CHINA BANKING CORPORATION, PETITIONER, VS. HON. COURT OF APPEALS, PAULINO ROXAS CHUA AND KIANG MING CHU CHUA, RESPONDENTS.

G.R. No. 129644. September 07, 2001

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

Private respondents Paulino Roxas Chua and Kiang Ming Chu Chua have filed before this Court a Motion for Reconsideration of the Decision dated March 7, 2000, the dispositive portion of which reads:

> WHEREFORE, the petition is GRANTED. The decision of the Court of Appeals in CA-G.R. CV No. 46735 is REVERSED and SET ASIDE. The permanent injunction enjoining petitioner, the Sheriff of Manila, the Register of Deeds of San Juan, their officers, representatives, agents and persons acting on their behalf from causing the transfer of possession, ownership and title of the property covered by TCT No. 410603 in favor of petitioner is LIFTED. The Assignment of Rights to Redeem dated November 21, 1988 executed by Alfonso Roxas Chua in favor of Paulino Roxas Chua is ordered RESCINDED. The levy on execution dated February 4, 1991 and the Certificate of Sale dated April 30, 1992 in favor of petitioner are DECLARED VALID against the one-half portion of the subject property.
>
> SO ORDERED.

Briefly, the facts are restated as follows:

By virtue of the adverse decision of the Regional Trial Court of Manila, Branch 46, in Civil Case No. 82-14134, entitled "Metropolitan Bank and Trust Company v. Pacific Multi Commercial Corporation and Alfonso Roxas Chua," the residential land covered by Transfer Certificate of Title No. 410603 in the name of spouses Alfonso Roxas Chua and Kiang Ming Chu Chua was levied on execution. Kiang Ming Chu Chua filed an action questioning the levy on the ground that the land was conjugal partnership property. This resulted in a compromise agreement to the effect that the levy shall be valid only to the extent of the ½ share pertaining to Alfonso Roxas Chua. Accordingly, an alias notice of levy was issued affecting the said ½ undivided portion of the property. After the execution sale, a certificate of sale was executed in favor of Metrobank, the judgment creditor, and the same was annotated on TCT No. 410603 on December 22, 1987.

Meanwhile, China Banking Corporation filed a complaint for sum of money against Pacific Multi Agro-Industrial Corporation and Alfonso Roxas Chua, docketed as Civil Case No. 85-31257 of the Regional Trial Court of Manila, Branch 29. On November 7, 1985, judgment was rendered ordering defendants to pay Chinabank the aggregate amount of P2,500,000.00 plus interests, penalties and attorney's fees. Defendants appealed to the Court of Appeals but the same was dismissed for failure to file appellants' brief. Thus, notice of levy on execution was issued on February 4, 1991 against the right and interest of Alfonso Roxas Chua in TCT No. 410603. The same was later sold at public auction and a certificate of sale was executed in favor of Chinabank, and inscribed on TCT 410603 on May 4, 1992.

Previously, however, on November 21, 1988, Alfonso Roxas Chua executed in favor of his son, Paulino Roxas Chua, an "Assignment of Right to Redeem," pertaining to his right to redeem the ½ undivided portion of the land sold to Metrobank. On January 11, 1989, Paulino redeemed the property from Metrobank. On March 14, 1989, the Assignment of Right to Redeem and the redemption by Paulino Roxas Chua of the property from Metrobank were annotated on TCT No. 410603.

Private respondents Paulino Roxas Chua and Kiang Ming Chu Chua filed Civil Case No. 63199 before the Regional Trial Court of Pasig, Branch 163, alleging that Paulino has a prior and better right over Chinabank inasmuch as the assignment to him of the right to redeem and his redemption of Alfonso's share in the property were inscribed on the title on an earlier date than the annotation of the notice of levy and certificate of sale in favor of Chinabank. Both the trial court and the Court of Appeals ruled in favor of private respondents and enjoined Chinabank, the Sheriff of Manila and the Register of Deeds of San Juan from causing the transfer of possession, ownership and certificate of title, or otherwise disposing of the property covered by TCT No. 410603 in favor of Chinabank or any other person.

On March 7, 2000, we rendered the now assailed Decision reversing the judgment of the Court of Appeals and rescinding the Assignment of Right to Redeem executed by Alfonso in favor of Paulino Roxas Chua, for having been entered into in fraud of creditors.

In their Motion for Reconsideration, private respondents raise the following grounds:

> 2.1. The Decision, with due respect, failed to consider vital facts showing that the assignment was indubitably:
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> [a] for valuable consideration; and
>
> [b] In good faith;
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> which if considered, would result in a complete reversal.
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> 2.2. The dispositive portion of the decision rescinding the assignment of the right to redeem and validating the levy on execution dated April 30, 1992 in favor of petitioner, with due respect, cannot be enforced because:
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> [a] rescission is late; and
>
> [b] levy on execution was on the wrong property.
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> 2.3. The Petition was invalid and failed to vest the Honorable Court with the jurisdiction to review the decision by the Court of Appeals.[1]

Petitioner filed its Comment,[2] and private respondents filed their Reply with leave of Court.[3]

Under their first ground, private respondents argue that there was sufficient evidence to overthrow the presumption that the assignment of the right to redeem was in fraud of creditors. After a re-examination of the evidence, we agree with private respondents.

Indeed, Article 1387 of the Civil Code provides that alienations made by a debtor by gratuitous title are presumed fraudulent when the donor did not reserve sufficient property to pay his outstanding debts. Likewise, alienations by onerous title are presumed fraudulent when made by persons against whom some judgment has been rendered or some writ of attachment has been issued. These, however, are mere presumptions which are in no way conclusive. The presumption of fraud can be overthrown by evidence showing that the conveyance was made in good faith and for a sufficient and valuable consideration.[4]

In the case at bar, private respondents sufficiently established that the conveyance was made in good faith and for

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valuable consideration. Paulino maintains that he had no knowledge of his father Alfonso's financial problem with petitioner Chinabank until he was about to cause the cancellation of TCT No. 410603.[5] Furthermore, he paid the sum of P100,000.00 to Alfonso for the right to redeem,[6] and paid the redemption amount of P1,463,375.39 to Metrobank.[7]

Expectedly, petitioner refutes these, saying that the amounts paid by Paulino were grossly disproportionate to the right to redeem the property, which is a residential house and lot located in North Greenhills, San Juan, Metro Manila. But as correctly pointed out by private respondents, the amount of P100,000.00 paid by Paulino to Alfonso was not for the property itself, but merely for the right to redeem the same. As a matter of fact, Paulino still had to pay Metrobank the redemption price of P1,463,375.39. Whether or not the latter amount was adequate is beyond the scope of this inquiry. Suffice it to state that Metrobank accepted the same and reconveyed the property to Paulino. Moreover, only Alfonso's conjugal share in the property was affected, and the determination of its value was still subject to liquidation of debts and charges against the conjugal partnership.

It must be emphasized that the reconsideration of our earlier Decision on this score does not depart from well-settled doctrines and jurisprudence. Rather, it entailed merely a re-evaluation of the evidence on record.

Going now to the second ground, private respondent points out that the dispositive portion of our Decision can not be executed without affecting the rights of Metrobank inasmuch as Alfonso's right of redemption, which he assigned to Paulino, only had a lifetime of twelve months from the date of registration of the certificate of sale in favor of Metrobank. The rescission of the assignment of the right to redeem would have had the effect of allowing the twelve-month period of redemption to lapse, and thus confer on Metrobank the right to consolidate ownership over the property and to the execution of the sheriff's final deed of sale.

The certificate of sale in favor of Metrobank was registered on December 22, 1987. Under the 1964 Rules of Court which were in effect at that time, the judgment debtor or redemptioner had the right to redeem the property from Metrobank within twelve months[8] from the date of registration of the certificate of sale.[9] Chinabank was a redemptioner, being then a creditor with a lien by judgment on the property sold, subsequent to the judgment under which the property was sold.[10]

Upon the expiration of the twelve-month period of redemption and no such redemption is made, the purchaser shall be entitled to the final deed of sale over the property sold on execution.

> Deed and possession to be given at expiration of redemption period. By whom executed or given. --- If no redemption be made within twelve (12) months after the sale, the purchaser, or his assignee, is entitled to a conveyance and possession of the property; or, if so redeemed, whenever sixty (60) days have elapsed and no other redemption has been made, and notice thereof given, and the time for redemption has expired, the last redemptioner, or his assignee, is entitled to the conveyance and possession; but in all cases the judgment debtor shall have the entire period of twelve (12) months from the date of the sale to redeem the property. The deed shall be executed by the officer making the sale or by his successor in office, and in the latter case shall have the same validity, as though the officer making the sale had continued in office and executed it.
>
> Upon the execution and delivery of said deed, the purchaser, or redemptioner, or his assignee, shall be substituted to and acquire all the right, title, interest and claim of the judgment debtor to the property as of the time of the levy, except as against the judgment debtor in possession, in which case the substitution shall be effective as of the date of the deed. The possession of the property shall be given to the purchaser or last redemptioner by the same officer unless a third party is actually holding the property adversely to the judgment debtor.[11]

Hence, at the time Chinabank levied on Alfonso Roxas Chua's share in TCT No. 410603 on February 4, 1991, the said property was no longer his. The same had already been acquired by Metrobank and, later, redeemed by

Paulino Roxas Chua. Even without the assignment of the right to redeem to Paulino, the subject ½ share in the property would pertain to Metrobank. Either way, Chinabank would not stand to acquire the same. It is an established doctrine that a judgment creditor only acquires at an execution sale the identical interest possessed by the judgment debtor in the property which is the subject of the sale. It follows that if, at the time of the execution sale, the judgment debtor had no more right to or interest in the property because he had already sold it to another, then the purchaser acquires nothing.[12]

Otherwise stated, the rescission of the assignment of the right to redeem would have nullified Paulino's redemption of the property. Thus, Metrobank's inchoate right to the property would have become complete as of December 1988, when the twelve-month redemption period expired without the right of redemption having been exercised.

As stated above, Chinabank was a redemptioner that could redeem the property from Metrobank. It was a judgment creditor with a lien on the property sold subsequent to the judgment under which the property was sold. Hence, what Chinabank could have done was to redeem the property ahead of Paulino. In the alternative, it could have moved for the rescission of the assignment to Paulino of the right to redeem, but within the twelve-month period of redemption. Beyond that, there would be no more right of redemption and, thus, no more assignment to rescind.

Assuming that there was no valid assignment of the right to redeem, Paulino, as the son and compulsory heir of Alfonso, could still redeem his father's ½ share in the property from Metrobank. Under Rule 39, Section 29 (a) of the 1964 Rules of Court, the judgment debtor or his successor in interest may redeem real property sold on execution. Paulino is included within the term "successor in interest."

The "successor-in-interest" contemplated by the above provisions includes a person to whom the judgment debtor has transferred his right of redemption, or one to whom he has conveyed his interests in the property for purposes of redemption, or one who succeeds to his property by operation of law, or a person with a joint interest in the property, or his spouse or heirs. A compulsory heir to the judgment debtor qualifies as a successor-in-interest who can redeem property sold on execution.[13]

In Director of Lands v. Lagniton,[14] we held that "the right of a son, with respect to the property of a father or mother, is an inchoate or contingent interest, because upon the death of the father or the mother or both, he will have a right to inherit said conjugal property. If any holder of an inchoate interest is a successor in interest with right to redeem a property sold on execution, then the son is such a successor in interest, as he has an inchoate right to the property of his father."

Thus, Paulino's redemption on January 11, 1989 from Metrobank of the ½ share of Alfonso Roxas Chua in the property covered by TCT No. 410603, with or without the execution of the "Assignment of Right to Redeem", was valid. Necessarily, therefore, the said property no longer belonged to Alfonso Roxas Chua on February 4, 1991, when notice of levy was made against him pursuant to the judgment in Civil Case No. 85-31257 in favor of Chinabank. Petitioner should have levied on other properties of Alfonso Roxas Chua.

Finally, it is not disputed that the property covered by TCT No. 410603 is a family home occupied by Kiang Ming Chu Chua and her children. The levy and execution sale in favor of Metrobank affected the ½ undivided share thereof. In the instant petition, Chinabank prays that the assignment to Paulino of Alfonso's right to redeem be declared null and void and that the levy in its favor on the ½ undivided portion of the property be declared valid. Ultimately, petitioner Chinabank's objective is to acquire ownership of the ½ undivided portion of the property. However, the acquisition by Chinabank, or Metrobank for that matter, of the said portion will create an absurd co-ownership between a bank, on the one hand, and a family, on the other hand, of the latter's family home.

The rigid and technical application of the Rules may be relaxed in order to avoid an absurd result. After all, the Rules of Court mandates that a liberal construction of the Rules be adopted in order to promote their object and to assist the parties in obtaining just, speedy and inexpensive determination of every action and proceeding. This rule of construction is especially useful in the present case where adherence to the letter of the law would result in absurdity and manifest injustice.[15]

Therefore, we affirm the decision of the Court of Appeals in CA-G.R. CV No. 46735, except the awards of moral and exemplary damages, which are deleted. There is no proof of private respondents' physical or mental suffering as a result of petitioner's acts. Likewise, petitioner does not appear to have acted in a malevolent or oppressive manner towards private respondents. However, petitioner should be liable for the attorney's fees incurred by private respondents, since its act of resisting private respondents' causes of action compelled private respondents to litigate.

WHEREFORE, in view of the foregoing, our Decision dated March 7, 2000 is RECONSIDERED AND SET ASIDE. The decision of the Court of Appeals in CA-G.R. CV No. 46735 is AFFIRMED with MODIFICATION. Petitioner is ordered to pay private respondents the sum of P100,000.00 as attorney's fees and to pay the costs. Petitioner China Banking Corporation, the Sheriff of Manila, and the Register of Deeds of San Juan, Metro Manila, their officers, representatives, agents or persons acting on their behalf, are PERMANENTLY ENJOINED from causing the transfer of possession, ownership and title, or from otherwise disposing, of the property covered by Transfer Certificate of Title No. 410603 in favor of petitioner China Banking Corporation or to any other person acting on its behalf. The Register of Deeds of San Juan, Metro Manila is ordered to CANCEL all annotations on TCT No. 410603 in favor of China Banking Corporation pursuant to Civil Case No. 85-31257.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Kapunan, and Pardo, JJ., concur.

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[1] Rollo, p. 222.

[2] Ibid., pp. 307-325.

[3] Ibid., pp. 328-341.

[4] IV Tolentino, Civil Code of the Philippines, 592 [1991]; citing cases.

[5] TSN, January 14, 1994, p. 11.

[6] Exh. "E".

[7] Exh. "F".

[8] One (1) year, under the 1997 Rules of Civil Procedure, Rule 39, Section 28.

[9] 1964 RULES OF COURT, Rule 39, Section 30; Villanueva v. Malaya, 330 SCRA 278, 292 [2000]; Republic of the Philippines v. National Labor Relations Commission, 318 SCRA 459, 463-64 [1999].

[10] 1964 RULES OF COURT, Rule 39, Section 29 (b).

[11] 1964 RULES OF COURT, Rule 39, Section 35.

[12] II Moran, Comments on the Rules of Court, 413 [1996 Ed.].

[13] Villanueva v. Malaya, supra, at 290; Palicte v. Ramolete, 154 SCRA 132, 138-39 [1987].

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[14] 103 Phil. 889, 892 [1958].

[15] Camacho v. Court of Appeals, 287 SCRA 611, 617 [1998].

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