

FELIPE G. UY, PETITIONER, VS. THE LAND BANK OF THE PHILIPPINES, RESPONDENT.

G.R. No. 136100. July 24, 2000

Ponente: KAPUNAN, J.

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KAPUNAN, J.:

On February 24, 1988, the Land Bank of the Philippines filed before the Metropolitan Trial Circuit Court of Iloilo City (MTCC) a complaint for unlawful detainer against Felipe Uy. The bank claimed ownership of two parcels of land located in Quezon Street, Iloilo City, and of the two-story house built thereon, and sought the ejectment of petitioner, the occupant of the premises.

The properties were originally owned by a certain Tia Yu. Tia Yu, through a special power of attorney, authorized Gold Motors Parts Corporation to mortgage the same as security for a loan extended by the bank to Gold Motors. On August 19, 1980, Gold Motors mortgaged the properties to Land Bank but it eventually defaulted on the loan, prompting Land Bank to initiate foreclosure proceedings. The highest bidder in the foreclosure sale, Land Bank was subsequently issued a certificate of sale in its favor. Titles to the properties[1] were consolidated in the name of Land Bank in October 1986.

The defendant, Felipe Uy, averred that he furnished Tia Yu the materials used to construct the house on the land but Tia Yu failed to pay fully for the value of said materials. Thus, on February 1980, he and Tia Yu agreed that the former shall occupy the house and apply the rent as payment to the balance of Tia Yu's debt amounting to P400,000.00. The terms of their agreement were later put into writing in a Lease Contract dated June 6, 1982.

On March 31, 1989, the MTCC rendered a decision finding in Uy's favor. The court found that at the time the mortgage was constituted the bank was aware that petitioner was leasing the property. Accordingly, the bank accepted the terms of the mortgage subject to the terms of said lease. The MTCC disposed of the case as follows:

WHEREFORE, judgment is rendered dismissing plaintiff[']s complaint, confirming the right of defendant to continue in possession in accordance with the Lease Contract, Exh. "1", as already renewed by defendant per said contract's own provisions; and ordering the plaintiff to pay defendant the sum of P10,000.00 as attorney's fees and P5,000.00 as litigation expenses.[2]

On appeal by Land Bank, the Regional Trial Court (RTC) affirmed the decision of the MTCC in toto. In addition, the RTC made mention in the body of its decision that the mortgage between Gold Motors and Land Bank was void since under Article 2085 of the Civil Code the mortgagor must be the absolute owner of the property mortgaged. This finding, however, is not reflected in the dispositive portion of the RTC decision, which reads:

WHEREFORE, with all the foregoing disquisition, the court finds no cogent reason to disturb the findings of the trial court and with more reason where plaintiff-appellant cannot validly and legally claim, to say the least, any POSSESSION over the subject properties involved herein. Hence, the assailed decision, should be, as it is AFFIRMED en toto [sic].

No cost.

SO ORDERED.[3]

On December 12, 1996, Land Bank filed in the Court of Appeals (CA) a motion for a 30-day extension to file a petition for review, alleging that:

- On May 7, 1996, LANDBANK, received a copy of the decision promulgated by the respondent Regional Trial Court of Iloilo on April 19, 1996;
- On May 16, 1996, Petitioner LANDBANK filed a Motion for Reconsideration of the aforementioned decision;
- On December 6, 1996, LANDBANK received a Notice of Resolution promulgated on November 15, 1996 denying the said Motion for Reconsideration. Thus, LANDBANK has six (6) days or until December 12, 1996 to elevate the case through a petition for review on certiorari to the Honorable Court of Appeals;
- On December 10, 1996, the undersigned counsel received the records of this case from the Petitioner's Regional Legal Manager based in Iloilo City, for purposes of filing the said Petition for Review on Certiorari since it is the practice of Petitioner that appealed cases are being handled by its Head Office Lawyers. Hence, undersigned counsel only have two (2) days to file the said Petition for Review on Certiorari;
- That the records sent by the Petitioner's Regional Legal Manager in Iloilo City is incomplete and undersigned counsel already notified the former of the needed documents and hence, the latter lacks material time within which to prepare the Petition for Review on Certiorari;
- In view hereof, petitioner by the undersigned counsel requests for an extension of thirty (30) days within which to file its Petition for Review reckoned from December 12, 1996 or until January 11, 1997;

x x x.[4]

In a Resolution dated January 14, 1997, the CA granted Land Bank an extension of "fifteen (15) days only or until December 27, 1996" to file its petition. Land Bank did not file its petition within the extension granted, however. Instead, it filed the petition only on January 11, 1997 or fifteen days beyond the extension granted by the CA.

On January 23, 1997, respondent filed in the CA a "Manifestation and Motion" reiterating most of the allegations in its motion for extension, and adding that:

x x x

- The undersigned counsel could not file the Petition for Review on December 27, 1996 considering that he received the essential documents only in the afternoon of December 26, 1996 and besides, the Resolution of the Honorable Court granting him until December 27, 1996 to file the Petition for Review was received only on January 20, 1997. At the same time, the undersigned counsel also has to contend with the pressures of preparing equally important pleadings, memoranda and other documents in equally important cases for the Petitioner;
- In addition and more importantly, the undersigned counsel also needed more time within which to read and study the voluminous records of this case, which he has to do for the first time, before filing the Petition for Review since he was not the handling lawyer of the case during trial and even when it was appealed with the Regional Trial Court of Iloilo. Hence, the prayer for a reasonable period of thirty days or until January 11, 1997 within which to file the said Petition for Review.[5]

Land Bank prayed that the Court of Appeals reconsider its Resolution dated January 14, 1997 and to admit the petition.

On February 20, 1997, the CA issued a resolution granting the manifestation and motion, and admitting the petition. It also ordered petitioner herein to comment on the petition.

Previously, petitioner filed a motion to dismiss and an opposition to the manifestation and motion praying for the court to dismiss Land Bank's petition. The CA merely noted these pleadings in separate resolutions.

On March 22, 1997, Felipe Uy filed his comment, raising among other issues, the timeliness of the petition.

On July 1, 1998, the CA rendered a decision reversing the decision of the RTC. It held that Land Bank had a superior right over the property since it was already issued a Transfer Certificate of Title (TCT) in its name. The CA also ruled that the RTC erred in declaring the mortgage void since the validity of the mortgage was not in issue in the proceedings before the MTCC. The dispositive portion of the CA decision states:

WHEREFORE, premises considered, the assailed decision (dated April 19, 1996) and resolution (dated November 15, 1998) of the respondent court in Civil Case No. 22138 are hereby REVERSED and SET ASIDE – and the private respondent ordered to surrender the possession of the subject premises to the petitioner. Costs against the private respondent.

SO ORDERED.[6]

Land Bank filed a motion for partial reconsideration, asking that the CA award reasonable rent in its favor. Felipe Uy likewise filed a motion for reconsideration. The CA denied both parties' respective motions in a Resolution dated October 2, 1998.

On December 2, 1998, Felipe Uy filed in this Court a petition to review the decision of the CA.

In a Resolution dated February 15, 1999, the Court denied the petition for (a) lack of certification against forum shopping, and (b) lack of verification.

On March 4, 1999, counsel for petitioner filed a "Motion for Admission of Verification and Certification against Forum-Shopping." Apparently, counsel, at the time of the filing of the motion, had not yet received the February 15, 1999 Resolution denying the petition. Counsel alleged that:

- He has filed for the petitioner the above-entitled petition for review on certiorari dated November 30, 1998, with this Honorable Court;
- Until today, he has not yet been notified of any action taken thereon;
- While again reviewing his "office copy" of the above-entitled petition, he just discovered that it contained no Verification and Certification Against Forum-Shopping, and he is afraid that the copies submitted and filed with this Honorable Court may also lack this requirement;
- This non-inclusion of this requirement is only due to excusable neglect and honest inadvertence and may have happened in the process of collating the many pages of the petition and in the attaching the many annexes thereto;
- Undersigned most respectfully submits that at this stage of the proceeding, no material damage, injury or prejudice has yet been caused because (a) as earlier stated, he has yet no notice that any action has already been taken by this Honorable Court on said petition and (b) no pleading has yet been filed by the respondent thereto x x x.[7]

Attached to the motion was a "verification/certification."

On March 15, 1999, petitioner filed a Motion for Reconsideration, praying that the verification/certification be admitted to cure the defect of the petition. Petitioner alleged that he received the Resolution denying the petition

only on March 10, 1999.

On June 14, 1999, the Court issued a Resolution denying the motion for admission of verification and certification against forum shopping for lack of merit. In the same resolution, the Court denied with finality reconsideration of the February 15, 1999 Resolution denying the petition.

On July 28, 1999, petitioner filed a “Motion for Leave to File and for Admission of Second Motion for Reconsideration,” reiterating its allegations in its motion for admission of verification and certification against forum shopping. The motion for leave was accompanied by the second motion for reconsideration.

In a Resolution dated September 27, 1999, the Court required respondent Land Bank to comment on the motion for leave and the motion for second motion for reconsideration. In compliance, respondent submitted its Comment on November 9, 1999. On December 3, 1999, petitioner filed a Reply to respondent’s Comment.

In a Resolution dated March 22, 2000, the Court granted the second motion for reconsideration, reinstated the petition and required respondent to comment.

In its Comment, respondent submits that the Court should not have reinstated the petition.

It may be recalled that the Court initially dismissed the present petition on two grounds, namely, (1) for lack of verification, and (2) for lack of a certification against forum shopping.

The requirement regarding verification of a pleading is formal, not jurisdictional.[8] Such requirement is simply a condition affecting the form of pleading, the non-compliance of which does not necessarily render the pleading fatally defective.[9] Verification is simply intended to secure an assurance that the allegations in the pleading are true and correct and not the product of the imagination or a matter of speculation, and that the pleading is filed in good faith.[10] The court may order the correction of the pleading if verification is lacking or act on the pleading although it is not verified, if the attending circumstances are such that strict compliance with the rules may be dispensed with in order that the ends of justice may thereby be served.[11]

The lack of certification against forum shopping, on the other hand, is generally not curable by the submission thereof after the filing of the petition. Section 5, Rule 45 of the Rules of Court provides that the failure of petitioner to submit the required documents that should accompany the petition, including the certification against forum shopping, shall be sufficient ground for the dismissal thereof.

In some cases, though, this Court deemed the belated filing of the certification as substantial compliance with the requirement. In *Loyola vs. Court of Appeals*,^[12] the Court held that the filing of the certification, a day after the filing of an election protest and while within the reglementary period, constituted substantial compliance.

In *Kavinta vs. Castillo, Jr.*,^[13] the Court allowed the submission of the certification after the filing of the petition since Administrative Circular 04-94 was then in effect for only a little over a month when the complaint was filed. “The proximity then of the filing of the complaint to the date of the effectivity of the Circular may be pleaded as a justifiable circumstance, and the belated filing of the certification required thereunder may be deemed a substantial compliance therewith.” The ruling, however, was expressly *pro hac vice*:

x x x. We thus rule *pro hac vice*, but not without a whit of reluctance, that this special circumstance in this case could sustain the action of the respondent Judge. This should not be taken, however, as a precedent. Elsewise stated, the mere submission of a certification under Administrative Circular No. 04-94 after the filing of a motion to dismiss on the ground of non-compliance thereof does not ipso facto operate as a substantial compliance; otherwise the Circular would lose its value or efficacy.

In *Roadway Express, Inc. vs. Court of Appeals*,^[14] the Court considered as substantial compliance the filing of

the certification 14 days before the dismissal of the petition. The Court even cited an instance where this Court allowed the filing of the certification even after the dismissal of the petition for non-compliance with the requirement:

x x x If subsequent compliance [citing *Sanchez vs. CA*, G.R. 111255, February 7, 1994, First Division, Minute Resolution] with Circular 28-91, after a petition was dismissed for non-compliance was considered by the court as substantial compliance [citing *Fajardo, Jr. vs. CA*, G.R. 112558, en banc, Minute Resolution], with more reason should the petition for review be allowed in this case, in view of the compliance prior to the dismissal of the petition.

The admission of the petition after the belated filing of the certification, therefore, is not unprecedented. In those cases where the Court excused non-compliance with the requirements, there were special circumstances or compelling reasons making the strict application of the rule clearly unjustified.[15] In the case at bar, the apparent merits of the substantive aspects of the case should be deemed as a “special circumstance” or “compelling reason” for the reinstatement of the petition. That counsel for petitioner filed the “verification/certification” before receipt for the resolution initially denying the petition also mitigates the oversight.

In any event, this Court has the power to suspend its own rules when, as in this case, the ends of justice would be served thereby.[16]

We come now to the merits of the petition.

Petitioner contends that the CA should have dismissed Land Bank’s petition for review outright for having been filed beyond the extension granted. Petitioner invokes *Lacsamana vs. Second Special Cases Division of the Intermediate Appellate Court*[17] where this Court held that “an extension of only fifteen days for filing a petition for review may be granted by the Court of Appeals, save in exceptionally meritorious cases.”

The *Lacsamana* ruling, pursuant to Supreme Court Resolution dated November 24, 1992, was subsequently embodied in Rule 6, Section 3 of the Revised Internal Rules of the Court of Appeals [RIRCA] (As Amended), which states:

SEC. 3. Petitions for Review. – Within the period to appeal, the petitioner shall file a verified petition in seven (7) legible copies and (1) one copy thereof shall be served on each of the respondents. Upon proper motion presented before the expiration of the original reglementary period, the Court may grant a non-extendible additional period of fifteen (15) days save in exceptionally meritorious cases within which to file the petition for review; Provided, however, that should there be no petition filed within the extended period, the case shall be dismissed. A petition filed after the period shall be denied due course outright. The Regional Trial Court shall be furnished a copy of the resolution to this effect. (As amended by S. Ct. Res., dated November 24, 1992)

The *Lacsamana* ruling was reiterated in *Loboro vs. Court of Appeals*.[18]

In the case at bar, the petition was filed 15 days after the period allowed by the CA. If the CA were to strictly follow the provisions of Section 3, Rule 6 of the RIRCA, it should have dismissed the petition filed by Land Bank outright. The CA obviously did not find any compelling reason in the motion for extension to warrant the allowance of a period longer than the usual fifteen days. Indeed, it granted an extension of only 15 days, instead of the 30 days respondent prayed for. Respondent, for its part, should not have assumed that the CA would grant an extension or, if at all, the time prayed for.[19]

Nevertheless, we find that the CA did not err in admitting respondent’s petition. There is nothing in the Rules of Court or in the RIRCA that would prevent the CA from reconsidering its resolution granting only a 15-day extension, and thereafter admitting the petition. Moreover, the CA in this case apparently found merit in the

petition, even granting the same eventually. The court acted well within its discretion for cases should be decided as much as possible on the merits rather on technicalities.

It is also in the exercise of this discretion and, ultimately, in the interest of justice that we have reinstated the petition herein: petitioner's right to possession of the property is clearly superior to respondent's right to possess the same.

In respect of the lease on the foreclosed property, the buyer at the foreclosure sale merely succeeds to the rights and obligations of the pledgor-mortgagor subject to the provisions of Article 1676 of the Civil Code on its possible termination.[20] This article provides that "[t]he purchaser of a piece of land which is under a lease that is not recorded in the Registry of Property may terminate the lease, save when there is a stipulation to the contrary in the contract of sale, or when the purchaser knows of the existence of the lease." In short, the buyer at the foreclosure sale, as a rule, may terminate an unregistered lease except when it knows of the existence of the lease.

The MTCC in this case found it difficult to believe that respondent did not know of the existence of the lease since it was the bank's practice to conduct periodic inspections on the property. The MTCC found:

The contention of plaintiff that it learned of the possession of defendant in 1986 only does not appear to be supported by its own evidence. Plaintiff's witness, Clarita Rebuena, testified that before accepting the property for collateral of a loan, plaintiff "will send the inspector to check the property and examine the same[.]" and that "[t]he bank will never loan and accept real properties [to be] mortgage[d] without examining or inspecting the property[;]" x x x that, this procedure was observed in this case; and that, one of the purpose[s] of this inspection is to determine the actual occupant of the premises (TSN, Rebuena, January 11, 1991, p. 15-16). Furthermore, after the mortgage was constituted, which was in August, 1980 in this case, plaintiff also conducted periodic inspection of the premises which is done at least annually, to determine the condition of the property and its actual occupant for the purpose of collection and monitoring of account (Ibid, p. 18). In fact, the bank inspector reported the name of the occupant – the defendant in this case – to plaintiff (Ibid, pp. 18-19). Her testimony is corroborated by plaintiff's witness, Ivan Binayas (TSN, January 30, 1991, pp. 16-20).[21]

The only conclusion that can be drawn from the foregoing is that Land Bank knew of the lease and, under Article 1676 of the Civil Code, it may not terminate the same.

The rights, therefore, acquired by the defendant as lessee of the estate above referred to, which were known to the estate above referred to, which were known to the plaintiff at the time of purchasing it, cannot be prejudiced, as they cannot be affected by such a transfer.

The plaintiff is not, therefore, entitled to terminate the lease in question, and having been subrogated into the legal situation of the lessor, created by the contract of lease which was known to [plaintiff], it is [plaintiff's] duty to respect it in toto.[22]

The issuance of the Transfer Certificates of Title (TCT) over the properties in respondent's name does not entitle it to disregard the lease. A TCT is mere evidence of ownership, and ownership may be subjected to limitations imposed by law, in this case, by Article 1676 of the Civil Code.

Nevertheless, we agree with respondent that the CA did not err in holding that the RTC, by advertent to the validity of the mortgage, delved into an issue beyond its jurisdiction. The only issue before the RTC was who between petitioner and respondent had a better right of possession over the subject properties. The validity of the mortgage was not raised by the parties in the MTCC, much less in the RTC, and the resolution thereof was not necessary for the disposition of the case.

WHEREFORE, the petition is given DUE COURSE and the decision of the appellate court is SET ASIDE insofar

as it ordered petitioner to surrender possession of the subject property to respondent. The Decision of the Municipal Trial Court in Cities of Iloilo City, Branch 4, is hereby REINSTATED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Pardo, and Ynares-Santiago, JJ., concur.

[1] TCT No. T-73490 and TCT No. T-73491.

[2] Rollo, p. 196.

[3] CA Rollo, p. 43. Underscoring in the original.

[4] CA Rollo, pp. 1-2.

[5] CA Rollo, p. 9.

[6] Rollo, p. 54.

[7] Rollo, p. 62.

[8] *Sy vs. Habacon-Garayblas*, 228 SCRA 644 (1996); *Buenaventura vs. Halili-Uy*, 149 SCRA 22 (1987); *Quimpo vs. Victoria*, 46 SCRA 139 (1972); *Valino vs. Munoz*, 35 SCRA 413 (1970); *Republic vs. Lee Wai Lam*, 28 SCRA 1043 (1969).

[9] *Republic vs. Lee Wai Lam*, *supra*.

[10] *Buenaventura vs. Uy*, *supra*; *Republic vs. Lee Wai Lam*, *supra*.

[11] *Sy vs. Habacon-Garayblas*, *supra*; *Republic vs. Lee Wai Lam*, *supra*.

[12] 245 SCRA 477 (1995). However, in *Tomarong vs. Lubguban*, 269 SCRA 624 (1997), the Court did not consider the subsequent filing of the certification a substantial compliance with the requirements of the Circular. The certification was submitted 18 days from the date of the filing of the election protest, and after the reglementary period for filing thereof.

[13] 249 SCRA 604 (1995).

[14] 264 SCRA 696 (1996).

[15] *Sps. Apolinario Melo and Lilia T. Melo, and Julia Barreto vs. The Hon. Court of Appeals and Arsenia Coronel*, G.R. No. 123686, November 16, 1999.

[16] *Go vs. Court of Appeals*, 297 SCRA 574 (1998).

[17] 143 SCRA 643 (1986).

[18] 218 SCRA 193 (1993), cited in *Videogram Regulatory Board vs. Court of Appeals*, 265 SCRA 50 (1996).

[19] *Orosa vs. Court of Appeals*, 261 SCRA 374 (1996).

[20] *Castro, Jr. vs. Court of Appeals*, 250 SCRA 661 (1995).

[21] *Records*, pp. 232-233.

[22] T. de Winkleman and Winkleman vs. Veluz, 40 Phil. 604 (1922).

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