

SPS. DAVID ESERJOSE AND ZENAIDA ESERJOSE, PETITIONERS, VS. ALLIED BANKING CORPORATION AND PACITA UY, RESPONDENTS.*G.R. No. 180105. April 23, 2014*

Ponente: ABAD, J.

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This case is about the effect of a reduction in the course of appeal of the judgment amount after the execution sale of the defendant's properties to satisfy the trial court's judgment had already taken place.

The Facts and the Case

In 1997 petitioners David and Zenaida Eserjose (the Eserjoses) filed before the Regional Trial Court (RTC) of Quezon City, a complaint for the release of mortgage, release from guaranty, reconveyance, cancellation of title, and damages[1] against respondents Allied Banking Corporation (ABC) and its manager, Pacita Uy, as well as their friend Johnnie So who brokered the loan.[2] In the course of court proceedings, the Eserjoses discovered that the residential house which they mortgaged to ABC as well as a lot they newly acquired had been subjected to two other real estate mortgages.

On January 31, 2003 the RTC ruled that the Eserjoses had fully paid their obligations to ABC, thus, entitling them to the release of the mortgaged lands. Further, the RTC ordered ABC and Uy to jointly and severally pay the Eserjoses moral damages of P4 million, exemplary damages of another P4 million, and attorney's fees of P50,000.00 plus costs of suit. The court denied ABC and Uy's motion for reconsideration, prompting them to file a notice of appeal to the Court of Appeals (CA). On August 5, 2003, however, the RTC declined to give due course to the appeal for having been filed out of time. On the same day, it directed the issuance of a writ of execution against ABC and Uy.

On August 19, 2003 ABC and Uy filed a petition for certiorari with the Court of Appeals (CA) in CA-G.R. SP 78645 seeking to set aside the RTC's refusal to give due course to their appeal. Meanwhile, the sheriff below levied upon three of ABC's properties covered by TCTs N-241231,[3] N-242930,[4] and N-242931,[5] to satisfy the judgment in favor of the Eserjoses. These were later sold on October 9, 2003 at a public auction to the Eserjoses as highest bidders for P8,048,000.00. On the next day, the sheriff issued the corresponding certificate of sale to them.

On November 14, 2003 the CA affirmed the RTC's denial of ABC and Uy's appeal and on January 16, 2004 denied their motion for reconsideration, prompting them to file a petition for review on certiorari before this Court in G.R. 161776. Unswayed, this Court affirmed both the CA Decision and Resolution. This Court also denied their motion for reconsideration but, on second motion for reconsideration, it issued on March 19, 2005 a Resolution modifying its ruling in the case.[6] While agreeing with the CA and the RTC in other respects, this Court reduced the award of moral damages from P4 million to P2 million and the exemplary damages also from P4 million to P2 million on grounds of excessiveness and unreasonableness.

A month before this Court issued its March 19, 2005 Resolution, however, the Eserjoses filed with the RTC a

motion for writ of possession covering the three lots that they bought at the public auction, given that the bank failed to redeem these during the redemption period and that the RTC's final and executory decision had been long executed. ABC and Uy opposed the motion on the ground that a writ of possession would be premature. They also filed a motion to annul the certificate of sale covering the properties on the ground that the RTC's January 31, 2003 Decision should yield to the Supreme Court's March 19, 2005 Resolution. In reply, the Eserjoses pointed out that the Supreme Court Resolution merely reduced the damages to which they were entitled. It did not annul the sale in execution of ABC's properties.

On July 18, 2005 the RTC granted the Eserjoses' motion for a writ of possession and denied ABC and Uy's motion to nullify the couple's certificate of sale. The RTC chose, however, to give the Eserjoses possession of only two of the lots they bought. It pointed out that, since the total market value of the two lots covered by TCTs N-241231 and N-242930 already amounted to P5,537,780.00, and since the P4,000,000.00 in damages awarded to plaintiffs plus legal interest, costs of suit, and attorney's fees amounted to less, the court could in its discretion issue the writ of possession only over those lots.

The Eserjoses filed a motion for partial reconsideration, insisting that they were entitled to take possession of the three lots since the Supreme Court did not set aside the execution that had in the meantime taken place. They expressed willingness, however, to pay ABC P4,000,000.00, the amount the Court deducted from the original awards, less interest and costs.

ABC for its part also filed a motion for reconsideration insisting that the RTC's order unjustly enriched the Eserjoses at its expense. It expressed readiness to pay them the P4,000,000.00 to which they were entitled. It insisted that the Supreme Court's order was for the bank to pay them that amount, not surrender its properties to them. Besides, said ABC, the high court did not provide for payment of interest and costs of litigation, and further, the RTC should not have relied merely on the tax declarations as basis for determining the market value of the properties. ABC pointed out that it opted not to redeem the properties so as not to put the bank in estoppel when assailing the validity of the execution of the decision against it.

On January 9, 2006 the RTC denied both motions for reconsideration. Thus, ABC and Uy filed a petition for certiorari before the CA. Pending resolution of the case, the CA issued a temporary restraining order enjoining the sheriff, the Register of Deeds of Quezon City, and the Branch Clerk of Court from taking further actions concerning the title and possession of the properties in question. On July 24, 2007 the CA rendered a Decision setting aside the RTC resolution that denied ABC's motion to nullify the sale and the consolidation of TCTs N-241231 and N-242930 in the names of the Eserjoses. The CA denied the latter's motion for reconsideration, hence, this petition.

The Eserjoses question the correctness of this Court's March 19, 2005 resolution in G.R. 161776 that granted ABC and Uy's second motion for reconsideration. But the Court had already addressed that matter with finality in that case. It cannot be resurrected through this entirely new action under the doctrine of *res judicata*.

Issue Presented

The only issue to be resolved in this case is whether or not the CA erred in reversing the RTC ruling that allowed the consolidation of ownership in and turnover of possession of the two lots covered by TCTs N-241231 and N-242930 to the Eserjoses, in effect allowing ABC and Uy to just pay them the amounts of the awards in cash.

The Court's Ruling

Contrary to the Eserjoses' argument, the CA did not alter the RTC Decision of January 31, 2003 in their favor as modified by this Court's Resolution of March 19, 2005. Notably, neither the RTC nor this Court awarded legal interest on the amounts due. Consequently, the RTC exceeded its jurisdiction when, in executing the judgment, it

added interest on the damages it awarded, raising the total award to over P5,000,000.00. The Eserjoses are entitled to only P4,000,000.00 in damages and P50,000.00 in attorney's fees.

When this Court substantially reduced the amounts of damages that the RTC awarded the Eserjoses, it in effect partially reversed the executed judgment issued in the case. Section 5, Rule 39 of the 1997 Rules of Civil Procedure applies to such a situation. It provides:

SEC. 5. Effect of reversal of executed judgment. – Where the executed judgment is reversed totally or partially, or annulled, on appeal or otherwise, the trial court may, on motion, issue such orders of restitution or reparation of damages as equity and justice may warrant under the circumstances.

Here, the RTC executed on a judgment debt of P8,050,000 when what was later determined to be due was only P4,050,000. Clearly, the trial court had the discretion to order restitution and reparation of damages. Its exercise of that discretion must, however, be fair to all the parties concerned.

The CA was right in holding that the RTC committed grave abuse of discretion in not allowing for the restitution of the properties improperly auctioned for substantially wrong amounts considering that the registration of titles in the names of the Eserjoses and the turnover of possession of such properties to them had not yet taken place. There is no legal impediment to ABC and Uy being allowed to pay the judgment debt in cash, the preferred mode of satisfaction of money judgment.[7]

WHEREFORE, the Court AFFIRMS the Court of Appeals Decision dated July 24, 2007 and its subsequent Resolution dated October 10, 2007 that allowed respondent Allied Banking Corporation to satisfy the monetary award by paying petitioners David and Zenaida Eserjose the cash amount of P4,050,000.00 and to pay the prescribed costs as well.

SO ORDERED.

Velasco, Jr., (Chairperson), Peralta, Mendoza, and Leonen, JJ., concur.

May 2, 2014

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on ____April 23, 2014____ a Decision, copy attached herewith, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on May 2, 2014 at 3:15 p.m.

Very truly yours,

(SGD)

LUCITA ABJELINA SORIANO

Division Clerk of Court

[1] The case was docketed as Civil Case Q-98-34137.

[2] In 1993, petitioners David Eserjose and Zenaida Eserjose (Sps. Eserjose) became interested in buying the lot[2] next to their residential property.[2] They approached their close friend, Johnnie So (So), who in turn referred them to the manager of Allied Banking Corporation's (ABC) Del Monte, Quezon City Branch, Pacita Uy

(Uy). The bank approved petitioners' loan under the following conditions: (1) that the loan be secured by a real estate mortgage on their residential property, and (2) that the newly acquired property^[2] be registered under the business name Lucky Find Enterprises (LFE) owned by So's mother-in-law who maintained an account at ABC. To complete the arrangement, Sps. Eserjose signed a continuing guaranty/comprehensive surety agreement. By 1997, Sps. Eserjose had paid off their loan. When they asked the bank to release the mortgages and turnover the titles of both properties, however, ABC ignored the request.

[3] A parcel of land with residential building thereon with an assessed value of P138,200.00 and a market value of P921,480.00 (tax declaration).

[4] A parcel of land with residential building thereon with an assessed value of P1,846,540.00 and a market value of P4,616,300.00 (tax declaration).

[5] A parcel of land with residential building thereon with an assessed value of P711,040.00 and a market value of P3,879,630.00 (tax declaration).

[6] The dispositive portion of the Supreme Court Resolution dated March 10, 2005 reads: "WHEREFORE, premises considered, the Decision dated October 22, 2004, which affirmed the decision of the Court of Appeals in CA-G.R. SP 78645 and the decision of the Regional Trial Court of Quezon City, Branch 85, in Civil Case Q-98-34137, is MODIFIED as to the amount of damages. Petitioners are ordered, jointly and severally, to pay respondents the amount of Two Million Pesos (P2,000,000.00) as moral damages; and the amount of Two Million Pesos (P2,000,000.00) as exemplary damages. The above mentioned decision of the trial court is AFFIRMED in all other respects. SO ORDERED."

[7] RULES OF COURT, Rule 39, Section 9(a).

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