

**ATTY. RESTITUTO G. CUDIAMAT, ERLINDA P. CUDIAMAT AND
CORAZON D. CUDIAMAT, PETITIONERS, VS. BATANGAS SAVINGS
AND LOAN BANK, INC., AND THE REGISTER OF DEEDS, NASUGBU,
BATANGAS, RE...**

G.R. No. 182403. March 09, 2010

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Petitioner Atty. Restituto Cudiamat and his brother Perfecto were the registered co-owners of a 320 square meter parcel of land (the property) in Balayan, Batangas, covered by TCT No. T-37889 of the Register of Deeds of Nasugbu, Batangas. Restituto, who resided in Ozamiz City with his wife, entrusted the custody of the title to who was residing in Balayan.

In 1979, Perfecto, without the knowledge and consent of Restituto, obtained a loan from respondent Batangas Savings and Loan Bank, Inc. (the bank). To secure the payment of the loan, Perfecto mortgaged the property for the purpose of which he presented a Special Power of Attorney (SPA) purportedly executed by Restituto, with the marital consent of his wife-herein co-petitioner Erlinda Cudiamat.

On June 19, 1991, Restituto was informed, via letter[2] dated June 7, 1991 from the bank, that the property was foreclosed. He thus, by letter[3] dated June 25, 1991, informed the bank that he had no participation in the execution of the mortgage and that he never authorized Perfecto for the purpose.

In the meantime, Perfecto died in 1990. In 1998, as Perfecto's widow petitioner Corazon was being evicted from the property, she and her co-petitioner-spouses Restituto and Erlinda filed on August 9, 1999 before the Regional Trial Court (RTC) of Balayan a complaint[4] "for quieting of title with damages" against the bank and the Register of Deeds of Nasugbu, docketed as Civil Case No. 3618, assailing the mortgage as being null and void as they did not authorize the encumbrance of the property.

In its Answer to the complaint, the bank, maintaining the validity of the mortgage, alleged that it had in fact secured a title in its name, TCT No. T-48405, after Perfecto failed to redeem the mortgage; that the Balayan RTC had no jurisdiction over the case as the bank had been placed under receivership and under liquidation by the Philippine Deposit Insurance Corporation (PDIC); that PDIC filed before the RTC of Nasugbu a petition for assistance in the liquidation of the bank which was docketed as SP No. 576; and that jurisdiction to adjudicate disputed claims against it is lodged with the liquidation court-RTC Nasugbu.

By Decision of January 17, 2006,[5] Branch 9 of the Balayan RTC rendered judgment, in the complaint for quieting of title, in favor of the plaintiffs-herein petitioners. It ordered respondent Register of Deeds of Nasugbu to cancel the encumbrance annotated on TCT No. T-37889, and to cancel TCT No. T-48405 issued in the name of the bank and reinstate the former title. It also directed the bank to return the property to petitioner spouses Restituto and Erlinda and to pay P20,000 to all the petitioners to defray the costs of suit.

The bank appealed to the Court of Appeals, contending, inter alia, that the Balayan RTC had no jurisdiction over petitioners' complaint for quieting of title.

By the assailed Decision of December 21, 2007,[6] the appellate court, ruling in favor of the bank, dismissed petitioners' complaint for quieting of title, without prejudice to the right of petitioners to take up their claims with the Nasugbu RTC sitting as a liquidation court.

To the appellate court, the Balayan RTC, as a court of general jurisdiction, should have deferred to the Nasugbu RTC which sits as a liquidation court, given that the bank was already under receivership when petitioners filed the complaint for quieting of title.

Petitioners' Motion for Reconsideration having been denied by the appellate court by Resolution of March 27, 2008, they filed the present petition for review on certiorari.

Assailing the appellate court's ruling that the Balayan RTC had no jurisdiction over their complaint, petitioners argue that their complaint was filed earlier than PDIC's petition for assistance in the liquidation; and that the bank is now estopped from questioning the jurisdiction of the Balayan RTC because it actively participated in the proceedings thereat.

The petition is impressed with merit.

Estoppel bars the bank from raising the issue of lack of jurisdiction of the Balayan RTC.

In *Lozon v. NLRC*,[7] the Court came up with a clear rule on when jurisdiction by estoppel applies and when it does not:

The operation of estoppel on the question of jurisdiction seemingly depends on whether the lower court actually had jurisdiction or not. If it had no jurisdiction, but the case was tried and decided upon the theory that it had jurisdiction, the parties are not barred, on appeal, from assailing such jurisdiction, for the same "must exist as a matter of law, and may not be conferred by the consent of the parties or by estoppel." However, if the lower court had jurisdiction, and the case was heard and decided upon a given theory, such, for instance, as that the court had no jurisdiction, the party who induced it to adopt such theory will not be permitted, on appeal, to assume an inconsistent position - that the lower court had jurisdiction... (underscoring supplied)

The ruling was echoed in *Metromedia Times Corporation v. Pastorin*. [8]

In the present case, the Balayan RTC, sitting as a court of general jurisdiction, had jurisdiction over the complaint for quieting of title filed by petitioners on August 9, 1999. The Nasugbu RTC, as a liquidation court, assumed jurisdiction over the claims against the bank only on May 25, 2000, when PDIC's petition for assistance in the liquidation was raffled thereat and given due course.

While it is well-settled that lack of jurisdiction on the subject matter can be raised at any time and is not lost by estoppel by laches, the present case is an exception. To compel petitioners to re-file and relitigate their claims before the Nasugbu RTC when the parties had already been given the opportunity to present their respective evidence in a full-blown trial before the Balayan RTC which had, in fact, decided petitioners' complaint (about two years before the appellate court rendered the assailed decision) would be an exercise in futility and would unjustly burden petitioners.

The Court, in *Valenzuela v. Court of Appeals*, [9] held that as a general rule, if there is a judicial liquidation of an insolvent bank, all claims against the bank should be filed in the liquidation proceeding. The Court in *Valenzuela*, however, after considering the circumstances attendant to the case, held that the general rule should not be applied if to order the aggrieved party to refile or relitigate its case before the litigation court would be "an exercise in

futility." Among the circumstances the Court considered in that case is the fact that the claimants were poor and the disputed parcel of land was their only property, and the parties' claims and defenses were properly ventilated in and considered by the judicial court.

In the present case, the Court finds that analogous considerations exist to warrant the application of Valenzuela. Petitioner Restituto was 78 years old at the time the petition was filed in this Court, and his co-petitioner-wife Erlinda died^[10] during the pendency of the case. And, except for co-petitioner Corazon, Restituto is a resident of Ozamis City. To compel him to appear and relitigate the case in the liquidation court-Nasugbu RTC when the issues to be raised before it are the same as those already exhaustively passed upon and decided by the Balayan RTC would be superfluous.

WHEREFORE, the petition is GRANTED. The Decision of December 21, 2007 and Resolution dated March 27, 2008 of the Court of Appeals are SET ASIDE. The Decision dated January 17, 2006 of the Regional Trial Court of Balayan, Batangas, Branch 9 is REINSTATED.

SO ORDERED.

Puno, C.J., (Chairperson), Leonardo-De Castro, Bersamin, and Villarama, Jr., JJ., concur.

[1] Substituted by her heir, Donald P. Cudiamat per Notice of Party's Death and Request for Substitution, rollo, pp. 1-8.

[2] Records Vol. I, p. 6.

[3] Id. at 7.

[4] Records Vol. I, pp. 1-4.

[5] Records, Vol. II, pp. 337-350.

[6] CA rollo, 114-122. Penned by Associate Justice Juan Q. Enriquez, Jr. and concurred in by Associate Justices Vicente S.E. Veloso and Marlene Gonzales-Sison.

[7] 310 Phil. 1 (1995).

[8] G.R. No. 154295, 29 July 2005, 465 SCRA 320, 335-336.

[9] No. L-56168, December 22, 1988, 168 SCRA 623.

[10] See Certificate of Death, rollo, p. 7.

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