

**VICTORIANO DELA PEÑA, AGUSTINA DELA PEÑA, ELENA DELA PEÑA,
JOSE DELA PEÑA, NOEL DELA PEÑA, AND FILOMENA DELA PEÑA,
PETITIONERS, VS. SPOUSES VICENTE ALONZO AND LIGAYA DELA
PEÑA H...**

G.R. No. 172640. July 03, 2009

Ponente: PUNO, C.J.

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PUNO, C.J.:

Before the Court is this Petition for Review on Certiorari which seeks to set aside the Decision and Resolution of the Court of Appeals in CA G.R. CV No. 56128 dated May 11, 2005 and May 8, 2006 respectively.[1]

First, the facts of the case.

Petitioners Victoriano, Agustina, Elena, Jose and Filomena, all surnamed Dela Peña and respondent Ligaya Dela Peña are all heirs of the late Spouses Ignacio and Engracia Dela Peña. Respondent Vicente Alonzo is the husband of respondent Ligaya Dela Peña.[2]

The Spouses Ignacio Dela Peña and Engracia Rivera, parents and predecessors-in-interest of the parties herein, are absolute owners of an unregistered parcel of land situated in Pescadores, Candaba, Pampanga, with an area of approximately 7,275 square meters. A portion of the land was mortgaged by the Spouses dela Peña to the San Fernando Rural Bank on June 10, 1964 and June 3, 1966.[3] The mortgage transaction covered 1,650 square meters to secure their debt to the bank amounting to P1,200.00. The spouses failed to pay their obligation and the bank foreclosed the mortgaged parcel of land. The bank later acquired the land through purchase in a public auction held on November 21, 1968. The spouses failed to redeem the property within the one-year redemption period. Thus, on November 5, 1971 a Certificate of Final Sale was issued to the mortgagee.[4]

The remaining 5,625-square meter portion of the same parcel of land was acquired by the San Fernando Rural Bank through a public auction conducted on April 28, 1972, pursuant to a Levy on Execution dated March 23, 1972, with its corresponding Notice of Sheriff's Sale.[5] The levy on execution was issued pursuant to the judgment in Civil Case No. 1988 of the Municipal Court of San Fernando, Pampanga, entitled San Fernando Rural Bank Inc. v. Alberto Maun and Ignacio Dela Peña.[6] A Certificate of Sale was issued on the same date as the public auction.

Ignacio Dela Peña died on August 11, 1975 while Engracia Rivera died on February 19, 1983 without having redeemed the property.[7]

Over two decades later, or on March 25, 1992, respondents Ligaya Dela Peña-Alonzo and Vicente Alonzo purchased a 7,125-square meter portion of the property. The remaining 150-square meter portion was purchased by Onofre Dela Peña.[8] The purchase was prompted by a notice sent to them and the petitioners by the San Fernando Rural Bank. The notice was sent pursuant to an internal policy by the bank which gives priority to the heirs of the borrower in the disposal of the land.[9]

Thereafter, petitioners demanded from respondents the partition of the lot which the latter have purchased from the San Fernando Rural Bank. The respondents rejected the claim.[10] Petitioners Victoriano, Agustina and Elena Dela Peña referred the matter to their barangay captain for the conduct of conciliation proceedings. The conciliation proceedings failed and a Katibayan Upang Makadulog sa Hukuman, dated June 8, 1995, was subsequently issued to the parties.[11]

On June 26, 1995, petitioners commenced an action for judicial partition before Branch 38 of the Regional Trial Court (RTC) of San Fernando, Pampanga. The case was docketed as Civil Case No. 10534.[12]

In their Complaint, the petitioners alleged that they, together with the respondents, are co-owners of the subject property, having inherited the same from their parents.[13] They also alleged that an understanding existed between them and respondent Ligaya Dela Peña that the latter shall pay the obligation with the San Fernando Rural Bank while the petitioners shall pay their respective shares later.[14] Petitioners prayed for the partition of the property.

Respondents, in their Answer, averred that no co-ownership existed between them and the petitioners.[15] Respondents posited that at the time of the death of Ignacio and Engracia Dela Peña, they no longer owned the property in question.[16] The land was then owned by the San Fernando Rural Bank, having purchased portions thereof in two public auctions conducted by the Office of the Provincial Sheriff.[17] Respondents likewise alleged that ownership was consolidated in the San Fernando Rural Bank, the Spouses Dela Peña having failed to redeem the parcel of land from the bank. Finally, respondents claimed that they made the purchase before the San Fernando Rural Bank on their own behalf and not as representatives or heirs of the late Ignacio Dela Peña and Engracia Rivera.[18]

On June 23, 1997, the RTC rendered a Decision in favor of the petitioners. The RTC held that the repurchase of the land in question could not have been made by the respondents alone. It ruled that the right belonged to all the heirs of Ignacio Dela Peña and Engracia Rivera. The RTC based the foregoing on the fact that the bank intended to sell the land back to all the heirs.[19]

The RTC concluded its ruling with the following statement:

The [c]ourt recognizes the principle of equity of redemption whereby the mortgagee bank prefers the heirs or successors-in-interest to redeem the property. This equity of redemption was exercised by the San Fernando Rural Bank.[20]

The RTC ordered the partition of the parcel of land in equal proportion to all the heirs of Ignacio Dela Peña and Engracia Rivera. In addition, the RTC ordered the petitioners to pay the commensurate amount that they shared in the repurchase of the property from the San Fernando Rural Bank. The RTC likewise required the parties to submit a project of partition and to respect the status quo with respect to the location of the houses of the petitioners. Finally, the RTC required the respondents to pay P10,000 to the petitioners as attorney's fees.[21]

Aggrieved, the respondents filed a notice of appeal on July 3, 1997,[22] which the RTC granted on July 29, 1997.[23]

In a Decision promulgated on May 11, 2005, the Court of Appeals reversed the ruling of the RTC and ruled in favor of the respondents.[24] The Court of Appeals likewise denied the motion for reconsideration filed by the petitioners on May 8, 2006.[25]

In its decision, the Court of Appeals found that there was a lawful transfer of the property from the Spouses Dela Peña to the San Fernando Rural Bank. There was likewise a transfer from the bank to the respondents.[26]

The Court of Appeals held that with respect to the 1,650-square meter portion of the property, ownership was already consolidated in the bank as evidenced by the Certificate of Final Sale dated November 5, 1971.[27] With respect to the remaining portion, constituting of 5,625 square meters, the same was likewise acquired by the bank in a public auction and has likewise not been redeemed by the spouses.[28]

The Court of Appeals ruled that even before the death of the Spouses Dela Peña, the latter already lost all their rights and interests in the subject parcel of land after their failure to redeem. The absolute owner of the property was the San Fernando Rural Bank.[29]

With the foregoing as premises, the Court of Appeals debunked the contention of the petitioners that the property subject of the controversy still belonged to their predecessors-in-interest and that upon the latter's death, they became the owners of the property. It pointed out that the purchase of the property was not an exercise of the right of redemption inasmuch as there is no right of redemption to speak of.[30] It held further that the principle of equity of redemption was inapplicable in this case.[31]

Respondents filed a motion for reconsideration against the decision of the Court of Appeals which the latter denied in a resolution dated May 8, 2006. Thus, this petition for review.

In their petition for review, the petitioners raise the following issues before the Court:

B.

The Honorable Court of Appeals seriously erred when it treated the term "equity of redemption" mentioned in the decision of the trial court in its strict and technical sense when such was not obviously meant by the trial court, as may be gleaned from the decision itself and undisputed evidence on record.

C.

Be that as it may, whether or not the payment made by respondent Ligaya Dela Peña to the Bank was for the redemption or repurchase of the subject property, the Court of Appeals likewise committed a serious error when it totally disregarded the agreement between the petitioners and respondent Ligaya Dela Peña that whoever among them has the money will advance payment for the redemption of the subject property, subject to reimbursement by the other heirs.[32]

We affirm the ruling of the Court of Appeals.

With respect to the first issue, petitioners insist on the RTC's interpretation of the concept of equity of redemption and in the latter's application of such principle to their case, i.e., as a preference extended by the mortgagee to the heirs or successors-in-interest of the mortgagor.

The RTC's construction of the term equity of redemption is erroneous. The term equity of redemption has a settled meaning. It refers to the right of the mortgagor in case of judicial foreclosure to redeem the mortgaged property after his default in the performance of the conditions of the mortgage but before the confirmation of the sale of the mortgaged property.[33]

In the present case, the 1,650-square meter portion of the subject property was foreclosed extrajudicially through the Office of the Provincial Sheriff as reflected by the Certificate of Sale. In extrajudicial foreclosure, what is extant is the right of redemption, or the right of the mortgagor to redeem the property within one year from and after the date of sale.[34]

The remaining 5,625-square meter portion was sold to the bank through levy on execution. A similar right of redemption exists with respect to such purchase, pursuant to Rule 39, Section 30 of the then applicable Rules of Civil Procedure.[35] There is no equity of redemption in either case because neither one of these acquisitions by

the San Fernando Rural Bank was done through judicial foreclosure.

With respect to the portion of the property subject to mortgage, a Certificate of Final Sale has already been issued on November 5, 1971. As of this date, ownership is already consolidated with the San Fernando Rural Bank, the mortgagee.

The portion of the property acquired by the bank through levy on execution, on the other hand, has not been redeemed since April 28, 1972, the day it was sold through public auction. The right of redemption to such property would have lapsed a year later or on April 28, 1973. It has not been redeemed since then, until the day the property was sold by the San Fernando Rural Bank to the respondents.

Thus, at the time the parties' predecessors-in-interest died, the bank was already the absolute owner of the properties. There is no basis for the petitioners to claim a co-ownership between them and the respondents because no right as to the subject property could have been transmitted to them by the death of their predecessors-in-interest, the Spouses Ignacio Dela Peña and Engracia Rivera.

As it is, the transaction between the respondents and the San Fernando Rural Bank on March 25, 1992 was purely a contract of sale. The fact that the bank exercised a policy of preferring the designated "heirs" of their customers does not ipso facto make the same individuals co-owners of the property.

The contract of sale was likewise solely between the respondents and the San Fernando Rural Bank and the petitioners are not privies to such contract. It is a fundamental principle in contract law that a contract binds only the parties to it and their privies and successors.

There being no co-ownership nor privity of contract, petitioners have no cause of action for demanding the partition of the property.

Finally, petitioners attempt to foist upon this Court the existence of an alleged oral contract between them and the respondents to purchase the property subject of this controversy. The RTC has not made any finding as to the existence of such a contract; on the other hand, the existence of such a contract has been negated by the foregoing finding of the Court of Appeals:

Evidently, the defendants-appellants acquired the property from the owner, the San Fernando Rural Bank, by purchase, and there being no evidence to prove that the defendants-appellants purchased the subject property previously owned by their predecessors as representatives of the latter's surviving heirs, the plaintiffs-appellees cannot claim any right thereto. There is no co-ownership in the instant case between the plaintiffs-appellees and the (sic) defendant-appellant Ligaya Dela Peña, pertaining to the subject property. The defendants-appellants could therefore not be legally compelled to partition the subject property, which they bought with their own resources and for their exclusive use and enjoyment.[36] (emphasis supplied)

It is a well-settled rule that findings of fact of the Court of Appeals are conclusive upon this Court and are generally not subject to review.[37] In this proceeding, we find no cogent reason to disturb the foregoing factual finding of the Court of Appeals.

IN VIEW WHEREOF, the petition is dismissed. The Decision of the Court of Appeals dated May 11, 2005 is affirmed.

Costs against petitioners.

SO ORDERED.

Carpio, Corona, Leonardo-De Castro, and Bersamin, JJ., concur.

[1] Penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Roberto A. Barrios and Vicente E. Veloso.

[2] Rollo, p. 40.

[3] Id.

[4] Id., p. 41.

[5] Id.

[6] Id., p. 93.

[7] Id., p. 42.

[8] Ibid.

[9] Id., p. 137.

[10] Id., p. 42.

[11] Id., p. 43.

[12] Id.

[13] Id., p. 77.

[14] Id., pp. 78-79.

[15] Id., p. 85.

[16] Id.

[17] Id., p. 86.

[18] Id., pp. 86-87.

[19] Id., p. 138.

[20] Id., p. 139.

[21] Id., pp. 139-140.

[22] Id., p. 141.

[23] Id., p. 142.

[24] Id., pp. 39-52.

[25] Id., p. 76.

[26] Id., p. 47.

[27] Id.

[28] Id., p. 48.

[29] Id.

[30] Id.

[31] Id., p. 49.

[32] Id., p. 19.

[33] Top-Rate International Services, Inc. v. Intermediate Appellate Court, G.R. Nos. L-67496 and L-68257, July 7, 1986, 142 SCRA 467, 473.

[34] Sec. 6, Act 3135.

[35] Now Section 28, Rule 39 of the 1997 Rules of Civil Procedure.

[36] Rollo, p. 49.

[37] Gold Loop Properties v. Court of Appeals, G.R. No. 122088, January 26, 2001, 350 SCRA 371, 379-380; Nokom v. National Labor Relations Commission, G.R. No. 140043, July 18, 2000, 336 SCRA 97, 110.

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