# CECILLEVILLE REALTY AND SERVICE CORPORATION, PETITIONER, VS. SPOUSES TITO ACUÑA AND OFELIA B. ACUÑA, RESPONDENTS.

*G.R. No. 162074. July 13, 2009*

Ponente: CARPIO, J.

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**CARPIO, J.:**

The Case

This is a petition for review[1] assailing the Amended Decision[2] promulgated on 30 January 2004 of the Court of Appeals (appellate court) in CA-G.R. CV No. 56623. The appellate court affirmed the Resolution[3] dated 14 February 1997 of Branch 225, Regional Trial Court of Quezon City (trial court) in Civil Case No. Q-96-27837 which dismissed the complaint of petitioner Cecilleville Realty and Service Corporation (Cecilleville) against respondent spouses Tito and Ofelia Acuña (Acuña spouses) on the ground of prescription.

The Facts

The trial court summarized the facts of the case as follows:

> Sometime in September 1981, the defendants [Acuña spouses] requested the plaintiff [Cecilleville] thru its President, Jose A. Resurreccion, to lend to them for one (1) year, two (2) parcels of land owned by the plaintiff as collaterals to secure a credit line from the Prudential Bank and Trust Company ["Prudential"]. On September 21, 1981, thru a secretary's certificate and by virtue of a board resolution, the plaintiff lent to defendants the said owner's copies of certificate of title. However, on September 28, 1991, defendant Ofelia B. Acuña forged the signature of Lucia R. Reyes as corporate secretary. By virtue of the fake secretary's certificate, the defendants were able to obtain a personal loan from "Prudential" in the sum of P610,000.00 with said certificates as collaterals and upon signing a Real Estate Mortgage dated September 30, 1981 and two Promissory Notes dated October 7, 1981 and October 15, 1981. Due to the defendants' default in the payment of their indebtedness, "Prudential" threatened to extrajudicially foreclose the real estate mortgage on plaintiff's properties thru a notice of auction sale. To avoid foreclosure proceedings on its properties, the plaintiff was forced to settle defendants' obligations to "Prudential" in the amount of P3,367,474.42. Subsequently, several written demands for reimbursement were sent by the plaintiff to the defendants. Nevertheless, the defendants failed to pay their obligation. Hence, the filing of the instant case.
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> In their motion, defendants contend that the instant complaint should be dismissed on the grounds of prescription, laches and res judicata. The defendants insist that the action of the plaintiff is based on fraud or forgery of a secretary's certificate. The forgery allegedly happened on September 28, 1981 or fifteen (15) years ago. Therefore, the plaintiff should have brought the instant action within the period provided for in Article 1146 of the Civil Code. Moreover, the defendants argue that the plaintiff's inordinate delay in the filing of the instant suit clearly shows that it has abandoned its claim against the defendants and therefore guilty of laches. Consequently, the defendants aver that the forgery issue has been passed upon in CA-G.R. CV No. 35452. The same was litigated in Civil Case No. Q-59789, Branch 78, Regional Trial Court, Quezon City "where the plaintiff tried unsuccessfully to have the contract of real estate mortgage involving the same properties,

> between defendant Ofelia Acuña and the Prudential Bank and Trust Company, annulled on the same ground raised here." Hence, the principle of res judicata applies.[4]

This Court, in its resolution in G.R. No. 109488, affirmed the appellate court's decision in CA-G.R. CV No. 35452 that Cecilleville ratified the mortgage contract between the Acuña spouses and Prudential. The dispositive portion of the decision in CA-G.R. CV No. 35452 reads:

> WHEREFORE, the appeal of appellant Cecilleville Realty and Service Corporation should be, as it is hereby, DISMISSED. Finding merit to the appeal of Prudential Bank & Trust Company, the writ of preliminary injunction heretofore issued by the trial court is hereby LIFTED, and appellant Bank can now proceed with the foreclosure proceedings of the mortgaged properties.
>
> As a corollary thereto, appellant Cecilleville is hereby ordered to pay appellant Prudential Bank the interests, penalty and service charges stipulated in the promissory notes secured by the mortgage, accruing from the time the writ of preliminary injunction was issued until the said promissory notes are fully paid. No costs.
>
> SO ORDERED.[5]

After Cecilleville paid Prudential, Cecilleville filed the present action to claim reimbursement from the Acuña spouses.

The Ruling of the Trial Court

In its Resolution dated 14 February 1997, the trial court dismissed Cecilleville's complaint on the ground of prescription. The trial court found that the complaint expressly alleged that Cecilleville discovered the fraud on 28 September 1981. Therefore, Cecilleville had only four years from discovery of the fraud within which to file the appropriate action. The present action was filed on 20 June 1996, clearly beyond the prescriptive period.

The Ruling of the Appellate Court

Cecilleville lodged an appeal before the appellate court. In its Decision promulgated on 14 January 2003, the appellate court reversed and set aside the trial court's ruling and decided in favor of Cecilleville. The appellate court stated that Cecilleville has two causes of action against the Acuña spouses: reimbursement of a sum of money and damages arising from fraud. Cecilleville's action for reimbursement was filed on 20 June 1996, barely two months after 23 April 1996, when Cecilleville made an extrajudicial demand to pay. Two months is well within the five-year prescriptive period prescribed in Article 1149 of the Civil Code. On the other hand, the appellate court declared that the complaint did not mention the date of Cecilleville's discovery of Ofelia Acuña's forgery of Lucia Reyes' signature. The appellate court concluded that the trial court erred in declaring Cecilleville's claim for damages barred by prescription and laches. The appellate court also declared that there is no identity of parties, subject matter and causes of action between the present case and that of G.R. No. 109488 between Cecilleville and Prudential. Hence, the principle of res judicata does not apply.

The dispositive portion of the appellate court's 14 January 2003 Decision reads:

> WHEREFORE, the instant appeal is GRANTED and the assailed resolution of the Regional Trial Court of Quezon City, Branch 225, in Civil Case No. Q-96-27837 is hereby REVERSED and SET ASIDE. Let this case be remanded to the trial court for further proceedings.
>
> SO ORDERED.[6]

On motion for reconsideration filed by the Acuña spouses, the appellate court promulgated an amended decision on 30 January 2004 which affirmed the trial court's decision. The appellate court ruled that Cecilleville's claim for reimbursement of its payment to Prudential is predicated on the fraud allegedly committed by the Acuña spouses.


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Without the alleged personal loan of the Acuña spouses, there would be no foreclosure to forestall and no basis for Cecilleville's claim for reimbursement. Actions for relief on the ground of fraud may be brought within four years from discovery of the fraud. In its brief filed before the appellate court, Cecilleville stated that it learned of the existence of the falsified Secretary's Certificate on 20 January 1987. Cecilleville filed the present case on 20 June 1996, or more than nine years after the discovery of the fraud. Thus, Cecilleville's action is barred by prescription. The dispositive portion of the appellate court's amended decision reads:

> WHEREFORE, the instant motion for reconsideration is GRANTED. The decision, dated 14 January 2003, of this Court is accordingly, RECONSIDERED and SET ASIDE. The assailed resolution, dated 14 February 1997, of the Regional Trial Court of Quezon City, Branch 225, in Civil Case No. Q-96-27837, is hereby AFFIRMED.
>
> SO ORDERED.[7]

The Issues

Cecilleville mentions two grounds in its appeal before this Court. First, the appellate court gravely erred because its amended decision is premised on a misapprehension of facts. Cecilleville alleges that its claim for reimbursement is not based on fraud but on a ratified third-party real estate mortgage contract to accommodate the Acuña spouses. Second, the appellate court's amended decision is not in accord with law or with this Court's decisions. Cecilleville theorizes that its ratification extinguished the action to annul the real estate mortgage and made the real estate mortgage valid and enforceable. Thus, Cecilleville demands reimbursement on the basis of a ratified real estate mortgage.

The Ruling of the Court

We see merit in the petition.

The facts of the case are simple: The Acuña spouses obtained a loan from Prudential secured by a real estate mortgage on Cecilleville's property. The Acuña spouses defaulted on their loan, and Prudential initiated foreclosure proceedings. Cecilleville tried to annul the real estate mortgage but failed when the Court ruled that Cecilleville had ratified the real estate mortgage. In effect, Cecilleville became a third-party accommodation mortgagor. Cecilleville paid Prudential to avoid foreclosure of its mortgaged properties. Cecilleville repeatedly asked the Acuña spouses to reimburse what it paid Prudential, but the Acuña spouses refused to do so.

From the facts above, we see that Cecilleville paid the debt of the Acuña spouses to Prudential as an interested third party. The second paragraph of Article 1236 of the Civil Code reads:

> Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.

Even if the Acuña spouses insist that Cecilleville's payment to Prudential was without their knowledge or against their will, Article 1302(3) of the Civil Code states that Cecilleville still has a right to reimbursement, thus:

> When, even without the knowledge of the debtor, a person interested in the fulfillment of the obligation pays, without prejudice to the effects of confusion as to the latter's share.

Cecilleville clearly has an interest in the fulfillment of the obligation because it owns the properties mortgaged to secure the Acuña spouses' loan. When an interested party pays the obligation, he is subrogated in the rights of the creditor.[8] Because of its payment of the Acuña spouses' loan, Cecilleville actually steps into the shoes of Prudential and becomes entitled, not only to recover what it has paid, but also to exercise all the rights which

Prudential could have exercised. There is, in such cases, not a real extinguishment of the obligation, but a change in the active subject.[9]

Cecilleville's cause of action against the Acuña spouses is one created by law; hence, the action prescribes in ten years.[10] Prescription accrues from the date of payment by Cecilleville to Prudential of the Acuña spouses' debt on 5 April 1994. Cecilleville's present complaint against the Acuña spouses was filed on 20 June 1996, which was almost two months from the extrajudicial demands to pay on 9 and 23 April 1996. Whether we use the date of payment, the date of the last written demand for payment, or the date of judicial demand, it is clear that Cecilleville's cause of action has not yet prescribed.

Finally, considering the length of time of litigation and the fact that the records of the case are before this Court, we deem it prudent to declare the Acuña spouses' liability to Cecilleville in the following amounts:

a. P3,367,474.42, representing the amount paid by Cecilleville to Prudential; and

b. interest on the P3,367,474.42 at 16% per annum, this being the interest rate upon default on the promissory note to Prudential to which Cecilleville is subrogated. Interest shall be calculated from 9 April 1996, the date of Cecilleville's first written demand to the Acuña spouses after its payment to Prudential.

The Acuña spouses shall also pay attorney's fees to Cecilleville equivalent to 5% of the total award.[11]

WHEREFORE, we GRANT the petition. We SET ASIDE the Amended Decision promulgated on 30 January 2004 of the Court of Appeals in CA-G.R. CV No. 56623. Respondent spouses Tito Acuña and Ofelia B. Acuña shall pay petitioner Cecilleville Realty and Service Corporation the following: P3,367,474.42, representing the amount paid by Cecilleville Realty and Service Corporation to Prudential Bank and Trust Company; and interest on the P3,367,474.42 at 16% per annum. Interest shall be calculated from 9 April 1996 until full payment. Spouses Tito Acuña and Ofelia B. Acuña shall also pay attorney's fees to Cecilleville Realty and Service Corporation equivalent to 5% of the total award.

**SO ORDERED.**

Puno, C.J., (Chairperson), Corona, Leonardo-De Castro, and Bersamin, JJ., concur.

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[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Rollo, pp. 24-28. Penned by Associate Justice Perlita J. Tria Tirona with Associate Justices Roberto A. Barrios and Edgardo F. Sundiam, concurring.

[3] CA rollo, pp. 88-90. Penned by Judge Arsenio J. Magpale.

[4] Id. at 88-89.

[5] Rollo, pp. 97-98. Penned by Associate Justice Antonio M. Martinez with Associate Justices Artemon D. Luna and Ma. Alicia Austria-Martinez (a retired member of this Court), concurring.

[6] Id. at 111.

[7] Id. at 27.

[8] Article 1302(3) of the Civil Code of the Philippines states that "[i]t is presumed that there is legal subrogation x x x when, even without the knowledge of the debtor, a person interested in the fulfillment of the obligation pays, without prejudice to the effects of confusion as to the latter's share."


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[9] ARTURO M. TOLENTINO, IV CIVIL CODE OF THE PHILIPPINES 283 (1991) citing 8 MANRESA 269.

[10] Article 1144 of the Civil Code of the Philippines.

[11] Philippine Blooming Mills, Inc. v. Court of Appeals, 459 Phil. 875 (2003); See Eastern Shipping Lines, Inc. v. Court of Appeals, G.R. No. 97412, 12 July 1994, 234 SCRA 78.


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