

NATIONAL INVESTMENT AND DEVELOPMENT CORPORATION, PETITIONER, VS. SPOUSES FRANCISCO AND BASILISA BAUTISTA, RESPONDENTS.

G.R. No. 150388. March 13, 2009

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before Us is a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court filed by the National Investment and Development Corporation (NIDC)[1] assailing the 15 October 2001 Decision[2] of the Court of Appeals in CA-G.R. CV No. 60159, entitled, "Spouses Francisco and Basilisa Bautista v. National Investment Development Corporation." It stemmed from Civil Case No. Q-28360, a complaint for reconveyance of real property and damages instituted by respondents, Spouses Francisco Bautista and Basilisa Roque (Spouses Bautista), against Banco Filipino Savings and Mortgage Bank (Banco Filipino) and NIDC with the Court of First Instance (CFI) of Rizal, and later assigned to the Regional Trial Court (RTC) of Quezon City, Branch 94, pursuant to this Court's Administrative Order No. 26-90, as amended by Administrative Order No. 85B-89, dated 16 February 1990 and 11 March 1991, respectively.

From the record, the antecedent facts of this case are as follows:

The Spouses Bautista owned several lots located at Pasong Tamo, Quezon City. One such property was a 6,368-square (sq.)-meter lot covered by Transfer Certificate of Title (TCT) No. 35034.

On 26 July 1963, the Spouses Bautista sold several lots to one Araceli Wijangco Vda. de Del Rosario (Del Rosario). Included in the lots sold was a portion of the aforescribed 6,368-sq.-meter lot, measuring about 822 sq. meters. Del Rosario succeeded in securing certificates of title covering the purchased lots in her name, including TCT No. 35034. TCT No. 35034, however, covered not just the 822-sq.-meter portion sold to her, but the entire 6,368 sq. meters thereof. A new title, TCT No. 70813, was issued in the names of Spouses Bautista and Del Rosario covering the entire area of 6,368 sq. meters.

Subsequently, Del Rosario mortgaged the lots she purchased from the Spouses Bautista with the Philippine Commercial and Industrial Bank (PCIB) to secure a loan she obtained from the said bank. Again, the whole 6,368-sq.-meter lot was subjected to the encumbrance and not just the 822-sq.-meter portion thereof pertaining to Del Rosario.

Del Rosario apparently failed to pay her obligation to PCIB; thus, the said bank instituted proceedings for the extrajudicial foreclosure of the mortgaged real estate properties. PCIB was issued on 24 November 1965 the Certificate of Sale for being the highest bidder of the foreclosed real properties at the public auction sale. On 4 May 1966, PCIB assigned its rights over the aforementioned lots to NIDC. The Certificate of Sale and subsequent assignment were annotated at the back of TCT No. 70813 on 16 May 1966.

In the interregnum, however, because Del Rosario failed to complete payment on the lots she earlier purchased

from the Spouses Bautista, the latter filed on 17 November 1964 before the CFI of Rizal, Quezon City, Branch IV, a complaint docketed as Civil Case No. Q-8407, entitled, "Spouses Basilisa Roque and Francisco Bautista v. Araceli W. Vda. de Del Rosario and the Philippine Commercial and Industrial Bank," for the rescission of the Contract of Sale in favor of Del Rosario; reconveyance of the lots subject of the Contract; and the cancellation of the mortgages constituted over the said lots in favor of PCIB. On 25 January 1965, the CFI rendered a Decision^[3] ordering the rescission of the subject Contract of Sale and the return of the lots covered by said agreement to the Spouses Bautista; without prejudice, however, to the rights of PCIB as a mortgagee of the same. The Spouses Bautista shall take the lots subject to the mortgage constituted thereon in favor of PCIB.^[4]

The appeal of the afore-quoted decision to this Court, docketed as G.R. No. L-24873, was dismissed on 23 September 1966 because it was filed out of time. Hence, the 25 January 1965 Decision of the CFI attained finality.

In view of the foregoing developments, upon motion of the Spouses Bautista, the CFI ordered the cancellation of the certificates of title to the lots already in the name of Del Rosario, including TCT No. 70813, as well as their replacement in the names of the Spouses Bautista. Particularly, TCT No. 139925 was issued in replacement of TCT No. 70813.

Assailing the foregoing order, NIDC came to this Court in G.R. No. L-30150 entitled, "National Investment Development Corporation v. Judge De los Angeles."

On 10 June 1969, the Spouses Bautista obtained a P400,000.00 loan from Banco Filipino. To secure payment of such debt, they executed a real estate mortgage over the same lots they previously sold to Del Rosario but were reconveyed to them.

By September 1971, the Spouses Bautista defaulted in the payment of their loan with Banco Filipino, and the latter instituted proceedings for the extrajudicial foreclosure of the real estate mortgage securing the same.

The lots mortgaged to Banco Filipino by the Spouses Bautista were sold at a public auction on 22 October 1971 with said bank being the highest bidder. On 27 October 1971, a Certificate of Sale was issued in favor of Banco Filipino, which was duly registered and annotated at the dorsal portion of all subject certificates of title, including that of TCT No. 139925.

In a letter^[5] dated 13 October 1972, NIDC informed Banco Filipino of its desire to acquire the lots, including that covered by TCT No. 139925, mortgaged to the latter by the Spouses Bautista. It averred that by virtue of this Court's decision in *National Investment Development Corporation v. Judge De los Angeles*,^[6] "it is declared the rightful owner of these lots x x x."^[7] However, it was choosing not to litigate with Banco Filipino, but, instead, [would] disregard technicalities and exercise its right of redemption.^[8]

On 27 October 1972, NIDC paid Banco Filipino P431,473.25 for the aforementioned lots. A Certificate of Redemption was issued on even date.

Thereafter, NIDC was able to secure in its name new certificates of title over the same lots. TCT No. 139925 covering the 6,368-sq.-meter lot subject of the present case was replaced and cancelled by TCT No. 186147 in the name of NIDC.

In several correspondences,^[9] the Spouses Bautista attempted to buy back the lots acquired by NIDC from Banco Filipino including the 5,548-sq.-meter portion of the 6,368-sq.-meter lot covered by TCT No. 186147, to no avail. Though NIDC was amenable to selling, the parties could not come to an agreement respecting the purchase price.

On 12 September 1979, the Spouses Bautista filed an action with the CFI of Rizal, Quezon City, docketed as Civil

Case No. Q-28360, entitled, "Spouses Francisco M. Bautista and Basilisa R. Bautista v. Banco Filipino and National Investment Development Corporation," against Banco Filipino and NIDC for the recovery of the lots in question as well as damages.

In their complaint in Civil Case No. Q-28360, the Spouses Bautista alleged that with respect to the 5,546-sq.-meter portion of the 6,368-sq.- meter lot, they alleged that:

21. That plaintiffs-spouses never intended to mortgage the land in question [6,368 square meter lot covered by TCT No. 139925] to Banco Filipino, but for the grave mistake of the latter through its negligence to include said property in the list of mortgage properties, when the sole intention was only to annotate Himlayang Pilipino's right-of-way on said title, makes said defendant bank liable to reimburse plaintiffs-spouses the amount of P50,202.39, more or less, which they might be required to pay defendant NIDC for the recovery of said property.[10]

As against NIDC, the Spouse Bautista contended:

16. That defendant NIDC, having learned of the mortgage executed by plaintiffs-spouses in favor of [Banco Filipino] after the Supreme Court ruled in NIDC's favor on its certiorari (L-30150), redeemed the said properties by paying the redemption price to [Banco Filipino] in the amount of P400,000.00, more or less, including the 5,546 square meters owned by plaintiff-spouses;

x x x x

18. That, also, defendant NIDC, by virtue of the deed of assignment PCI Bank executed in its favor (sic) holds a lien to the extent of 822 square meters only on the parcel of land in question;

19. That defendant NIDC has no right to demand from defendant bank (Banco Filipino) and for which delivery of the 5,546 square meters to it was a mistaken by said [Banco Filipino] by its payment of the redemption price of the mortgage except to the extent of 822 square meters only assigned to it, among other parcels of land, by PCI Bank;

20. That in law and equity defendant NIDC is, therefore, under obligation to return and reconvey the said 5,546 square meters to plaintiffs-spouses, upon the payment by the latter of the proportionate amount of P50,202.39, more or less, that corresponds to the area claimed by taking into consideration the total area mortgaged to Banco Filipino by equitably distributing the redemption price defendant NIDC has paid to the entire area.[11]

Ultimately, the relief they sought were as follows:

WHEREFORE, it is most respectfully prayed that after hearing (sic) judgment be rendered in favor of plaintiffs-spouses by -

- - Declaring and ordering that defendant NIDC has no right to demand the 5,546 square meters covered by TCT No. 139925 owned by plaintiffs-spouses and that its delivery to it by Banco Filipino was a mistake;
- - Ordering defendant NIDC to reconvey the said 5,546 square meters covered by TCT No. 139925, now TCT No. 186147, to plaintiffs-spouses, upon payment by the latter of P50,202.39, more or less, to defendant NIDC for its recovery; and that TCT No. 186147 be cancelled and another be issued in accordance with TCT No. 70813;
- - Ordering defendant Banco Filipino to reimburse plaintiffs-spouses the amount of P50,202.39 which they would be required to pay defendant NIDC for the recovery of said parcel of land;
- - Ordering said defendants to pay P30,000.00 [as] attorney's fees and costs of the suit.[12]

In answer to the complaint of the Spouses Bautista, NIDC asserted that "it did not only redeem but actually

purchased from [Banco Filipino]"[13] the entire 6,368-sq.-meter lot formerly covered by TCT No. 139925, together with the other lots mortgaged to the same bank by the Spouses Bautista; and that by purchasing and/or redeeming said properties, NIDC merely stepped into the shoes of Banco Filipino and is likewise an innocent purchaser for value.

For its part, Banco Filipino merely denied the allegations contained in the complaint and argued that the Spouses Bautista had no cause of action against said bank.

During the pendency of Civil Case No. Q-28360, the same was transferred to the RTC of Quezon City, Branch 94 per this Court's Administrative Order No. 26-90, as amended by Administrative Order No. 85B-89, dated 16 February 1990 and 11 March 1991, respectively.

On 18 November 1991, the RTC rendered judgment in Civil Case No. Q-28360 in this wise:

WHEREFORE, premises considered, a judgment is hereby rendered:

- Dismissing the complaint against Banco Filipino;
- Ordering National Investment and Development Corporation to reconvey the 5,546 square meters to [Spouses Bautista] after reimbursement by the latter;
- Ordering [Spouses Bautista] to reimburse National Investment and Development Corporation the amount of P431,470.66 plus legal interest of 6% from date of redemption, October 27, 1972 until fully paid; and
- Ordering National Investment and Development Corporation to pay the costs of suit.[14]

The RTC held that NIDC had no right to the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, which used to be covered by TCT No. 139925 (now covered by TCT No. 186147 in the name of NIDC). The same was neither sold by the Spouses Bautista to Del Rosario nor mortgaged to PCIB, from whom NIDC acquired its rights. The redemption by NIDC of the entire 6,368-sq.-meter lot did not make NIDC an absolute owner thereof, but only a co-owner with the Spouses Bautista of the said undivided property.[15] The RTC, however, failed to make a finding on the supposed negligence or mistake of Banco Filipino in including TCT No. 139925 in the list of titles mortgaged to it to secure the indebtedness of the Spouses Bautista. Instead, it declared that, except for the 5,546-sq.-meter portion of the 6,368-sq.-meter lot formerly covered by TCT No. 139925, all other lots mortgaged by the Spouses Bautista as security for their P400,000.00 loan from Banco Filipino were no longer owned by them at the time they constituted said mortgage, but by NIDC.

Only NIDC and the Spouses Bautista went to the Court of Appeals in CA-G.R. CV No. 60159 to challenge the foregoing judgment of the RTC.

In a Decision promulgated on 15 October 2001, the Court of Appeals affirmed with modification the ruling of the RTC. The fallo of said Decision reads:

IN THE LIGHT OF ALL THE FOREGOING, the Decision appealed from is AFFIRMED with the modification that:

- The Appellant NIDC is hereby ordered to reconvey to the Appellants Spouses an undivided portion of that property covered by Transfer Certificate of Title No. 186147 with an undivided area of 5,546 square meters;
- The Appellants Spouses Francisco Bautista are hereby ordered to remit to the Appellant NIDC an amount proportioned to the aforesaid area of 5,546 square meters in relation to the entire area of all the fifty-five (55) parcels of land, purchased by the Appellant NIDC from the Banco Filipino Savings & Mortgage Bank, including the aforesaid 5,546 square meters divided by the purchase price of P431,470.66, the dividend to be

multiplied by said 5,546 square meters. For this purpose, the Court will conduct a hearing, with due notice to the parties, and receive, if necessary their evidence to determine the amount to be paid by the Appellants Spouses, the said amount to earn interest at the rate of 6% from October 27, 1972.[16]

In modifying the decision of the RTC, the Court of Appeals nullified the real estate mortgage constituted by Del Rosario over the 5,546-sq.-meter portion of the 6,368-sq.-meter lot in favor of PCIB, for said portion pertained to the Spouses Bautista. Given that the mortgage of the 5,546-sq.- meter portion to PCIB was null and void, the appellate court therefore held that no right over the said portion was transferred by PCIB to NIDC. And "[s]ince [NIDC] had no right of interest over the property [the Spouses Bautista] had no obligation to redeem the said property from [NIDC]." It ratiocinated that:

In the present recourse, the [NIDC] anchored its claim over the subject property under the "Deed of Assignment" executed by PCIB in favor of [NIDC] under which PCIB assigned its rights and interests as the highest bidder of the properties, sold at public auction, resulting from the "Petition" of PCIB for the extrajudicial foreclosure of the "Real Estate Mortgage" executed by Araceli del Rosario over parcels of land mortgaged by her in favor of PCIB. However, included in the "Real Estate Mortgage," without the consent of the [Spouses Bautista], was the undivided portion, with an area of 5,546 square meters, owned by the [Spouses Bautista] covered by Transfer Certificate of Title No. 70813.[17] Since Araceli del Rosario did not own that said property, she had no right to mortgage the same and, hence, the "Real Estate Mortgage" over said property in favor of the PCIB is null and void.

x x x x

Hence, PCIB did not acquire any right of interest over the said property at the sale at public auction. Hence, [NIDC] did not acquire any right of interest over the property under the "Deed of Assignment x x x." [18] (Emphases supplied.)

No motion for reconsideration was interposed by the parties to the foregoing decision.

The aforementioned 15 October 2001 Decision of the Court of Appeals in CA-G.R. CV No. 60159 is now the subject of the Petition for Review on Certiorari[19] before this Court, where petitioner NIDC assigns the following errors[20]:

I.

THE COURT OF APPEALS GRAVELY ERRED IN DISREGARDING AND IGNORING THE FACT THAT [Spouses Bautista's] PRESENT ACTION IS BARRED BY PRIOR JUDGMENT AND/OR STARE DECISIS; and

II.

THE COURT OF APPEALS COMMITTED GRAVE ERROR IN SUSTAINING [Spouses Bautista's] CONTENTION THAT [NIDC] IS MERELY A CO-OWNER OF THE SUBJECT PROPERTY, WHICH IS A COMPLETE CONTRADICTION FROM THE SUPREME COURT'S RULING IN G.R. NO. L-30150.

NIDC maintains that the Court of Appeals grievously erred in passing upon the validity of the mortgage between Del Rosario and PCIB and deed of assignment between PCIB and NIDC. It contends that our decision in *National Investment Development Corporation v. Judge De los Angeles* already settled the issue of the validity of the said contracts of mortgage and assignment over all the lots subject herein.

On the other hand, the Spouses Bautista deny that our decision in *National Investment Development Corporation v. Judge De los Angeles* amounted to stare decisis respecting the real estate mortgages between Del Rosario and PCIB and deed of assignment of rights between PCIB and NIDC. They assert that neither our pronouncement in

National Investment Development Corporation v. Judge De los Angeles,[21] viz -

It would appear, however, from the facts submitted by the parties, that a valid assignment, binding upon the [Spouses Bautista], has been made by the PCIB to the NIDC of its mortgage rights as well as its rights as purchaser of the lots in question. There does not appear to be anything in our statutes or jurisprudence which prohibits a creditor without the consent of the debtor from making an assignment of his credit and the rights accessory thereto; and, certainly, an assignment of credit and its accessory rights does not at all obliterate the obligation of the debtor to pay, but merely puts the assignee in the place of his assignor[;]

nor our fallo in the same case, which reads -

ACCORDINGLY, the order of the court a quo dated March 31, 1967, and its subsequent orders dated May 28, 1968, November 9, 1968 and January 27, 1969, and all related orders are hereby declared null and void and without legal effect, for having been issued without jurisdiction. The preliminary injunction issued by this Court on March 11, 1970 is hereby made permanent. No pronouncement as to costs[;][22]

declared that the subject mortgage and assignment are valid. In effect, the Spouses Bautista aver that the validity of the real estate mortgages between Del Rosario and PCIB and assignment of rights between PCIB and NIDC are still very much open for interpretation by the courts.

We agree with NIDC.

The judicial findings and conclusions made in Civil Case No. Q-8407 and G.R. No. L-30150 entitled, National Investment Development Corporation v. Judge De los Angeles, are binding upon us in the case at bar because the same issue is raised herein - the validity of the assignment of the rights of PCIB to NIDC. The Spouses Bautista are already barred from raising the same issue under the principle of res judicata.

Res judicata or bar by prior judgment is a doctrine which holds that a matter that has been adjudicated by a court of competent jurisdiction must be deemed to have been finally and conclusively settled if it arises in any subsequent litigation between the same parties and for the same cause.[23] The doctrine of res judicata is founded on a public policy against re-opening that which has previously been decided,[24] so as to put the litigation to an end. The four requisites for res judicata to apply are: (a) the former judgment or order must be final; (b) it must have been rendered by a court having jurisdiction over the subject matter and the parties; (c) it must be a judgment or an order on the merits; and (d) there must be, between the first and the second actions, identity of parties, of subject matter and of cause of action.[25]

All requisites are present herein.

It should be recalled that Civil Case No. Q-8407 was instituted before the CFI by the Spouses Bautista against Del Rosario for the rescission of the Contract of Sale and the reconveyance of the properties subject of the said contract, as well as against PCIB for the cancellation of the real estate mortgages constituted by Del Rosario in favor of PCIB over the same properties. That the CFI made a clear ruling in said case through its Decision dated 25 January 1965, that the properties mortgaged to PCIB were done in good faith, is beyond dispute. In the exact words of the CFI:

The rescission of the contracts of sale in question, however, is without prejudice to the rights of [PCIB] who appears to be the mortgagee of the parcels of land covered by the contracts of sale in favor of defendant Del Rosario. The plaintiffs take the parcels of land subject to the mortgage constituted thereon by [PCIB].[26] (Emphases ours.)

The fallo of the 25 January 1965 Decision of the CFI in Civil Case No. Q-8407 decreed:

IN VIEW OF THE FOREGOING CONSIDERATIONS, the Court hereby orders the rescission of the

contracts of sale x x x and the return of the parcels of land covered by the said contracts, respectively, to [Spouses Bautista], subject to the prior lien of the defendant [PCIB] by reason of the mortgage it has constituted thereon. The respective claims for damages of all the parties herein shall be heard separately.[27] (Emphasis ours.)

The foregoing CFI judgment became final and executory when Del Rosario's appeal[28] thereof to this Court was dismissed for being filed out of time.[29]

Fully appreciating the CFI Decision dated 25 January 1965, we made permanent, in *National Investment Development Corporation v. Judge De los Angeles*, the writ of preliminary injunction we previously issued on 11 March 1970 in the same case, basically enjoining the Spouses Bautista and other parties from removing from the certificates of title the annotations of the assignment by PCIB to NIDC of its rights as a mortgagee, as well as the highest bidder at the public auction sale of the foreclosed properties; or from entering into transactions regarding the same properties. The fallo of our 31 August 1971 Decision reads:

ACCORDINGLY, the order of the court a quo dated March 31, 1967, and its subsequent orders dated May 28, 1968, November 9, 1968 and January 27, 1969, and all related orders are hereby declared null and void and without legal effect, for having been issued without jurisdiction. The preliminary injunction issued by this Court on March 11, 1970 is hereby made permanent. No pronouncement as to costs.

We reasoned therein that:

It would appear, however, from the facts admitted by the parties, that a valid assignment, binding upon the private respondents, has been made by the PCIB to the NIDC of its mortgage rights as well as its rights as purchaser of the lots in question. There does not appear to be anything in our statutes or jurisprudence which prohibits a creditor without the consent of the debtor from making an assignment of his credit and the rights accessory thereto; and, certainly, an assignment of credit and its accessory rights does not at all obliterate the obligation of the debtor to pay, but merely puts the assignee in the place of his assignor.

It is very clear from the afore-quoted ponencia that it abided by the declaration made by the CFI in Civil Case No. Q-8407, that PCIB was a mortgagee in good faith, and its subsequent assignment to NIDC of its rights as such, and as the highest bidder of the foreclosed properties, was valid. This Decision too had become final and executory.

Nonetheless, we clarify that the Spouses Bautista are only barred from challenging the validity of the real estate mortgages executed by Del Rosario in favor of PCIB and the assignment by PCIB to NIDC of its rights insofar as they pertain to the real properties actually sold by the Spouses Bautista to Del Rosario. The issue of whether Del Rosario could have mortgaged to PCIB the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, which was never sold by the Spouses Bautista to her, has not been squarely raised either in Civil Case No. Q-8407 or *National Investment Development Corporation v. Judge De los Angeles*. We now resolve the said issue in the negative.

Since only a portion of the 6,368-sq.-meter lot, measuring 882 sq. meters, was the subject of the Contract of Sale between the Spouses Bautista and Del Rosario, the remaining portion of the said lot with an area of 5,546 sq. meters was still owned by the Spouses Bautista. This co-ownership by the Spouses Bautista and Del Rosario of the 6,368-sq.-meter lot, in the proportions so stated, was clearly reflected in TCT No. 70813. Not being the owner of 5,546 sq. meters of the 6,368 sq. meter lot, Del Rosario could not have constituted a mortgage on the same in favor of PCIB as security for her loan.

The requirements of a valid mortgage are plainly laid down in Article 2085 of the New Civil Code, viz:

ART. 2085. The following requisites are essential to the contracts of pledge and mortgage:

- (1) That they be constituted to secure the fulfilment of a principal obligation;
- (2) That the pledgor or mortgagor be the absolute owner of the thing pledged or mortgaged;
- (3) 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.

Third persons who are not parties to the principal obligation may secure the latter by pledging or mortgaging their own property.

For a person to validly constitute a mortgage on real estate, he must be the absolute owner thereof as required by Article 2085 of the New Civil Code. In other words, the mortgagor must be the owner; otherwise, the mortgage is void.[30] Del Rosario was NOT the owner of the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, so she could not have mortgaged the same to PCIB. There being no valid mortgage of the said portion to PCIB, it could not be subjected to foreclosure; it could not be sold at the public auction; it could not be bought by PCIB as the highest bidder at the public auction; and it could not be assigned by PCIB to NIDC.

The 5,546-sq.-meter portion of the 6,368-sq.-meter lot remained the property of the Spouses Bautista. The 882-sq.-meter portion of the same lot was reconveyed to the Spouses Bautista after the rescission of its sale to Del Rosario, but subject to the rights of PCIB as mortgagee and highest bidder for the same (which rights PCIB would later assign to NIDC).

The more pressing issue for us to resolve now is whether the Spouses Bautista mortgaged the 6,368-sq.-meter lot, then covered by TCT No. 139925, to Banco Filipino. A negative answer would mean that there was no valid mortgage of the 6,368-sq.-meter lot, and Banco Filipino could not have foreclosed the same; and the 5,546-sq.-meter portion thereof would still remain the property of the Spouses Bautista (no longer at issue is the 882-sq.-meter portion, which already pertains to NIDC).

Since the inception of the case at bar, the Spouses Bautista have maintained that they did not deliver TCT No. 139925 to Banco Filipino as part of the security for their loan from the said bank, but solely for the purpose of annotating at the dorsal part of said certificate of title the Right-of-Way of Himlayang Pilipino, a sister company of Banco Filipino, on a portion of the 6,368-sq.-meter lot, i.e., the 822-sq.-meter portion thereof.

The records of the present petition, however, reveal enough evidence to belie their denial of the mortgage constituted on the 6,368-sq.-meter lot; and to attest to the real intent of the parties, that is, to make the 6,368 sq. meter lot covered by TCT No. 139925 part of the security for the P400,000.00 loan obtained by the Spouses Bautista from Banco Filipino. First, since 10 June 1969, when the real estate mortgage contract was executed by the Spouses Bautista in favor of Banco Filipino, until after the foreclosure, auction sale, and "redemption" of the mortgaged properties, no objection, written or otherwise, was ever communicated by the Spouses Bautista to Banco Filipino on the supposed erroneous inclusion of TCT No. 139925 in the list of mortgaged properties. Second, if it were true that the Spouses Bautista delivered TCT No. 139925 merely for the annotation thereon of the right-of-way of Himlayang Pilipino over 822-sq.-meter portion of the 6,368-sq.-meter lot, they should have surrendered the said certificate to the Register of Deeds of Quezon City and not to Don Tomas Aguirre of Banco Filipino. Third, the Spouses Bautista wrote several letters[31] to NIDC, from 5 February 1973 until 21 May 1974, imploring the latter to sell to them the properties NIDC "redeemed" from Banco Filipino upon payment by the Spouses Bautista of a certain amount. And, fourth, it was only on 3 March 1975[32] that the Spouses Bautista intimated that the 5,546-sq.-meter portion of the 6,368-sq.-meter lot covered by TCT No. 139925 was never intended to be mortgaged to Banco Filipino, and that NIDC "redeemed" it by mistake; thus, they demanded from NIDC the return of the 5,546-sq.-meter portion of the 6,368-sq.-meter lot covered by TCT No. 139925.

NIDC "redeemed" the properties mortgaged by the Spouses Bautista from Banco Filipino, which were foreclosed and bought by the latter as the highest bidder at the public auction. Except for the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, NIDC basically acquired the very same properties assigned to it by PCIB; such assignment had been held legal and valid by the CFI in Civil Case No. Q-8407 in its 25 January 1965 Decision, which became final and executory. Instead of litigating over the properties mortgaged to, and foreclosed and bought by, Banco Filipino, NIDC chose to strengthen and reaffirm its rights over said properties by "redeeming" the same from Banco Filipino. But was the course of action of NIDC regarding the subject real properties effectively a "redemption" thereof?

That the properties mortgaged by the Spouses Bautista to Banco Filipino were validly foreclosed and sold at the public auction held on 22 October 1971 is not an issue; nor is the fact that the Certificate of Sale in the name of Banco Filipino was registered on 27 October 1971.

Reference is made to the governing law on extrajudicial foreclosure of real estate mortgages, i.e., Republic Act No. 3135 entitled "An Act to Regulate the Sale of Property Under Special Powers Inserted in or Annexed to Real Estate Mortgages," as amended by Republic Act No. 4118.[33] Section 6 of the said statute provides:

SECTION 6. 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 the sale x x x. (Emphasis ours.)

In a long line of cases, however, we have consistently held that this one-year redemption period should be counted not from the date of foreclosure sale, but from the time the certificate of sale was registered with the Register of Deeds.[34] In this case, therefore, the one-year redemption period should be reckoned from the time the certificate of sale was registered on 27 October 1971.[35]

The law speaks of "one year" period within which to exercise redemption. Under Article 13 of the New Civil Code, a year is understood to be of three hundred sixty-five (365) days. Applying said article, the period of one year within which to redeem the properties mortgaged to Banco Filipino by the Spouses Bautista shall be 365 days from 27 October 1971. Thus, excluding the first day and counting from 28 October 1971,[36] and bearing in mind that 1972 was a leap year, the redemption of the properties in question from Banco Filipino could only be made until 26 October 1972.

The tender of P431,570.66, supposedly the redemption price, by NIDC to Banco Filipino on 27 October 1972 was clearly one (1) day beyond the period for redemption. Consequently, with no one availing oneself of the right of redemption within the period, the mortgaged properties, including the entire 6,368-sq.-meter lot then covered by TCT No. 139925, became an acquired asset of the mortgagee -- Banco Filipino. Like any other ordinary property owner, Banco Filipino had the right to enjoy all the attributes of ownership, one of which was to sell the property for whatever price it may deem reasonable and in favor of whomsoever it chose to sell the same.

To summarize, this Court's affirmation of NIDC's entitlement to the 5,546-sq.-meter portion of the 6,368-sq.-meter lot is brought about by the following findings: (1) that the judicial conclusions made in Civil Case No. Q8407 and G.R. No. L-30150, entitled, "National Investment Development Corporation v. Judge De los Angeles," which declared and affirmed, respectively, the validity of the mortgage made by Del Rosario in favor of PCIB and the subsequent assignment by the latter to NIDC of the properties Del Rosario earlier purchased from the Spouses Bautista, are binding upon the parties in the present petition; thus, these issues shall not be raised anew in consonance with the principle of *res judicata*; (2) that with respect to the 5,546-sq.-meter portion of the

6,368-sq.-meter lot, however, we recognize that the same judgments cannot bar the Spouses Bautista from assailing the mortgage to PCIB and/or assignment to NIDC of the said portion, as the same was never actually sold by the spouses to Del Rosario, but the latter, nevertheless, mortgaged it in full to PCIB despite acquiring only an 822-sq.-meter portion of the total 6,368-sq.-meter area, because this issue was never even raised in either of the two (2) preceding cases; (3) that the 5,546-sq.-meter portion of the 6,368-sq.-meter lot remained the property of the Spouses Bautista at the time they obtained a P400,000.00 loan from Banco Filipino; (4) that, notwithstanding their protestations, the evidence on record speaks of the fact that the Spouses Bautista presented the entire 6,368-sq.-meter lot as part of the security for said indebtedness, and not just to have a right-of-way established with respect to the 822-sq.-meter portion of the 6,368-sq.-meter lot and to have said easement annotated at the back of the certificate of title covering said lot; (5) that since it was established that the 5,546-sq.-meter portion of the 6,368-sq.-meter lot was, indeed, mortgaged to Banco Filipino, the same was validly foreclosed and sold at public auction when the Spouses Bautista failed to pay their loan to Banco Filipino; and (6) that regardless of the terminology used, after negotiation, the redemption by NIDC from Banco Filipino of the properties mortgaged to the latter by the Spouses Bautista, including the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, was actually an ordinary sale, considering that the one-year redemption period provided by law had expired without anyone having redeemed the foreclosed properties.

Essentially, therefore, except for the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, NIDC twice became the owner of said properties, having already acquired them by virtue of the assignment executed in its favor by PCIB and, again, having purchased the same from Banco Filipino.

WHEREFORE, premises considered, the petition for review on certiorari filed by petitioner National Investment Development Corporation is GRANTED. The assailed Decision of the Court of Appeals in CA-G.R. CV No. 60159 dated 15 October 2001 is REVERSED and SET ASIDE. Consequently, the complaint in Civil Case No. Q-28360 filed by respondent Spouses Francisco Bautista and Basilisa Roque is hereby DISMISSED. With costs against respondent Spouses Bautista.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Nachura, and Peralta, JJ., concur.

[1] NIDC used to be a subsidiary of the Philippine National Bank.

[2] Penned by Associate Justice Romeo J. Callejo, Sr. (now a retired Associate Justice of this Court), with Associate Justices Renato C. Dacudao and Mariano C. del Castillo, concurring; rollo, pp. 34-53.

[3] Penned by Judge Hermogenes Caluag; records, pp. 261-263.

[4] Id. at 263.

[5] Exhibit V, Folder of Exhibits.

[6] 140-B Phil. 452 (1971).

[7] Exhibit V, Folder of Exhibits.

[8] Id.

[9] Records, pp. 17-21.

[10] Id. at 6.

[11] Id. at 5-6.

[12] Id. at 7-8.

[13] Id. at 116-117.

[14] Id. at 541-542.

[15] Id. at 537.

[16] Id. at 194-195.

[17] TCT No. 70813 in the names of the spouses Bautista and Del Rosario was cancelled and replaced by TCT No. 139925 in the names of the spouses Bautista, which was later also cancelled and replaced by TCT No. 186147 in the name of NIDC.

[18] Records, p. 187.

[19] Rollo, pp. 9-32.

[20] Id. at 18.

[21] Supra note 6 at 461.

[22] Id. at 462.

[23] Equitable Philippine Commercial International Bank v. Court of Appeals, 469 Phil. 579, 590 (2004).

[24] 46 Am Jur 2d, Judgments, § 520, citing Rail N Ranch Corp. v. State, 7 Ariz App 558, 441 P2d 786.

[25] De la Cruz v. Joaquin, G.R. No. 162788, 28 July 2005, 464 SCRA 576, 589.

[26] Records, p. 263.

[27] Id.

[28] G.R. No. L-24873.

[29] National Investment and Development Corporation v. Judge De los Angeles, supra note 6.

[30] National Bank v. Gil, 55 Phil. 639, 643 (1931); Contreras v. China Banking Corporation, 76 Phil. 709 (1946).

31 A. 5 February 1973 letter of Nestor C. Fernandez, counsel of the Spouses Bautista, providing in part that:

‘This is a reiteration of our proposal to settle all of the parcels of land involved in Civil Case No. Q-8407 x x x and Q-10636 x x x.

Briefly stated, our proposal to settle the said civil cases are as follows:

x x x x

3. That the payment to be made by my client will include the amount NIDC paid to Banco Filipino to redeem some parcels of land which my clients mortgaged to the said bank;

4. That, in turn, NIDC will reconvey to my clients the parcels of land in question including the remaining portion of Don Nicolas Village;’ (Records, p. 402).

B. 23 August 1973 letter of one J. R. Nuguid, counsel of the Spouses Bautista, stating in part that:

'Basilisa Roque, et al. now offer to retrieve the parcels of land involved in Civil Cases Nos. Q-8407 and Q-10636, which were acquired by the NIDC, for a consideration to be agreed upon and under such terms and conditions as the NIDC may require. These parcels are listed in the hereto attached annex. As for the amount of the consideration, in view of the various factors attendant in the matter, we request a conference with your goodselves or your designated representative/representatives so as to arrive at what is mutually fair, just and reasonable;' (id. at 397-399).

C. 28 May 1978 letter of one J.R. Nuguid, counsel of the Spouses Bautista, contending in part that:

'My clients through this representation are offering P1,898,900. This amount is below your quoted price but, if you will reappraise the property, considering its location, terrain and accessibility, its area disposable through subdivision sales, its attractiveness to lot buyers as affected by the neighboring properties, the needed additional investments to condition it for sale as residential lots, the increased taxes and other similar factors, you will find the offer reasonable.'; (id. at 404).

[32] A. 3 March 1975 letter the Spouses Bautista addressed to NIDC, which states in part that:

'In view of the foregoing, we wish to reiterate our request to redeem said properties and with respect to the parcel of land consisting of about 5,546 square meters, more or less, we request that the same be reconveyed to us.' (Records, pp. 17-18.)

B. 4 June 1975 letter of Nestor C. Fernandez, counsel of the Spouses Bautista, stating in part that:

'In view of the foregoing, we request that the 5,546 square meters belonging to our client and covered by TCT No. 70813 be reconveyed to her.' (id. at 20-21.)

[33] Luna v. Encarnacion, 91 Phil. 531 (1952).

[34] Quimson v. Philippine National Bank, 146 Phil. 629 (1970).

[35] Bernardez v. Reyes, G.R. No. 71832, 24 September 1991, 201 SCRA 648.

[36] Article 13. When the law speak of years, months, days or nights, it shall be understood that years are of three hundred sixty-five days each; months, of thirty days; days, of twenty-four hours; and nights from sunset to sunrise.

If months are designated by their name, they shall be computed by the number of days which they respectively have.

In computing a period, the first day shall be excluded, and the last day included.

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