

RURAL BANK OF STA. IGNACIA, INC., PETITIONER, VS. PELAGIA DIMATULAC, GLORIA DIMATULAC, NORA M. VDA. DE GRACIA AND ANTONIO NUQUI, RESPONDENTS.*G.R. No. 142015. April 29, 2003*

Ponente: QUISUMBING, J.

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Before us is a petition for review on certiorari seeking to set aside the decision[1] of the Court of Appeals, dated November 26, 1999, in CA-GR SP No. 52157, which dismissed the petitioner's petition for review to set aside the decision[2] of the Regional Trial Court (RTC) of Tarlac City, Branch 64, in Civil Case No. 8670. The RTC affirmed the decision[3] of the Municipal Trial Court (MTC) of Tarlac City, Branch 2, dismissing herein petitioner's complaint for unlawful detainer and damages against respondents.

Before the MTC, petitioner had filed what appeared to be a simple ejectment case, but as found out by the Court of Appeals, the parcel of land subject of the dispute has a long and convoluted history, to wit:

Back in August 17, 1965, Prudencia Reyes purchased from the now defunct Rural Progress Administration (RPA), an 800-square meter parcel of land identified as Lot 11, Block 8 of the Subdivision Plan, Psd-24941 located in Barrio Suizo and Barrio San Rafael, Tarlac, Tarlac. As a result of the purchase, TCT No. 65765 was issued in her favor. However, the deed of sale in favor of Reyes was later cancelled by the Department of Agrarian Reform (DAR) by reason of her non-occupancy of said property, and made the land available for distribution to the landless residents of San Rafael.

In 1971, respondents took possession of the property and were allocated portions of 200 square meters each. They paid the purchase price and awaited their Emancipation Patent titles.

Despite her knowledge that the land had reverted to the government, Reyes sold the property to the spouses Maximo Valentin and Retina Razon in a Deed of Sale dated April 4, 1973. The spouses thereafter obtained TCT No. 106153 thereon. On finding, however, that respondents were in possession of the property, Valentin and Razon filed a complaint for recovery and damages against respondents, docketed as Civil Case No. 6152, with the Regional Trial Court of Tarlac, Tarlac. The Republic of the Philippines intervened in said case and along with respondents, contending that the title of the spouses was null and void, because the sale by Reyes was in violation of the terms and conditions of sale of the lot by the RPA to Reyes.

The trial court decided in favor of the spouses Maximo Valentin and Retina Razon. But on appeal, the appellate court in CA-G.R. CV No. 14909, entitled "Spouses Maximo E. Valentin and Retina Razon v. Sps. Ricardo Garcia and Mona Macabili, et al.," reversed the judgment, cancelled the title of the spouses, and decreed the reversion of the property to the government for disposition to qualified beneficiaries. The decision of the Court of Appeals in CA-G.R. CV No. 14909 dated August 31, 1990, attained finality on September 22, 1990, as per entry of judgment dated February 22, 1991.

Meanwhile, on February 15, 1987, or during the pendency of CA-G.R. CV No. 14909, Razon, through her attorney-in-fact, mortgaged the property to petitioner rural bank to secure a loan of P37,500.00. The property was subsequently extra-judicially foreclosed when Razon failed to pay the loan and on October 20, 1987, petitioner purchased the property. TCT No. 330969 dated May 11, 1989 was accordingly issued to herein petitioner.

On March 4, 1997, petitioner filed a complaint for unlawful detainer and damages with the MTC of Tarlac, Tarlac, docketed as Civil Case No. 6367. Petitioner alleged that respondents were occupying the property by mere tolerance as they had no contract of lease with it, nor right or claim annotated on its title. It also averred that it had advised respondents of its purchase of the property and had demanded that respondents vacate the same, but its notice went unheeded.

Respondents in their Answer claimed that they had been occupants of the land since 1971 and had been awarded as beneficiaries by the government after the titles of Reyes and Razon were nullified. They also maintained that the lots had been reverted to the government by virtue of the final and executory judgment in CA-G.R. CV No. 14909.[4]

On April 6, 1998, the municipal court decided Civil Case No. 6367 in this wise:

WHEREFORE, premises considered, the instant case is hereby dismissed for want of jurisdiction. The counter-claim is likewise dismissed for lack of jurisdiction to grant. No pronouncement as to costs.

SO ORDERED.[5]

In dismissing the complaint, the MTC found that the possession of respondents was not by mere tolerance but as lawful beneficiaries. It also declared that it had no jurisdiction over the case as it involved the issue of ownership. The court noted that the respondents were lawful beneficiaries of a government land grant while petitioner was not a purchaser in good faith and hence, could not avail of the protective mantle of the indefeasibility of Torrens Title. It concluded that its competence to decide the case was limited only to addressing the question of ownership in order to determine the issue of de facto possession.[6]

Petitioner then elevated the matter to the RTC of Tarlac City, Branch 64 in Civil Case No. 8670. The RTC ruled on the appeal as follows:

ACCORDINGLY, above premises all considered, this Court hereby affirms the lower court's Judgment, dated April 6, 1998, dismissing the case. With costs against appellant.

SO ORDERED.[7]

In affirming the judgment of the municipal court, the RTC ruled that petitioner could not eject respondents from said property as: (1) there was no legal relationship, e.g. such as a lease agreement or otherwise, between them that has expired or terminated; (2) respondents' possession was not through the tolerance of petitioner; (3) respondents were in possession of the lot as lawful/rightful possessors, vis-a-vis their status as occupants-beneficiaries of the DAR, previously RPA. Therefore, respondents had a better right to possession as against petitioner rural bank.[8]

Petitioner then moved for reconsideration, but this was likewise denied by the RTC in its Order dated March 15, 1999.[9]

Petitioner then filed a petition for review on certiorari with the Court of Appeals, docketed as CA-G.R. SP No. 52517. The appellate court, however, dismissed the petition and ruled that the possession of respondents was not by mere tolerance but by lawful mandate of the law and by virtue of its final judgment in CA-G.R. CV No. 14909, thus:

WHEREFORE, the petition at bench is hereby DISMISSED. Without costs.

SO ORDERED.[10]

Hence, the instant recourse to this Court premised on the following issues:

- WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT CONSIDERING THAT PETITIONERS' OWNERSHIP OVER THE PROPERTY IN LITIGATION WAS ACQUIRED THRU AN EXTRAJUDICIAL FORECLOSURE SALE;
- WHETHER OR NOT THE COURT OF APPEALS ERRED IN APPLYING THE DECISION IN C.A.-G.R. CV NO. 14909 IN THE CASE AT BENCH;
- WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT TREATING THE POSITION PAPER OF THE RESPONDENTS AS A MERE SCRAP OF PAPER FOR HAVING BEEN FILED FIFTEEN (15) DAYS LATE;
- WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT CONSIDERING THAT EXHIBITS MARKED ONLY DURING THE PRE-TRIAL SHOULD NOT BE TREATED AS EVIDENCES.[11]

Worth noting, the issues raised by petitioner involve questions on procedure premised on a very rigid and strict application of the Rules of Court. Petitioner faults the appellate court for sustaining the liberal interpretation of the rules by the trial court. However, this case springs from a complaint for unlawful detainer. In forcible entry and detainer cases, which are summary in nature to minimize disturbance of social order, procedural technicalities should be carefully avoided and should not be allowed to override substantial justice.[12] The interest of substantial justice is best served if both parties in a case like this are heard and their respective claims considered through their respective pleadings and position papers. A liberal interpretation of the technical rules, which does not subvert the nature of the Rule on Summary Procedure nor defeat its objective of expediting the adjudication of suits,[13] is not disfavored by this Court.

Coming to the issues as formulated by petitioner, we find that the only issue left for our resolution is: Did the Court of Appeals commit a reversible error when it dismissed the petition of the bank? In our view, it did not err when it sustained the judgment of the regional trial court which earlier also sustained that of the municipal trial court.

Petitioner contends that as the absolute and registered owner of the subject land as a mortgagee-purchaser in a foreclosure sale it is entitled to possession of the land as an attribute of ownership. Petitioner further argues that it cannot be faulted for relying on the validity of Valentin and Razon's title as it had checked and verified the status of said title on file with the Register of Deeds and found that it was free from any lien and encumbrance.[14] Further, petitioner submits that the decision of the Court of Appeals in CA-G.R. No. 14909 cannot defeat its right to eject respondents as it is not bound by the said judgment because petitioner was not impleaded as a party therein. Moreover, according to petitioner when the decision in CA-G.R. No. 14909 nullifying Razon's title became final, said title was already cancelled and another title already issued in favor of petitioner. For this reason, petitioner insists the CA decision could not comprehend within its ambit petitioner's title to the land.

Respondents contend that petitioner could not properly raise in issue the question of ownership in an action for unlawful detainer under the Rule on Summary Procedure. Petitioner should seek the proper remedy through an ordinary civil proceeding. Moreover, they argue that petitioner was totally negligent in its duty to determine the propriety of accepting the property for a mortgage by the Valentin and Razon spouses. Thus, it is estopped from claiming good faith. Further, respondents add that since the title of Razon was declared null and void, petitioner as the successor-in-interest acquired no rights of ownership over the land it purchased through public auction.

In ejectment cases the question is limited to which party among the litigants is entitled to the physical or material possession of the premises, that is to say, who should have possession de facto.[15] Settled is the rule, however, that in an ejectment case, the assertion by a defendant of ownership over the disputed property does not serve to divest an inferior court of its jurisdiction.[16] When the defendant raises the defense of ownership and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved for the purpose only of determining the issue of possession.[17] Said judgment shall be conclusive with respect to the possession only, and shall in no wise bind the title of the realty, or affect the ownership thereof. It shall not bar an action between the same parties respecting title to the real property.[18] Only with this understanding of that well-entrenched principle can we accept the ruling of the municipal court in Civil Case No. 6367 that “the case is dismissed for want of jurisdiction.”[19]

Petitioner’s contention that the final and executory judgment of the Court of Appeals in CA-G.R. CV No. 14909 does not bind the bank, in our view, is devoid of merit. Rule 39, Section 47 (b)[20] of the 1997 Rules of Civil Procedure, speaks of conclusiveness of judgment as “between the parties and their successors-in-interest by title subsequent to the commencement of the action.” In the present case, petitioner herein derived its title from the Valentin and Razon spouses, after an extrajudicial foreclosure sale. Under the law which permits a successor in interest to redeem the property sold on execution, the term “successor-in-interest” includes one to whom the debtor has transferred his statutory right of redemption; one to whom the debtor has conveyed his interest in the property for the purpose of redemption; or one who succeeds to the interest of the debtor by operation of law.[21] Petitioner acquired its title while CA-G.R. CV No. 14909 was pending before the Court of Appeals. To acquire title, the successor-in-interest must do so subsequent to the commencement of the action, and not before such commencement.[22] Having derived title from the Spouses Valentin and Razon, whose title was nullified by the final and executory decision of the Court of Appeals in CA-G.R. CV No. 14909, the petitioner cannot escape the effect of the appellate court’s judgment in said case. The rural bank as purchaser at an auction sale does not have a better right to said property than their predecessors-in-interest, namely the Valentin and Razon couple.

The rule that persons dealing with registered lands can rely solely on the certificate of title does not apply to banks.[23] The degree of diligence required of banks is more than that of a good father of a family; in keeping with their responsibility to exercise the necessary care and prudence in dealing even with a registered or titled property. The business of a bank is affected with public interest, holding in trust the money of the depositors, which the bank should guard against loss due to negligence or bad faith. For this reason, the bank is not allowed to rely merely on the protective mantle of the land registration law, which is normally accorded only to purchasers or mortgagees for value and in good faith.[24]

In the present case, while petitioner sent a representative to verify the original TCT on file with the Registrar of Deeds, no ocular inspection of the premises took place. Judicial notice may be taken of the common practice of banks, before approving a loan, to send a representative to the premises of the land offered as collateral and duly investigate who are the true owners thereof. Failure to do so is negligence on the part of a bank.[25] Had petitioner taken extra steps, time and effort in dealing with the property it purchased by conducting proper ocular inspection of the premises, it could have discovered early the presence of settlers therein who are land reform beneficiaries.

To capitulate, we find no reversible error in the decision of the Court of Appeals sustaining those of the lower courts that the possession of respondents is not by mere tolerance. Respondents’ possession springs from their right as lawful beneficiaries of a government program, pursuant to law. Certainly, the decision of the appellate court in CA G.R. CV No. 14909 binds not just the beneficiary but also the bank as claimant of the land. In contrast, petitioner’s claim to possession of the land emanates from a nullified and non-existing title of its

predecessors-in-interest, from which it cannot rely to eject the respondents from the premises.

WHEREFORE, the petition is DENIED. The decision of Court of Appeals, dated November 26, 1999 in CA-G.R. SP No. 52157 as well as the Resolution dated February 18, 2000, denying the Motion for Reconsideration are AFFIRMED. Costs against petitioner.

SO ORDERED.

Bellosillo (Chairman), and Callejo, Sr., JJ., concur.

Austria-Martinez, J., took no part.

[1] Rollo, pp. 170-A - 176. Penned by Associate Justice Renato C. Dacudao, with Associate Justices Ma. Alicia Austria-Martinez and Salvador J. Valdez, Jr. concurring.

[2] Id. at 144-150.

[3] Id. at 105-112.

[4] Id. at 172-173.

[5] Id. at 112.

[6] Id. at 111-112.

[7] Id. at 150.

[8] Id. at 148.

[9] Id. at 164-169.

[10] CA-Rollo, p. 148.

[11] Rollo, p. 247.

[12] Rosales v. Court of Appeals, G.R. No. 95697, 5 August 1991, 200 SCRA 300, 306, citing Salvador v. Salamanca, 228 Phil. 265 (1986) and Dakudao v. Hon. Consolacion, 207 Phil. 750 (1983).

[13] Gachon v. Hon. Devera, Jr., 340 Phil. 647 (1997).

[14] Rollo, pp. 248-250.

[15] Lagrosa v. Court of Appeals, G.R. Nos. 115981-82, 12 August 1999, 312 SCRA 298, 308.

[16] Cruz v. Court of Appeals, 369 Phil. 161 (1999).

[17] Sec. 16, Rule 70 of the Revised Rules of Court.

[18] Sec. 18, par. 1 Rule 70 of the Revised Rules of Court.

[19] Rollo, p. 112.

[20] SEC. 47. Effect of judgments or final orders. – The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or order may be as follows:

x x x x x x x x

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other

matter that could have been raised in relation thereto, conclusive between the parties and their successors-in-interest by title subsequent to the commencement of the action or special proceedings, litigating for the same thing and under the same title and in the same capacity;

x x x x x x x x

[21] Magno v. Viola and Sotto, 61 Phil. 80, 84-85 (1934).

[22] De Leon v. De Leon, et al., 98 Phil. 589, 591 (1956). (*Italics supplied.*)

[23] Robles v. Court of Appeals, G.R. No. 123509, 14 March 2000, 328 SCRA 97, 113; Rural Bank of Compostela v. Court of Appeals, 337 Phil. 521 (1997), citing Tomas v. Tomas, No. L-36897, 25 June 1980, 98 SCRA 280, 286.

[24] Canlas v. Court of Appeals, G.R. No. 112160, 28 February 2000, 326 SCRA 415, 421.

[25] Development Bank of the Philippines v. Court of Appeals, G.R. No. 129471, 28 April 2000, 331 SCRA 267, 289; Cavite Development Bank v. Lim, 381 Phil. 355 (2000); Rural Bank of Sariaya, Inc. v. Yacon, G.R. No. 78011, 5 July 1989, 175 SCRA 62, 68. See also Tomas v. Tomas, *supra*, note 23.

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