

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. WEST NEGROS COLLEGE, INC., RESPONDENT.*G.R. No. 174103. December 23, 2008*

Ponente: TINGA, J.

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This treats of the Motion for Reconsideration[1] dated October 17, 2008, filed by the Development Bank of the Philippines (DBP) seeking the reconsideration of the Court's Resolution[2] dated September 16, 2008 in G.R. No. 174103. It should be recalled that the question submitted for the Court's resolution was whether the Court of Appeals was correct in ruling that the computation of the redemption price for the property subject of this case should be reckoned as of the date of the public auction on August 24, 1989 and that after this date, DBP can no longer collect interest from respondent West Negros College, Inc. (WNC). In our Resolution dated September 16, 2008, we held that the appellate court's ruling was consistent with the Decision of the Court in G.R. No. 152359 (which spawned the present case) and the present DBP charter, Executive Order No. 81 (E.O. No. 81).

WNC filed an Opposition to the Motion for Reconsideration of Petitioner, dated November 12, 1998, asserting that DBP's motion is pro forma as it reiterates the arguments already passed upon by the Court. It further argues that the October 28, 2002 Decision and May 21, 2004 Resolution are already final and executory and may no longer be disturbed.

After a closer scrutiny of its charter, we find that DBP's Motion for Reconsideration is meritorious and that it is entitled to collect accrued interest even after the foreclosure sale. The pertinent provision of E.O. No. 81 provides:

Sec. 16. Right of Redemption.--Any mortgagor of the Bank whose real property has been extrajudicially sold at public auction shall, within one (1) year counted from the date of registration of the certificate of sale, have the right to redeem the real property by paying to the Bank all of the latter's claims against him, as determined by the Bank.

The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession. (Emphasis supplied)

The above-quoted provision is substantially a re-enactment of Sec. 31 of Commonwealth Act No. 459, creating DBP's predecessor agency, the Agricultural and Industrial Bank. Sec. 31 thereof explicitly set the redemption price as the total indebtedness plus contractual interest as of the date of the auction sale, "with interest on the total indebtedness at the rate agreed upon in the obligation from said date." [3] The phrase "with interest on the total indebtedness at the rate agreed upon in the obligation from said date" was, however, deleted in Sec. 16 of E.O. No. 81 which fixed the redemption price as "all of the latter's (Bank's) claims against him, as determined by the Bank." This deletion, together with the Court's Decision dated October 28, 2002 and Resolution dated May 21, 2004 in G.R. No. 152359, both of which held that WNC, "as the assignee of Bacolod Medical Center should pay

the balance of the amount owed by the latter to DBP with interest thereon at the rate agreed upon as of the date of the public auction on 24 August 1989,"[4] led the Court to conclude in the Resolution dated September 16, 2008 that contractual interest shall no longer accrue and form part of the total redemption price.

However, we note the fact that the property subject hereof was foreclosed on January 30, 1989 and that DBP did not take possession of the property during the redemption period, as it has a right to do under its charter. Up to the present, in fact, WNC is in possession of the property.

Under its charter, had DBP taken possession of the property, it would not be required to account for the fruits thereof, "the same being considered compensation for the interest that would otherwise accrue on the account." This phrase explicitly confers upon DBP the right to claim contractual interest on the account during the redemption period in line with the intent of the law to protect the government's investment in the lending institution.

Finally, it should be emphasized that the immutability of the October 28, 2002 Decision and the May 21, 2004 Resolution in G.R. No. 152359 is in no way violated by this Resolution. The dispositive portion of the October 28, 2002 Decision recognizes DBP's entitlement to interest during the redemption period as it states that, "Respondent is given however a grace period of sixty (60) calendar days from notice of the finality of this Decision within which to redeem the mortgaged properties (Lots Nos. 1397-A and 1397-B-1 originally covered by Transfer Certificates of Title Nos. T-25053 and T-29169, respectively, improvements thereon and other properties subject of the mortgage and the extrajudicial foreclosure) if respondent so desires by paying petitioner Development Bank of the Philippines the balance of the credit of Bacolod Medical Center (as assumed by respondent West Negros College under a deed of assignment) secured by the properties plus the expenses and the agreed rate of interest, to be computed as of the date of the public auction on 24 August 1989, unless petitioner Development Bank of the Philippines has taken material possession of the properties in which case the proceeds of the properties shall compensate the interest but only during the period of their possession."[5]

WHEREFORE, the Resolutions of the Court of Appeals in CA-G.R. CV No. 38277 dated July 5, 2006 and August 8, 2006 are REVERSED and SET ASIDE. Its Resolution dated February 14, 2006 is AFFIRMED. The Court of Appeals is DIRECTED to resume proceedings in the case with deliberate dispatch. No pronouncement as to costs.

SO ORDERED.

Puno, C.J., (Chairperson), Quisumbing, Chico-Nazario, and Velasco, Jr., JJ., concur.

[1] Rollo, pp. 243-256.

[2] Id. at 233-242.

[3] SEC. 31. The mortgagor or debtor to the Agricultural and Industrial Bank, whose real property has been sold at public auction, judicially or extra-judicially, for the full or partial payment of an obligation to said Bank, shall, within one year from the date of the auction sale, have the right to redeem the real property by paying to the Bank all the amount he owed the latter on the date of the sale, with interest on the total indebtedness at the rate agreed upon in the obligation from said date, unless the bidder has taken material possession of the property or unless this had been delivered to him, in which case the proceeds of the property shall compensate the interest. If the Agricultural and Industrial Bank was not the highest bidder at the auction sale, the Bank shall, in case of redemption, return to the bidder the amount it received from him as a result of the auction sale with the

corresponding interest paid by the debtor. [Emphasis supplied]

[4] Development Bank of the Philippines v. West Negros College, Inc., 439 Phil. 943, 956 (2002).

[5]Id. at 343.

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