating that Humberto Villegas, predecessor of defendants may still avail of restructuring his delinquent loan with the plaintiff pursuant to Republic Act No. 7202.

SO ORDERED.[3]

The factual antecedents as culled from the records are as follows:

Sometime in 1973, defendant-appellant Guillerma Villegas (Guillerma, for brevity)[4] authorized her husband Humberto to avail of the 1973-1974 crop loan from PNB. PNB loaned the amount of P17,600.00 to the Spouses Humberto and Guillerma Villegas (hereinafter, Spouses Villegas). As security for the loan, real estate mortgages were constituted over several parcels of land belonging to the spouses. Among the properties over which real estate mortgages were constituted was Cadastral Lot No. 2433 which is located at Guihulngan, Negros Oriental and comprises 311 square meters (hereinafter, Lot No. 2433). At the time the real estate mortgages were constituted, Lot No. 2433 was then covered by Tax Declaration No. 99-08-001-03558. Hence, the encumbrance thereon was not registered. The real estate mortgage deed, however, provided that should a certificate of title be issued over the lot, the mortgagors undertake to deliver the certificate of title to PNB for the annotation of the liens thereon.[5] As can be gleaned from the records, these real estate mortgages were extended and renewed.

In 1976, the Spouses Villegas were able to have Lot No. 2433 registered in the name of Guillerma. Transfer Certificate of Title No. FV-19955 was thereafter issued to her on January 7, 1976.[6]

The Spouses Villegas later defaulted in the payment of the loan and PNB subsequently initiated extrajudicial foreclosure proceedings. The auction sale of the foreclosed property was conducted on September 3, 1986 with PNB as the highest bidder. The Spouses Villegas further failed to redeem the property within the redemption period and PNB thereafter conducted inspection and appraisal of the lot in preparation for consolidation of

ownership over the same. In the course of its audit and inspection, PNB discovered the fact of issuance of Transfer Certificate of Title No. FV-19955. As the real estate mortgage was not annotated on the lot's certificate of title, PNB could not consolidate its title over the property. PNB attempted to obtain Transfer Certificate of Title No. FV-19955 from the Spouses Villegas but the latter allegedly refused to surrender the same.

On May 10, 2006, PNB filed a complaint for specific performance with damages impleading the heirs of the Spouses Villegas as defendants. The complaint sought to compel the heirs of the Spouses Villegas to surrender Transfer Certificate of Title No. FV-19955 to PNB. PNB likewise claimed moral and exemplary damages as well as attorney's fees.

On June 26, 2006, defendants-appellants filed their Answer[7] alleging therein that the several parcels of land mortgaged with PNB, including Lot No. 2433, are subject of a petition for mandamus docketed as Case No. 13518 before Branch 39, Regional Trial Court, Dumaguete City.[8] Defendants-appellants in their petition for mandamus claimed that they sought the restructuring of their loan pursuant to Republic Act No. 7202 also known as Sugar Restitution Law. The petition for mandamus was dismissed per October 6, 2006 Resolution[9] of Branch 39, Regional Trial Court of Dumaguete City but said Resolution was reversed and set aside per the June 7, 2007 Decision of the Nineteenth Division of this Court in CA-G.R. SP No. 02447.[10] This Court then held that defendants-appellants are entitled to the benefits under Republic Act No. 7202. As special and affirmative defenses, defendants-appellants challenged the authority of a certain Mr. Cupido Cadimas to file the complaint in PNB's behalf. They likewise questioned why they were impleaded as "Heirs of Humberto Villegas" contending that such is not a natural or juridical person authorized to sue or be sued under the Rules of Court. Defendants-appellants further claimed that at the time the mortgage was constituted, Lot No. 2433 had not been declared alienable and disposable and consequently cannot be transferred in PNB's name. Defendants-appellants likewise raised prescription alleging that the cause of action for specific performance had prescribed and laches had also set in.

On May 29, 2009, the court a quo rendered the appealed decision ruling in favor of PNB. It held that defendants-appellants are legally obligated to surrender the certificate of title in order that the real estate mortgage constituted over the property could be annotated thereon. The court a quo, however, stressed that considering the ruling in CA-G.R. SP No. 02447, the extrajudicial foreclosure of the property as well as the certificate of sale of the property cannot as yet be annotated on the certificate of title. The court a quo further denied PNB's prayer for damages.

Defendants-appellants are thus now before Us raising the following as –

ASSIGNMENT OF ERRORS

The defendants-appellants respectfully submit the following errors committed by the court a quo:

- The court a quo with all due respect, erred in disregarding the principle of PRESCRIPTION to apply in the instant case;
- The court a quo with all due respect, erred in failing to consider the equitable principle of laches. [sic]
- The court a quo, with all due respect, failed to apply the principle of estoppel upon the plaintiff-appellee;
- The court a quo, with all due respect, failed to consider that the instant case is being filed as a circumvention of the principle that Title under the Torrens System cannot be collaterally attacked.
- The court a quo failed to consider that the decision in Special Civil Case No. CA-G.R. SP No. 02447 for petition for Mandamus entitled Hrs. of Humberto Villegas vs. PNB, et al. which has now become final and

executory has rendered the instant case moot and academic.[11]

To summarize, the court a quo granted PNB's prayer for defendants-appellants to surrender Transfer Certificate of Title No. FV-19955 for the purpose of annotating the encumbrance thereon. The court a quo, however, emphasized that the extrajudicial foreclosure of the property as well as its auction sale cannot as yet be annotated on Transfer Certificate of Title No. FV-19955 in view of this Court's decision in CA-G.R. SP No. 02447. Defendants-appellants would, however, have us reverse the appealed decision primarily contending that laches, prescription, and estoppel have set in thus, barring PNB's cause of action.

A real mortgage is a contract in which the debtor guarantees to the creditor the fulfillment of a principal obligation, subjecting for the faithful compliance therewith a real property in case of non-fulfillment of said obligation at the time stipulated.[12]

Article 2085 of the Civil Code enumerates the requisites for the validity of a pledge or mortgage as follows:

- That they be constituted to secure the fulfillment of a principal obligation;
- That the pledgor or mortgagor be the absolute owner of the thing pledged or mortgaged;
- 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.

Article 2125 of the Civil Code further requires:

Art. 2125. In addition to the requisites stated in Article 2085, it is indispensable, in order that a mortgage may be validly constituted, that the document in which it appears be recorded in the Registry of Property. If the instrument is not recorded, the mortgage is nevertheless binding between the parties.

The persons in whose favor the law establishes a mortgage have no other right than to demand the execution and the recording of the document in which the mortgage is formalized.

(Emphasis supplied)

From the foregoing provisions, it has thus been established that by reason of the subsistence of the loan which has been restructured and the resulting subsistence of the ancillary contract of mortgage, PNB, being the mortgagee, is granted the corresponding right to have mortgage be formalized in a public document and recorded in the appropriate Registry of Property.[13] Pursuant to the aforementioned provision, the mortgagee is entitled to registration as a matter of right. Ergo, PNB has a cause of action to compel defendants-appellants to surrender the certificate of title for the annotation of the encumbrance. As explained in *San Juan v. Court of Appeals, et al.*: [14]

Furthermore, in *Gonzales v. Basa*, the Court ruled that "once a mortgage has been signed in due form, the mortgagee is entitled to its registration as a matter of right. By executing the mortgage, the mortgagor is understood to have given his consent to its registration, and he cannot be permitted to revoke it unilaterally. The validity and fulfillment of contracts can not be left to the will of one of the contracting parties."

Defendants-appellants, however, argue that PNB can no longer enforce said right since prescription, laches, and estoppel have already barred the exercise of the same. These concepts primarily imply a party's failure or neglect to protect or assert a right which by exercising due diligence could or should have been done earlier. Such is not extant in the case at bench.

Anent the claim of prescription of action, actions indeed prescribed by mere lapse of time fixed by law.[15] Under Article 1144 of the Civil Code, actions based upon a written contract must be brought within ten (10) years from the time the right of action accrues. Article 1142 of the same Code likewise states that a mortgage action

prescribes after ten (10) years. These periods are reckoned from the time the right of action accrues. In *Spouses Paringit v. Bangit, et al.*,^[16] the Supreme Court explained what right of action means, viz:

A right of action implies the existence of a cause of action and a cause of action has three elements: a) the existence of a right in plaintiff's favor; b) defendant's obligation to respect such right; and c) defendant's act or omission that violates the plaintiff's right. Only when the last element occurs or takes place can it be said in law that a cause of action has arisen.

In the case under consideration, by reason of defendants-appellants' action to have the loan restructured and which cause of action was granted per Our decision in CA-G.R. SP No. 02447, it has been established that the loan for which the real estate mortgage was constituted subsists. As an ancillary contract, the real estate mortgage constituted over the property likewise continued to subsist. Consequently, PNB's right to have the encumbrance registered continues to subsist. Defendants-appellants' refusal to surrender Certificate of Title No. FV-19955 gave rise to a right of action in favor of PNB. As can be gleaned from the records, PNB discovered the fact of the issuance of Transfer Certificate of Title No. FV-19955 only on April 4, 2001.^[17] The complaint for specific performance was instituted on May 10, 2006. Thus, the action to have the encumbrance annotated has not prescribed.

Since PNB's right to have the encumbrance registered subsists and PNB has, through the case for specific performance, taken steps to assert and protect its right, PNB cannot be said to be guilty of laches or estoppel.

We point out that estoppel by laches or "stale demands" ordains that the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exercising due diligence could or should have been done earlier, or the negligence or omission to assert a right within a reasonable time, warrants a presumption that the party entitled to assert it either has abandoned it or declined to assert it.^[18]

Considering that PNB's right to have the encumbrance annotated on the certificate of title subsists and has not even prescribed, estoppel by laches cannot be considered to have set in.

Defendants-appellants cannot likewise rely on their defense that the case for specific performance constituted a collateral attack on the title of Lot No. 2433. The case from which this appeal emanated does not in any way attack the validity of the issuance of Transfer Certificate of Title No. FV 19955. There is an attack on the title when the object of an action is to nullify a Torrens title, thus challenging the judgment or proceeding pursuant to which the title was decreed.^[19] In the case at bench, PNB's objective in instituting the specific performance case was merely to have the encumbrance annotated on Transfer Certificate of Title No. FV 19955.

We likewise cannot see how the decision of this Court in CA-G.R. SP No. 02447 has rendered the instant appeal moot and academic. In fact, defendants-appellants' reliance on Our decision in CA-G.R. SP No. 02447 gives strength instead to PNB's right to have the encumbrance annotated on Transfer Certificate of Title No. FV 19955. As previously discussed, the subsistence of the loan, which defendants-appellants obtained from PNB as a result of the pronouncement in this Court in CA-G.R. SP No. 02447, has resulted in the subsistence of the real estate mortgage and consequently, the right of PNB to have the lien annotated. We emphasize that the ancillary contract of real estate mortgage has not been voided or nullified. It thus continued to coexist with the principal contract of loan. PNB's right to have the lien annotated being likewise subsisting, it has a cause of action for specific performance to compel defendants-appellants to surrender Transfer Certificate of Title No. FV-19955.

All told, We find no reversible error on the part of the court a quo in rendering the appealed decision. We thus hold to affirm the same.

WHEREFORE, premises foregoing, the appeal is hereby DENIED and the May 29, 2009 Decision of Branch 34,

Regional Trial Court of Dumaguete City is AFFIRMED.

SO ORDERED.

[*]Lagura-Yap, M.B., (Acting Chairperson) and [*]Quijano-Padilla, M.L., JJ., concur.

[*] Vice Justice Pamela Ann Abella Maxino who inhibited from the case. Per raffle dated January 30, 2014.

[*] Vice Justice Edgardo L. Delos Santos who likewise inhibited from the case. Per raffle dated February 4, 2014.

[1] Original Records, pp. 173-178.

[2] Ibid., pp. 2-7.

[3] Ibid., p. 178.

[4] Also referred to in the records as Guillermina.

[5] Exhibit “D”, Plaintiff’s Folder of Exhibits.

[6] Rollo, p. 49.

[7] Original Records, pp. 39-43.

[8] Annex “1” to Defendants’ Formal Offer of Exhibits, Defendants’ Folder of Exhibits.

[9] Exhibit “2”, Defendants’ Folder of Exhibits.

[10] Exhibit “3”, Defendants’ Folder of Exhibits.

[11] Rollo, pp. 49-50.

[12] Citing 12 Manresa. Paras, E.L., Civil Code of the Philippines Annotated, 16th ed. (2008), p. 1112.

[13] Pineda, E., Credit Transactions, 2004 ed., pp. 244-245.

[14] G.R. No. 110055, August 20, 2001, citing *Gonzales v. Basa*, 73 Phil 704 [1942].

[15] Article 1139 of the Civil Code.

[16] G.R. No. 181844, September 29, 2010.

[17] Exhibit “L”, Plaintiff’s Folder of Exhibits.

[18] *Spouses Garcia v. Garcia, et al.*, G.R. No. 169157, November 14, 2011.

[19] *Liwag v. Happy Glen Loop Homeowners’ Association, Inc.*, G.R. No. 189755, July 4, 2012.

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