

HEIRS OF ESTELITA BURGOS-LIPAT, NAMELY: ALAN B. LIPAT AND ALFREDO B. LIPAT, JR., PETITIONERS, VS. HEIRS OF EUGENIO D. TRINIDAD, NAMELY: ASUNCION R. TRINIDAD, VICTOR R. TRINIDAD,...

G.R. No. 185644. March 02, 2010

Ponente: CORONA, J.

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CORONA, J.:

On April 16, 1979, petitioners Estelita Burgos-Lipat and Alfredo Lipat (spouses Lipat)[1] obtained a P583,854 loan from Pacific Banking Corporation (PBC), secured by a real estate mortgage on their Quezon City property.[2] The mortgage was eventually extended to secure additional loans, discounting lines, overdrafts and credit accommodations that petitioners subsequently obtained from PBC.

Due to petitioners' failure to pay their loans, PBC foreclosed on the subject property. Eugenio D. Trinidad[3] was declared the highest bidder during the public auction and was issued a certificate of sale on January 31, 1989. The certificate of sale was registered on April 12, 1989.

On November 28, 1989, petitioners filed a complaint for annulment of mortgage, extra-judicial foreclosure and certificate of sale in the Regional Trial Court (RTC) of Quezon City, Branch 84 against PBC, Eugenio D. Trinidad and the Registrar of Deeds and ex-officio sheriff of Quezon City.

In a decision dated February 10, 1993, the RTC dismissed the complaint but granted petitioners five months and 17 days from the finality of the decision to exercise their right of redemption over the foreclosed property. We affirmed this decision on April 30, 2003 in *Lipat v. Pacific Banking Corporation*. [4]

Meanwhile, petitioners assigned their rights over the contested property to Partas Transportation Co., Inc. (PTCI). On June 16, 2004, within the given period left for redemption, [5] PTCI exercised the right of redemption and paid the redemption amount computed by the sheriff. However, respondent heirs of Trinidad refused to claim the redemption money and surrender the certificate of title covering the foreclosed property, claiming the amount tendered was inadequate, i.e., the interest of 1% per month was computed only for a one-year period. Ultimately, the RTC upheld the exercise of redemption and directed respondents to surrender the certificate of title in an order dated May 17, 2005. [6] Respondents' motion for reconsideration was denied in an order dated September 28, 2005. [7]

Respondents filed a notice of appeal which was denied by the RTC on February 6, 2006.

Petitioners subsequently moved for execution of the May 17, 2005 order and the RTC granted the same in an order dated August 22, 2006. [8] Without filing a motion for reconsideration of the order, respondents immediately filed a petition for certiorari [9] in the CA.

In a decision dated July 31, 2008, [10] the CA granted respondents' petition and set aside the August 22, 2006

RTC order. It held that the right to redemption should have been exercised within one year from the date of registration of the certificate of sale.

Petitioners filed a motion for reconsideration[11] but the CA denied the same in a resolution dated December 5, 2008.[12]

Hence, this petition.[13]

The one-year redemption period applied by the CA is the rule that generally applies to foreclosure of mortgage by a bank.[14] The period of redemption is not tolled by the filing of a complaint or petition for annulment of the mortgage and the foreclosure sale conducted pursuant to the said mortgage.[15] However, considering the exceptional circumstances surrounding this case, we will not apply the rule in this instance pro hac vice.

In *Lipat*,[16] this Court upheld the RTC decision giving petitioners five months and 17 days from the finality of the trial court's decision to redeem their foreclosed property. *Lipat*, already final and executory, has therefore become the law of the case between the parties, including their heirs who are petitioners and respondents in this case. In *Union Bank of the Philippines v. ASB Development Corporation*,[17] we explained:

Law of the case has been defined as "the opinion delivered on a former appeal. More specifically, it means that whatever is already irrevocably established as the controlling legal rule or decision between the same parties in the same case continues to be the law of the case, whether correct on general principles or not, so long as the facts on which such decision was predicated continue to be the facts of the case before the court." [18]

Consequently, petitioners had five months and 17 days from the finality of *Lipat* to exercise their right of redemption, even though this period was beyond one year from the date of registration of the sale.

Thus, the CA erred (and even committed a grave abuse of discretion) when it insisted on a contrary ruling. The CA had no power to reverse this Court's final and executory judgment. The CA overstepped its authority when it held that the right of redemption had already expired one year after the date of the registration of the certificate of sale. Like all other courts in our judicial system, the CA must take its bearings from the rulings and decisions of this Court.[19]

Nevertheless, we note that the amount tendered by petitioners to redeem their foreclosed property was determined by the sheriff at the rate of one percent per month for only one year. Section 78 of the General Banking Act[20] requires payment of the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage contract, and all the costs and other judicial expenses incurred by the bank or institution concerned by reason of the execution and sale and as a result of the custody of said property less the income received from the property.[21] The rate of interest specified in the mortgage contract shall be applied for the one-year period reckoned from the date of registration of the certificate of sale in accordance with the General Banking Act. However, since petitioners effectively had more than one year to exercise the right of redemption, justice, fairness and equity require that they pay 12% p.a. interest beyond the one-year period up to June 16, 2004 when Partas consigned the redemption price with the RTC.

WHEREFORE, the motions for reconsideration of this Court's resolutions dated January 14, 2009[22] and March 4, 2009[23] are hereby granted.

The petition is reinstated and likewise granted. The decision and resolution of the Court of Appeals in C.A.-G.R. SP No. 96176 are REVERSED and SET ASIDE. The order of the Regional Trial Court of Quezon City dated August 22, 2006 is hereby REINSTATED with the modification that the redemption price be recomputed in accordance with Section 78 of the General Banking Act.[24] The said redemption price shall be subject to legal interest at 12% p.a. from April 13, 1990 until June 16, 2004.

SO ORDERED.

Velasco, Jr., Nachura, Del Castillo[*] and Mendoza, JJ., concur.

[*] Per Special Order No. 824 dated February 12, 2010.

[1] Represented by their daughter Teresita Lipat.

[2] Covered by Transfer Certificate of Title No. 49535 (RT-38224) and located at No. 814 Aurora Boulevard, Cubao, Quezon City.

[3] During the pendency of this case, Eugenio D. Trinidad passed away. Pursuant to Rule 3, Sec. 16 of the Rules of Court, he was substituted by his heirs in this case.

[4] 450 Phil 401 (2003).

[5] The decision in Lipat attained finality on December 30, 2003 as shown in the entry of judgment. December 30, 2003 to May 30, 2004 is equivalent to 5 months while May 31, 2004 to June 16, 2004 is 16 days.

[6] Rollo, pp. 102-104.

[7] Rollo, pp. 105-108.

[8] RTC order dated August 22, 2006. Rollo, pp. 114-119.

[9] Under Rule 65 of the Rules of Court.

[10] Penned by Associate Justice Portia Aliño-Hormachuelos and concurred in by Associate Justices Hakim S. Abdulwahid and Teresita Dy-Liacco Flores. Rollo, pp. 86-97.

[11] Rollo, p. 130.

[12] Rollo, p. 99.

[13] Under Rule 45 of the Rules of Court.

[14] R.A. No. 337, Sec. 78. Loans against real estate security shall not exceed seventy per cent (70%) of the appraised value of the respective real estate security, plus seventy per cent (70%) of the appraised value of insured improvements, and such loans shall not be made unless title to the real estate, free from all encumbrances, shall be in the mortgagor. In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan granted before the passage of this Act or under the provisions of this Act, the mortgagor or debtor whose real property has been sold at public auction, judicially or extrajudicially, for the full or partial payment of an obligation to any bank, banking, or credit institution, within the purview of this Act, shall have the right, within one year after the sale of the real estate as a result of the foreclosure of the respective mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the bank or institution concerned by reason of the execution and sale and as a result of the custody of said property less the income received from the property. However, the purchaser at the auction sale concerned shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with law.

Similarly, loans on the security of chattels shall not exceed fifty per cent (50%) of the appraised value of the security, and such loans shall not be made unless title to the chattels, free from all encumbrances, shall be in the

mortgagor.

The Monetary Board may, by regulation, prescribe further security requirements to which the various types of bank credit shall be subject, and, in accordance with the authority granted to it in section one hundred eleven of the Central Bank Act, the Board may by regulation reduce the maximum ratios established in the present section, but in the exercise of the aforementioned authority, the Board shall in no case fix ratios greater than those established herein.

The Monetary Board may, similarly, in accordance with the authority granted to it in section one hundred eleven of the Central Bank Act, reduce the maximum permissible maturities specified in this Act for various types of bank loans, but in no case shall the Board exercise such power to authorize maximum maturities greater than those established in this Act. Any reduction by the Board of the maximum maturities specified in this Act shall apply only to loans made after the date of such action.

[15] Landrito, Jr. v. Court of Appeals, G.R. No. 133079, 9 August 2005, 466 SCRA 107, 118.

[16] Supra note 4.

[17] G.R. No. 172895, 30 July 2008, 560 SCRA 578.

[18] Supra at 600.

[19] Republic of the Philippines v. Garcia, G.R. No. 167741, 12 July 2007, 527 SCRA 495, 502.

[20] RA 337. This was repealed by the enactment of the General Banking Law (R.A. 8791) which took effect on June 14, 2000.

[21] Supra note 12.

[22] Minute resolution denying petitioners' motion for an extension of 30 days within which to file a petition for review for failing to comply with Bar Matter 1922 and for failing to comply with the 2004 Rules on Notarial Practice. Rollo, p. 8.

[23] Minute resolution denying the instant petition for review for being filed beyond the reglementary period. Rollo, pp. 219-220.

[24] In particular, the said amount should include the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage contract from April 12, 1989 to April 12, 1990, plus costs and judicial expenses incurred by respondents by reason of the execution and sale and as a result of the custody of property less any income received from the property.

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