

SPOUSES ANTONIO F. ALAGAR AND AURORA ALAGAR, PETITIONER, VS. PHILIPPINE NATIONAL BANK, RESPONDENT.

G.R. No. 171870. March 16, 2011

Ponente: ABAD, J.

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ABAD, J.:

This case is about a) a claim that the defendant is estopped from questioning the validity of a writ of execution that he subsequently complied with; b) an assertion that a supplemental petition cannot elevate to the higher court those orders of the lower court that were issued more than 60 days earlier; and c) a contention that the petition was not one for mandamus which is the proper remedy when the trial court refuses to give due course to an appeal.

The Facts and the Case

On April 14, 1992 petitioner spouses Antonio and Aurora Alagar (the Alagars) got a personal loan of P500,000.00 from respondent Philippine National Bank (PNB), secured by a mortgage over a 368-square meter lot on General Luna Street in Vigan, Ilocos Sur.[1] The Alagars subsequently increased their loan to P1,700,000.00 and later to P2,900,000.00 with corresponding amendments to the mortgage.

Meanwhile, in 1995 PNB gave New Taj Resources, Inc., a corporation owned by the Alagars, a loan of P9,300,000.00, secured by a mortgage on an 8,086-square meter lot in Pantay Daya, Vigan, Ilocos Sur. The Alagars also executed a joint and solidary agreement that bound them with other persons to pay the corporate loan to the bank.[2]

After a few years, the Alagars' outstanding balance on their personal loan with PNB rose to P4,003,134.36 as of May 31, 1997. In the face of this, they negotiated with the bank and requested the condonation of interests so they could settle their debt. Meantime they paid the bank P3,900,000.00 while awaiting approval of their request. When the bank granted it, the Alagars paid the balance of P330,221.50 and sought the release of the General Luna title to them. The bank refused, however, citing the Alagars' other unsettled account.

On January 12, 2001 the Alagars filed a petition for mandamus[3] before the Regional Trial Court (RTC) of Vigan, Ilocos Sur to compel PNB to release the General Luna title to them. They claimed that PNB had no reason to retain the title since they already paid their personal loan. They insisted that the unsettled account cited by PNB referred to the corporate loan of New Taj Resources, Inc. which was secured by the Pantay Daya title. The Alagars claimed moral and exemplary damages for having been deprived of the use and enjoyment of their property.

In its answer,[4] PNB alleged that the petition did not state a cause of action since mandamus is not the proper remedy for compelling the performance of contractual obligations. Further, the bank had the right to retain the General Luna title since, as solidary debtors in the corporate loan, which had then become due, the Alagars still had an outstanding obligation with the bank. The mortgage contract between PNB and the Alagars provided that

the property on General Luna was to secure, not only their personal loan, but also "any and all other obligations of the Mortgagors to the Mortgagees of whatever kind and nature."

At the trial, the Alagars presented their evidence and on June 26, 2001 formally offered their documentary exhibits. The RTC set PNB's presentation of its evidence on July 30, 2001 but its counsel failed to appear. Consequently, the RTC deemed PNB to have waived presentation of evidence and submitted the case for decision. It appears, however, that on the day of the hearing, the PNB branch manager in Vigan wrote the RTC a letter, explaining that the bank could not come to the hearing due to the retirement of its counsel of record. PNB asked the court for 60 days within which to find another lawyer.[5]

On August 6, 2001 Atty. Benjamin V. Sotero entered his appearance as PNB's new counsel. He then filed a motion for reconsideration asking that PNB be allowed to present evidence. He set the motion for hearing on September 17, 2001. On August 7, 2001 the RTC denied PNB's motion on the ground that it violated Sections 3[6] and 5[7] of Rule 15 of the Rules of Court.[8] PNB failed to accompany its motion with supporting affidavits and other papers and set it for hearing more than 10 days after its filing.

Subsequently, Atty. Sotero failed to appear during the hearing on September 17, 2001 that he himself set for the bank's motion for reconsideration. This prompted the trial court to issue another order on that date,[9] reiterating its earlier order submitting the case for decision. The trial court also noted that PNB did not react to its August 7, 2001 order that was sent to it by registered mail.

On October 5, 2001 PNB filed an omnibus motion for reconsideration of the orders of July 30, August 7, and September 17, 2001. The bank again asked for an opportunity to present evidence in support of its defense. In an order dated October 29, 2001,[10] the trial court denied the omnibus motion for its failure to state when the bank received the questioned orders. Moreover, the trial court rejected counsel's excuse for not reacting to the August 7, 2001 order. Counsel claimed that he had to attend to other urgent legal matters of equal importance.

On January 15, 2002 the trial court rendered judgment[11] in favor of the Alagars. It held that, although the pleading was denominated as a petition for mandamus, its allegations actually made out a case for specific performance. Since the Alagars' personal loan had already been fully paid, the real estate mortgage had nothing more to secure, such that both law and equity required that the collateral given to secure it be released to the owners.

PNB filed a motion for new trial or for reconsideration. It asserted in addition to its arguments on the merit of the case that the RTC had no jurisdiction over the issue of whether or not the controversial stipulation in the mortgage contract was valid and binding. The only issues presented by the pleadings were: 1) whether or not the petition stated a cause of action; (2) whether or not the title should be released to the Alagars upon full payment of their personal loan; and (3) whether or not the Alagars were entitled to damages.

Meanwhile, PNB filed a special civil action of certiorari before the Court of Appeals (CA) in CA-G.R. SP 68661, seeking to annul and set aside the trial court orders of August 7 (which denied PNB's motion for reconsideration due to technical defects), September 17 (reiterating the August 7 order when PNB's counsel failed to show up at the hearing he set for its motion for reconsideration), and October 29, 2001 (which denied as unmeritorious PNB's omnibus motion for reconsideration). Since the trial court had in the meantime already rendered a decision in the case, however, on March 20, 2002 the CA dismissed the petition for being moot and academic.[12]

On March 25, 2002 the RTC issued an order, denying PNB's motion for new trial or for reconsideration for failing to raise new matters and violating the 10-day hearing schedule rule. This prompted PNB to file a notice of appeal. The RTC issued an order on April 29, 2002, however, denying due course to the appeal on the ground that the

bank filed it beyond the required 15-day period. The court said that, since PNB's motion for new trial or reconsideration was pro forma, it did not toll the running of the period to appeal.

Meantime, on motion of the Alagars, the trial court caused the issuance on June 4, 2002 of a writ of execution against the bank.[13] This prompted the PNB to file on June 13, 2002 a special civil action of certiorari in CA-G.R. SP 71116, assailing the RTC's March 25, April 29, and June 4, 2002 orders as well as the writ of execution that it issued.[14] In a parallel move, PNB asked the trial court to quash the writ of execution, claiming that it was improvidently issued and that, as a matter of judicial courtesy, it should await the CA action on the bank's petition before it.

On July 17, 2002 the RTC denied PNB's urgent motion to quash the writ. The court said that issuing the writ was a ministerial duty after its decision became final and executory. Further, the CA had not issued any restraining order against the RTC.[15] PNB moved for reconsideration of this last order but the RTC denied the same on September 16, 2002.[16] Thus, an alias writ of execution was issued, compelling PNB to abide by it in full.[17]

Later, the Alagars asked the RTC by motion to order the cancellation of the mortgage annotated on its title, alleging that this was a necessary and logical consequence of the implementation of the writ of execution. The RTC granted the motion on August 4, 2003, stating that although the dispositive part of the decision did not say so, the order to release the General Luna title necessarily included with it the cancellation of the mortgage.[18]

Again, PNB sought reconsideration of the RTC's August 4, 2003 order and the quashal of the second writ of execution.[19] In response, the Alagars filed a petition to cite the PNB for indirect contempt for failing to release the mortgage. PNB opposed the petition. On October 21, 2003[20] the RTC granted PNB's motion for reconsideration and dismissed the Alagars' petition for indirect contempt. At the same time, however, it ordered the amendment of the dispositive part of its January 15, 2002 decision to read as follows:

Wherefore, finding the allegations in the Complaint proven by competent and preponderant evidence, the Court hereby renders judgment in favor of the plaintiffs as follows:

1. Ordering the defendant Philippine National Bank (PNB), Vigan, Ilocos Sur Branch, through its Manager, Mrs. Rosalia A. Quilala to release Original Certificate of Title No. 0-3576 in the name of Spouses Antonio F. Alagar and Aurora J. Alagar to the plaintiffs herein;
2. Ordering defendant PNB to pay same plaintiffs the amount of P1,825.00 as actual damages;
3. Ordering the defendant to pay the plaintiffs the amount of P100,000.00 as moral damages, P50,000.00 as exemplary damages and P30,000.00 as attorney's fees;
4. ORDERING THE DEFENDANT TO EXECUTE THE DEED SUFFICIENT IN LAW TO CANCEL THE MORTGAGE IN FAVOR OF THE PLAINTIFF-SPOUSES ANTONIO ALAGAR AND AURORA ALAGAR AND TO DELIVER SAID DEED TO THE LATTER;
5. AS AN ALTERNATIVE, SHOULD THE DEFENDANT FAIL OR REFUSE TO COMPLY WITH THE HEREINABOVE ORDER NO. 4, THE DEPUTY SHERIFF OF THIS COURT, MR. TERCENCIO FLORENDO IS HEREBY APPOINTED TO EXECUTE THE DEED OF CANCELLATION OF THE MORTGAGE IN SUIT IN BEHALF OF THE DEFENDANT PNB FOR REGISTRATION IN THE REGISTRY OF DEEDS OF ILOCOS SUR.

The counterclaim not having been proven, the same is dismissed.[21]

The Alagars filed a motion for reconsideration of the above insofar as it granted PNB's motion for reconsideration of the August 4, 2003 order and motion to dismiss the petition for indirect contempt. On December 18, 2003 the RTC issued an order,[22] granting the Alagars' motion for reconsideration and reinstating its August 4, 2003 order

that directed the issuance of a writ of execution. The order also deleted paragraphs 4 and 5 of the amended dispositive portion of the decision, thus reinstating the original version.

PNB moved for reconsideration of the RTC's December 18, 2003 order and prayed that the proceedings be held in abeyance in view of CA-G.R. SP 71116 which was pending before the CA. But the RTC denied the motion on March 11, 2004, stating that it had the inherent power to amend its decision to make it conform to law and justice. It also declined to hold matters in abeyance since the RTC had not been amply informed about the CA action and since there was no possibility that the issues before the CA would be rendered moot if the proceedings below continued.[23]

In view of the trial court's conflicting directives, PNB filed a motion for clarification of the March 11, 2004 order. Further, on June 3, 2004 it also filed a supplemental petition[24] in CA-G.R. SP 71116, assailing all the RTC actions and orders subsequent to the filing of the original petition. On June 14, 2004 the RTC issued an order,[25] resolving PNB's motion for clarification and recalling in the meantime the writ of execution that it issued on August 4, 2003. It also deleted paragraph 5 of the amended dispositive portion of its decision but retained paragraph 4 ordering PNB to execute a deed of cancellation of mortgage in favor of the Alagars.

On September 30, 2005 the CA rendered judgment in CA-G.R. SP 71116, annulling and setting aside all the RTC's orders beginning March 25, 2002, when the RTC denied as pro forma PNB's motion for reconsideration of its January 12, 2002 decision. The CA held that the motion was not pro forma and, therefore, it tolled the running of the period to appeal. PNB did not belatedly file its notice of appeal, as it still had three days to elevate the trial court's decision to the CA. Consequently, the decision did not become final and executory and could not be the subject of a writ of execution.[26]

Moreover, said the CA, the trial court gravely abused its discretion when it substantially amended its decision which, by its own ruling, had already become final and executory. Inasmuch as the RTC decision merely ordered the PNB to release the mortgaged title to the Alagars, the additional order directing the bank to cancel and release the mortgage constituted on that title cannot be regarded as a simple clerical correction since it would substantially prejudice PNB's rights as mortgagee.[27]

The Alagars filed a motion for reconsideration of the decision but the CA denied it for lack of merit,[28] hence this petition for review.

The Issues Presented

The case presents the following issues:

1. Whether or not the CA erred in failing to rule that PNB was estopped from assailing the validity of the writ of execution after it had been implemented;
2. Whether or not the CA erred in failing to rule that it could no longer nullify the RTC's orders that PNB assailed by supplemental petition beyond 60 days from the issuance of such orders; and
3. Whether or not the CA erred in failing to rule that PNB's petition before it was not the proper remedy for assailing the order that denied due course to its appeal.

The Rulings of the Court

FIRST. The Alagars contend that the issue of whether the RTC validly issued a writ of execution in the case had become moot since PNB willingly obeyed the writ, returned the General Luna title to the Alagars, and paid them the damages that the RTC awarded in its decision. Going further, the Alagars argue that the full implementation of the writ foreclosed any question concerning the validity of the decision itself.[29]

But the execution of a judgment pending an action in a higher court essentially challenging its finality cannot be deemed an abandonment of that action. The rules grant parties the right to question by special civil actions those orders and rulings that inferior courts issue with grave abuse of discretion. That the PNB complied with the writ of execution after its several attempts to stop it cannot be deemed a voluntary abandonment of its action before the CA. PNB had no choice but to obey the RTC orders, given that the CA did not then deem it appropriate to issue a restraining order. And PNB did not relent in pursuing its action before the CA. Besides, the Alagars did not raise this issue of estoppel before the CA. Consequently, they cannot raise the same for the first time before the Court.

SECOND. The Alagars point out that PNB can no longer question the RTC orders that were issued from July 17, 2002 onwards since more than 60 days had elapsed when PNB challenged their validity by supplemental petition in CA-G.R. SP 71116. These orders have thus become final under Rule 65 of the Rules of Court.[30]

Again, the Alagars did not raise this issue before the CA. Indeed, they did not file a comment on the supplemental petition despite having been required to do so. They also failed to mention it in their memorandum before the CA.[31] Consequently, the Court cannot adjudicate the issue.

Besides, the RTC's subsequent orders were founded on the assumption that it correctly denied for being pro forma PNB's motion for reconsideration of its decision. All such orders assumed that the RTC decision had become final and executory. As it turned out, however, the CA held that PNB filed a valid motion for reconsideration, that it filed a timely appeal after the motion was denied, and that, therefore, the RTC decision had not become final and executory.

THIRD. Finally, the Alagars assert that PNB availed of the wrong remedy when it filed a special civil action of certiorari before the CA rather than one of mandamus to compel the RTC to give due course to its notice of appeal after the latter held that its pro forma motion for reconsideration did not toll the period of appeal which had then already elapsed.[32]

But a reading of PNB's allegations in its petition in CA-G.R. SP 71116 shows that its action was not only for certiorari and prohibition but also for mandamus. The bank alleged that by its whimsical, capricious and arbitrary actions the RTC deprived the PNB of its appeal, leaving it with no other plain, speedy, and adequate remedy in the ordinary course of law. The PNB petition also specifically prayed the CA to direct the trial court to give due course to its appeal.[33] Following the rule that the nature of an action is determined by the allegations of the pleading and the character of the relief sought, it is unmistakable that CA-G.R. SP 71116 was also a petition for mandamus.

The Alagars fail to show any reversible error in the CA's decision. That court's finding that PNB's motion for reconsideration was not pro forma and, therefore, tolled the running of PNB's period to appeal, is supported by the evidence on record. The motion for reconsideration specified the RTC's findings and conclusions in its decision that PNB thought to be contrary to law. The latter even raised new arguments, not previously considered by the trial court, which even the latter recognized in its assailed March 25, 2002 order. From all indications, the motion for reconsideration complied with requirements of Sections 1 and 2, Rule 37 of the Rules of Court.[34] Thus, it was grave abuse of discretion for the trial court to have simply concluded that the motion was pro forma and did not toll the running of the period to appeal. The RTC should have given due course to PNB's appeal.

WHEREFORE, the Court DISMISSES the petition and AFFIRMS the decision of the Court of Appeals in CA G.R. SP 71116 dated September 30, 2005 in its entirety. The petitioner spouses Antonio and Aurora Alagar are further ordered to RETURN to respondent PNB OCT 0-3576, as well as the amount of P181,825.00 and all other amounts that they received under the Alias Writ of Execution dated October 22, 2002.

SO ORDERED.

Carpio, (Chairperson), Carpio Morales,[*] Peralta, and Mendoza, JJ., concur.

[*] Designated as additional member in lieu of Associate Justice Antonio Eduardo B. Nachura, per Special Order 933-B dated January 24, 2011.

[1] Registered under Original Certificate of Title (OCT) 0-3576; CA rollo, pp. 32-36.

[2] Id. at 37-46.

[3] Id. at 50-54; docketed as Civil Case 5534-V.

[4] Id. at 55-58.

[5] Id. at 82.

[6] SEC. 3. Contents. - A motion shall state the relief sought to be obtained and the grounds upon which it is based, and if required by these Rules or necessary to prove facts alleged therein, shall be accompanied by supporting affidavits and other papers.

[7] SEC. 5. Notice of Hearing. - The notice of hearing shall be addressed to all parties concerned and shall specify the time and date of the hearing which must not be later than ten (10) days after the filing of the motion.

[8] CA rollo, p. 83.

[9] Id. at 84.

[10] Id. at 85-87.

[11] Rollo, pp. 56-70.

[12] CA rollo, pp. 114-116.

[13] Rollo, pp. 79-80.

[14] CA rollo, pp. 2-23.

[15] Rollo, pp. 81-83.

[16] Id. at 91-93.

[17] Id. at 98.

[18] Id. at 102-104.

[19] Id. at 106-109.

[20] Id. at 112-118.

[21] Id. at 117-118.

[22] Id. at 119-120.

[23] Id. at 123-125.

[24] CA rollo, pp. 189-206.

[25] Rollo, p. 126.

[26] Id. at 42-47.

[27] Id. at 49.

[28] Id. at 52-55.

[29] Id. at 305.

[30] Id.

[31] Id. at 54; CA rollo, p. 291.

[32] Rollo, p. 306.

[33] CA rollo, p. 20.

[34] SEC. 1. Grounds of and period for filing motion for new trial or reconsideration. - Within the period for taking an appeal, the aggrieved party may move the trial court to set aside the judgment or final order and grant a new trial for one or more of the following causes materially affecting the substantial rights of said party:

x x x x

Within the same period, the aggrieved party may also move for reconsideration upon the grounds that the damages awarded are excessive, that the evidence is insufficient to justify the decision or final order, or that the decision or final order is contrary to law.

SEC. 2. Contents of motion for new trial or reconsideration and notice thereof. - The motion shall be made in writing stating the ground or grounds therefore, a written notice of which shall be served by the movant on the adverse party.

x x x x

A motion for reconsideration shall point out specifically the findings or conclusions of the judgment or final order which are not supported by the evidence or which are contrary to law, making express reference to the testimonial or documentary evidence or to the provisions of law alleged to be contrary to such findings or conclusions.

A pro forma motion for new trial or reconsideration shall not toll the reglementary period of appeal.

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