

PHILIPPINE NATIONAL BANK, AS THE ATTORNEY-IN-FACT OF OPAL PORTFOLIO INVESTMENTS (SPV-AMC), INC., PETITIONER, VS. MERCEDES CORPUZ, REPRESENTED BY HER ATTORNEY-IN-FACT VALENTINA C...

G.R. No. 180945. February 12, 2010

Ponente: ABAD, J.

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ABAD, J.:

This case is about the need for a mortgagee-bank, faced with suspicious layers of transfers involving a property presented for mortgage, to exercise proper diligence in ascertaining the bona fide status of those transfers.

The Facts and the Case

On October 4, 1974 respondent Mercedes Corpuz delivered her owner's duplicate copy of Transfer Certificate of Title (TCT) 32815 to Dagupan City Rural Bank as security against any liability she might incur as its cashier. She later left her job and went to the United States.

On October 24, 1994 the rural bank where she worked cancelled its lien on Corpuz's title, she having incurred no liability to her employer. Without Corpuz's knowledge and consent, however, Natividad Alano, the rural bank's manager, turned over Corpuz's title to Julita Camacho and Amparo Callejo.

Conniving with someone from the assessor's office, Alano, Camacho, and Callejo prepared a falsified deed of sale, making it appear that on February 23, 1995 Corpuz sold her land to one "Mary Bondoc" for P50,000.00. They caused the registration of the deed of sale, resulting in the cancellation of TCT 32815 and the issuance of TCT 63262 in Bondoc's name. About a month later or on March 27, 1995 the trio executed another fictitious deed of sale with "Mary Bondoc" selling the property to the spouses Rufo and Teresa Palaganas for only P15,000.00. This sale resulted in the issuance of TCT 63466 in favor of the Palaganases.

Nine days later or on April 5, 1995 the Palaganases executed a deed of sale in favor of spouses Virgilio and Elena Songcuan for P50,000.00, resulting in the issuance of TCT 63528. Finally, four months later or on August 10, 1995 the Songcuans took out a loan of P1.1 million from petitioner Philippine National Bank (PNB) and, to secure payment, they executed a real estate mortgage on their title. Before granting the loan, the PNB had the title verified and the property inspected.

On November 20, 1995 respondent Corpuz filed, through an attorney-in-fact, a complaint before the Dagupan Regional Trial Court (RTC) against Mary Bondoc, the Palaganases, the Songcuans, and petitioner PNB, asking for the annulment of the layers of deeds of sale covering the land, the cancellation of TCTs 63262, 63466, and 63528, and the reinstatement of TCT 32815 in her name.

On June 29, 1998 the RTC rendered a decision granting respondent Corpuz's prayers. This prompted petitioner PNB to appeal to the Court of Appeals (CA). On July 31, 2007 the CA affirmed the decision of the RTC and

denied the motion for its reconsideration, prompting PNB to take recourse to this Court.

The Issue Presented

The sole issue presented in this case is whether or not petitioner PNB is a mortgagee in good faith, entitling it to its lien on the title to the property in dispute.

The Ruling of the Court

Petitioner PNB points out that, since it did a credit investigation, inspected the property, and verified the clean status of the title before giving out the loan to the Songcuans, it should be regarded as a mortgagee in good faith. PNB claims that the precautions it took constitute sufficient compliance with the due diligence required of banks when dealing with registered lands.

As a rule, the Court would not expect a mortgagee to conduct an exhaustive investigation of the history of the mortgagor's title before he extends a loan.[1] But petitioner PNB is not an ordinary mortgagee; it is a bank.[2] Banks are expected to be more cautious than ordinary individuals in dealing with lands, even registered ones, since the business of banks is imbued with public interest.[3] It is of judicial notice that the standard practice for banks before approving a loan is to send a staff to the property offered as collateral and verify the genuineness of the title to determine the real owner or owners.[4]

One of the CA's findings in this case is that in the course of its verification, petitioner PNB was informed of the previous TCTs covering the subject property.[5] And the PNB has not categorically contested this finding. It is evident from the faces of those titles that the ownership of the land changed from Corpuz to Bondoc, from Bondoc to the Palaganases, and from the Palaganases to the Songcuans in less than three months and mortgaged to PNB within four months of the last transfer.

The above information in turn should have driven the PNB to look at the deeds of sale involved. It would have then discovered that the property was sold for ridiculously low prices: Corpuz supposedly sold it to Bondoc for just P50,000.00; Bondoc to the Palaganases for just P15,000.00; and the Palaganases to the Songcuans also for just P50,000.00. Yet the PNB gave the property an appraised value of P781,760.00. Anyone who deliberately ignores a significant fact that would create suspicion in an otherwise reasonable person cannot be considered as an innocent mortgagee for value.[6]

The Court finds no reason to reverse the CA decision.

WHEREFORE, the Court DENIES the petition and AFFIRMS the decision of the Court of Appeals dated July 31, 2007 and its resolution dated December 17, 2007 in CA-G.R. CV 60616.

SO ORDERED.

Carpio, (Chairperson), Brion, Del Castillo, and Perez, JJ., concur.

[1] *Development Bank of the Philippines v. Court of Appeals*, 387 Phil. 283, 302 (2000).

[2] *Cruz v. Bancom Finance Corporation (now Union Bank of the Philippines)*, 429 Phil. 225, 239 (2002).

[3] *Heirs of Manlapat v. Court of Appeals*, 498 Phil. 453, 473 (2005).

[4] *Cavite Development Bank v. Spouses Lim*, 381 Phil. 355, 368-369 (2000), citing *Spouses Tomas v. Philippine National Bank*, 187 Phil. 183, 187 (1980).

[5] Rollo, p. 23.

[6] Development Bank of the Philippines v. Court of Appeals, *supra* note 1, at 303.

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