

ANDRES RAMOS, SPOUSES FELIPE BELMONTE, AND AMALIA BELMONTE, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS, GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), EDUARDO YUSECO, AND DION...

G.R. No. 108294. September 15, 1997

Ponente: MENDOZA, J.

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MENDOZA, J.:

On September 8, 1967, Eduardo Yuseco (now deceased) obtained a loan of P35,000.00 from the Government Service Insurance System. To guarantee payment of the loan, Yuseco constituted a mortgage over his property covered by TCT No. 123161 of the Register of Deeds of Quezon City in favor of GSIS. Under the mortgage contract, Yuseco was prohibited from selling, disposing of, mortgaging, or in any manner encumbering the mortgaged property without the prior written consent of the GSIS.

On November 17, 1969, Yuseco executed a “Contract to Sell” (Exh. A) of the mortgaged property in favor of petitioner Felipe Belmonte, by virtue of which Belmonte agreed to assume Yuseco’s obligation to the GSIS. The undertaking was to be performed within one year from the perfection of the contract. Belmonte was, however, unable to comply with his obligation within the period agreed upon, so that he requested an extension. His request was granted and he was given until January 15, 1971 to comply with his obligation. As Belmonte was still unable to comply with his obligation notwithstanding the extension given to him, he and his wife asked Andres Ramos to share in the payment of the amortizations to the GSIS. This was made with the knowledge and consent of Yuseco who executed a “Deed of Absolute Sale with Assumption of Mortgage” (Exh. D) in favor of all petitioners on January 21, 1971. It was agreed that the spouses Belmonte and Ramos would pay for all expenses for the preparation of documents and afterwards submit the contract to the GSIS for its approval.

On February 26, 1971, the GSIS informed Yuseco that his request for authority to execute the “Deed of Absolute Sale with Assumption of Mortgage” could not be considered pending the return of the certificate of title which Yuseco had borrowed from the GSIS. On July 26, 1971, however, the GSIS notified Yuseco that its Board of Trustees had approved his request for authority to execute the “Deed of Absolute Sale with Assumption of Mortgage” even though Yuseco’s certificate of title had not been returned. The approval was made subject to the following conditions:

1. That the account of the mortgagor-vendors with the System is up-to-date, including the fire insurance premiums;
2. That the prospective vendees shall execute in favor of and submit to the System, the corresponding Promissory Note on the obligation to be assumed;
3. That the vendees shall pay direct to the System the amount of P378.88 corresponding to the monthly amortization on the loan including the fire insurance premiums; and

4. That the vendees shall pay to the System the amount of P40.00 as assumption and service fees and shall pay all fees incidental to the registration of the Deed of Sale with Assumption of Mortgage.

(Exh. G)

A copy of the letter of the GSIS to Yuseco was furnished petitioners Andres Ramos and Amalia Belmonte.

On February 14, 1975, petitioners delivered to the GSIS a letter from Eduardo Yuseco, informing the GSIS that the certificate of title had been lost and, for this reason, requesting the GSIS to undertake the reconstitution of the lost title and to charge the cost thereof to petitioners. [1]

To protect their interest, petitioners at the same time registered an adverse claim which was annotated on TCT No. 123161.

Since December 9, 1969, petitioners had been paying the GSIS the monthly amortizations, but for some reason they stopped doing so on October 1, 1981, after paying a total of P27,430.16, [2] although in the confirmation of accounts sent by the GSIS, the total payments credited to them was P30,903.52. [3] The payments were all made in the name of Eduardo Yuseco. (Exhs. E, E-1 to E-51)

On July 16, 1982, the GSIS informed Yuseco and the spouses Belmonte of the arrearages amounting to P37,758.84 and warned them that if the amount was not settled on time, the mortgage would be foreclosed. As no settlement of the amount was made, the GSIS extrajudicially foreclosed the mortgage on September 17, 1982. The GSIS purchased the property as the highest bidder at the auction sale. It then informed the spouses Belmonte of the foreclosure of the mortgage and demanded the payments of rents from them for their use of the property. On October 19, 1982, the GSIS again wrote the spouses Belmonte and asked them to file an application for the lease of the property to formalize their stay on the property.

But the Belmontes did not do so. On April 27, 1983, the spouses and Ramos wrote the GSIS that, as vendees of the property, they were exercising their right to redeem the property (Exh. M). The GSIS replied that it would consider any legal redemptioner who first exercised the right of redemption (Exh. N).

At about the same time that petitioners signified their intention to redeem the property, Yuseco negotiated for the sale of the foreclosed property to private respondent Dionisio Palla, showing the latter a photocopy of his title to the property.

Palla and his lawyer, Atty. Marte Sta. Elena, went to verify the authenticity of Yuseco's title in the Register of Deeds of Quezon City where they learned of the adverse claim of petitioners. Upon assurance by his lawyer that the adverse claim was not an impediment to the purchase of the property and despite advice from Yuseco that there were tenants (the petitioners were actually the occupants) on the property, Palla purchased the property from Yuseco for P92,000.00 on May 20, 1983 (Exh. Q). Palla sought to redeem the property from the GSIS but he was not allowed to do so in his own name. Consequently, he advanced the redemption price, in the amount of P53,000.00, to Yuseco who redeemed the property from the GSIS on June 14, 1983.

TCT No. 123161 in the name of Eduardo Yuseco was cancelled and, in lieu thereof, TCT No. 302915 was issued in the name of Dionisio Palla (Exh. R). As the new owner of the property, Palla sued Ramos and the spouses Belmonte for ejectment in the Metropolitan Trial Court of Quezon City. The case was, however, suspended and no further action was taken thereon.

Petitioners filed an action before the Regional Trial Court for Annulment of Foreclosure Proceedings, Redemption and Sale, and Reconveyance. They assailed the validity of the foreclosure proceedings, alleging that the GSIS had acted in bad faith by withholding information on the reconstitution of TCT No. 123161 and the

foreclosure of the mortgage. They charged that Yuseco had acted in bad faith in selling the foreclosed property to Palla even if the same had already been sold to them. Petitioners alleged that Palla was not a purchaser in good faith because he had knowledge of petitioners' adverse claim on the property. They also charged the GSIS with bad faith, alleging that it took part in the sale of the property to Palla despite its knowledge that the property had previously been sold to petitioners.

The lower court gave judgment for petitioners and ruled that the "Deed of Absolute Sale with Assumption of Mortgage" executed in favor of petitioners prevailed over that made in favor of Palla. It ordered the GSIS to return the redemption price of P53,000.00 to Palla, even as it ordered petitioners to pay the same amount to GSIS and to reimburse Palla for the real estate tax paid by him. The dispositive portion of the lower court's decision reads:

FOREGOING PREMISES FULLY CONSIDERED, judgment is hereby rendered:

1. Declaring that the Deed of Absolute Sale with Assumption of Mortgage, Exh. "D", executed by Eduardo Yuseco in favor of plaintiffs Andres Ramos, Felipe and Amalia Belmonte stands and prevails over the Deed of Absolute Sale with Assumption of Mortgage (Exh. "12") executed by Eduardo Yuseco in favor of Dionisio Palla;
2. Declaring as null and void the Absolute Deed of Sale with Assumption of Mortgage, Exh. "12" executed by Eduardo Yuseco in favor of Dionisio Palla;
3. Directing the GSIS to return to defendant Dionisio Palla the amount of P53,000.00 paid for and in behalf of Eduardo Yuseco for the redemption of the property in question sold to the GSIS after foreclosure of the mortgage constituted thereon;
4. Ordering the plaintiffs Andres Ramos and spouses Felipe and Amalia Belmonte to pay the amount of P53,000.00 for the redemption of the property from the GSIS and the latter to accept said payment and issue upon receipt of said amount the corresponding certificate of redemption in their favor.
5. Ordering plaintiffs to reimburse to defendant Palla all payments for the real estate taxes made on the property in question;
6. Ordering defendants, jointly and severally, to pay to plaintiffs by way of attorney's fees the amount of Ten Thousand (P10,000.00) Pesos.

All other claims and counterclaims are hereby dismissed for lack of sufficient evidence to support the same.

No pronouncement as to costs.

IT IS SO ORDERED.

Quezon City, Philippines, 30 June 1989.

The Court of Appeals reversed. It held that the "Deed of Absolute Sale with Assumption of Mortgage" which Yuseco had made with petitioners was unenforceable because of lack of approval by the GSIS; that the GSIS legally foreclosed the mortgage for failure of Eduardo Yuseco to pay; and that petitioners' remedy is to bring an action against the estate of Yuseco. The dispositive portion of the appellate court's decision reads:

WHEREFORE, premises considered, the appealed decision is hereby REVERSED, and a new one is entered dismissing the complaint and the counterclaim, without prejudice to plaintiffs-appellees' recourse against the estate of the late Eduardo Yuseco, should any of the estate be found to exist. No costs.

SO ORDERED.

Hence, this petition for review. Petitioners allege that:

1. THE RESPONDENT COURT OF APPEALS COMMITTED A GRAVE MISAPPREHENSION OF THE FACTS AND GROSS MISAPPRECIATION OF THE EVIDENCE WHEN IT RULED THAT THE EVIDENCE DOES NOT SUPPORT AN INFERENCE OF FRAUD ON THE PART OF APPELLANT EDUARDO YUSECO AND PRIVATE RESPONDENT GSIS.
2. THE RESPONDENT COURT OF APPEALS GRAVELY ERRED IN HOLDING THAT THE DEED OF ABSOLUTE SALE WITH ASSUMPTION OF MORTGAGE WAS NOT PERFECTED BECAUSE OF THE ALLEGED NON-FULFILLMENT BY PETITIONERS OF THE SUSPENSIVE CONDITION IMPOSED BY THE GSIS AS WELL AS THE LACK OF WRITTEN CONSENT AND APPROVAL OF THE MORTGAGEE GSIS OF THE SALE.
3. THE RESPONDENT COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT THE PETITIONERS HAVE THE BETTER AND SUPERIOR RIGHT OVER THE PRIVATE RESPONDENT DIONISIO PALLA AS REGARDS THE MORTGAGED PROPERTY IN QUESTION.

Petitioners' contentions are without merit. We hold that because of petitioners' failure to comply with the conditions imposed by the GSIS the "Deed of Absolute Sale with Assumption of Mortgage" was not perfected so that Yuseco remained the owner of the property, subject of the deed, and as such had a right to sell it to private respondent Palla.

First. Petitioners' contention that "there was no valid reason to justify foreclosure of the mortgaged property because the petitioners were not delinquent and had not been shown to have been in receipt of demand for payment of any balance due"[4] is contrary to the evidence. As of September 17, 1982, Eduardo Yuseco was in arrears for P40,547.05. Demands had been made on him and on petitioners to pay this amount otherwise the mortgage would be foreclosed. As they failed to pay the amount, the GSIS instituted foreclosure proceedings. As the Court of Appeals found:[5]

Despite such payments made, on July 16, 1982, the GSIS informed Yuseco and appellee Belmonte of arrearages in the mortgage amounting to P37,758.84 warning them of the intended foreclosure of said mortgage if settlement thereof is not promptly made (Exhs. "13", "13-A", "13-B", & "13-C", GSIS). Since neither Yuseco nor the appellees heeded the foregoing warning, the GSIS foreclosed the mortgage on September 17, 1982 (Exh. "16"), GSIS), with it as the highest bidder during the auction sale.

Petitioner Andres Ramos himself admitted their delinquency. At the hearing below on April 10, 1985, he said:[6]

Court - But you were not able to comply with the obligation, updating your accounts both with respect to the principal and the arrearages?

Witness - We still lack some amount, sir.

Second. Petitioners claim, however, that they failed to update their account because the GSIS refused to accept payment from them unless Yuseco's certificate of title, which he had borrowed, was first returned. Indeed the updating of account and payment of the current amortizations, as well as the execution of a promissory note for the balance of the obligation, were the principal conditions for the GSIS' approval of the "Deed of Absolute Sale with Assumption of Mortgage." The return of the certificate of title, however, was not a condition for acceptance of payment of the amortizations and arrearages. The fact is that payments made by petitioners in the name of Eduardo Yuseco from December 9, 1969 (Exh. E) to October 1, 1981 (Exh. E-52) were accepted by the GSIS. If petitioners stopped paying it was not because the GSIS later refused to accept further payments from them.

Indeed, the updating of account, payment of the monthly amortizations, and execution of a promissory note were imposed by the GSIS as conditions for its approval of the “Deed of Absolute Sale with Assumption of Mortgage” in favor of petitioners, and it would be absurd for it to refuse compliance with those conditions unless the certificate of title was first returned. That would be to impose a condition (return of the certificate of title) on compliance with conditions for GSIS approval of the sale with assumption of mortgage. The fact is that the return of the title was required in the beginning, on February 26, 1971, as condition for considering Yuseco’s request for authority to sell the mortgaged property to petitioner. Even without the return of the certificate of title, however, the GSIS later gave its approval to the sale subject to the two conditions stated. It is probable that it did so after being convinced that the return of the certificate of title was no longer possible as petitioners themselves on February 14, 1975 informed the GSIS that the title had been lost, even as they asked it to undertake the reconstitution of the title for them.

There is therefore no basis for the claim that petitioners failed to update their account and pay the arrearages because the GSIS refused to accept payment from them. There was no reason for the GSIS to have done so. It was for reason of their own that petitioners simply stopped paying on October 1, 1981.

Third. Because of petitioners’ failure to update their account and execute a promissory note, GSIS conditional approval of the sale of the property and assumption of mortgage never became effective. The “Deed of Absolute Sale with Assumption of Mortgage” itself was not perfected since assumption of the mortgage by petitioners was a condition precedent for the sale of the property to them. Art. 1181 of the Civil Code provides that “In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition.” Accordingly, in sales with assumption of mortgage, the assumption of mortgage is a condition to the seller’s consent so that without approval by the mortgagee, no sale is perfected.[7]

Indeed, no one can plausibly assert that with only P15,000.00 paid to Yuseco and about P30,903.52 paid to the GSIS, petitioners became the owners of the property when the consideration for the sale of the land and its improvements was not only the amount paid to the seller but the payment of his indebtedness to the GSIS as well. Since the “Deed of Absolute Sale with Assumption of Mortgage” executed by Yuseco in favor of the petitioners was ineffective, Yuseco legally remained as the owner and mortgagor of the subject property and the debtor of the GSIS. In fact, the title to the property (TCT No. 123161) remained in his name.

As such, Yuseco had the right to redeem, as he did in fact redeem, the property on June 14, 1983, before the expiration on October 11, 1983 of the one-year period of redemption under Act 3135, §6.[8]

Fourth. Nor can petitioners assail the sale of the property after its redemption to respondent Palla. As already stated, the “Deed of Absolute Sale with Assumption of Mortgage,” on the basis of which they base their action in this case, never became effective because of their non-compliance with the conditions for approval of the sale by the GSIS. On the other hand, as pointed out by the Court of Appeals, the foreclosure of the mortgage was a sufficient justification for Palla’s disregard of the petitioners’ adverse claim. Whether petitioners can recover what they had paid to Yuseco and to the GSIS in his behalf is a matter which is not now in issue but should be threshed out in any proceeding which petitioners should commence against the estate of Eduardo Yuseco. Suffice it to state that the estate is not a party in this appeal.

WHEREFORE, the decision of the Court of Appeals is AFFIRMED.
SO ORDERED.

Regalado, (Chairman), Puno, and Torres, Jr., JJ., concur.

[1] TSN, p. 7, Dec. 20, 1984; Records, p. 229.

[2] Id., p. 119.

[3] Id., pp. 575-576.

[4] Memorandum for Petitioners, p. 21; Rollo, p. 145.

[5] Court of Appeals' Decision, p. 4; id., p. 45.

[6] TSN, p. 30, April 10, 1985; Records, p. 286.

[7] *Ruperto v. Kosca*, 26 Phil. 227 (1913).

[8] In all cases in which an extrajudicial sale is made under the special power hereinbefore referred to, the debtor, his successors in interest or any judicial creditor or judgment creditor of said debtor, or any person having a lien on the property subsequent to the mortgage or deed of trust under which the property is sold, may redeem the same at any time within the term of one year from and after the date of sale; and such redemption shall be governed by the provisions of sections four hundred and sixty-four to four hundred and sixty-six, inclusive, of the Code of Civil Procedure, in so far as these are not inconsistent with the provisions of this Act.

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