

DENNIS MORTEL, PETITIONER, VS. MICHAEL BRUNDIGE, RESPONDENT.

G.R. No. 190236. June 15, 2015

Ponente: BRION, J.

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BRION, J.:

We resolve the petition for review on certiorari[1] assailing the May 21, 2009 decision[2] and the October 27, 2009 resolution[3] of the Court of Appeals (CA) in CA- G.R. CV No. 87159.

These challenged CA rulings affirmed the decision of the Regional Trial Court (RTC), Branch 72, Olongapo City, granting the complaint for judicial foreclosure of mortgage.

Factual Background

On July 14, 2001, the petitioner Dennis Mortel obtained a loan of P185,000.00 from the respondent Michael Brundige. To secure the payment of the loan, the petitioner executed in favor of the respondent a real estate mortgage (Sanglang-Tira Agreement) over a one unit apartment located at No. 1409 Sta. Rita, Olongapo City (subject property). Their agreement provided, among others, that the petitioner (mortgagor) will pay the loan within a period of one (1) year - from July 14, 2001 to July 14, 2002 - renewable upon the option of both parties. They also agreed that the respondent (mortgagee) shall reside free of rent in the subject property during the duration of the agreement.[4]

The respondent and his family occupied the subject property only for six (6) months as they were allegedly forced to leave its premises due to flooding and absence of water supply for five (5) months.

Upon maturity of the loan, the petitioner failed to pay his debt despite receipt of the demand letter dated October 21, 2002.

Sometime in November 2002, the petitioner forced open the subject property and removed all of the respondent's belongings. The parties subsequently brought their dispute to the Office of the Lupong Tagapamayapa of Barangay Sta. Rita but they failed to reach an amicable settlement.

On April 11, 2003, the respondent filed against the petitioner a complaint for Judicial Foreclosure of Mortgage with the RTC of Olongapo City.

In his Answer, the petitioner alleged that: (1) the complaint did not state a cause of action; (2) the mortgage was void since he was not the absolute owner of the subject property; (3) the respondent and his wife abandoned the subject property for almost eight (8) months in violation of their agreement; (4) he paid the property's electric bills for eight (8) months amounting to P2,340.64 which the respondent failed to pay; and (5) the real estate mortgage failed to express the parties' true intention and agreement.

During the August 11, 2003 pre-trial conference, the petitioner admitted the existence of the real estate mortgage (Sanglang-Tira Agreement); the respondent's demand letter dated October 21, 2002; and the Certificate to File

Action. He also admitted that his obligation with the respondent was not paid but claimed that the latter abandoned the subject property in violation of their agreement.

The respondent subsequently filed a motion for summary judgment based on Section 1, Rule 35 of the 1997 Rules of Civil Procedure, claiming that since the petitioner already admitted the execution of a real estate mortgage and his default in the payment of his loan, there was no more genuine issue of fact which calls for the presentation of evidence in a full-blown trial. The petitioner opposed the motion.

The Regional Trial Court's Summary Judgment

In an Order dated August 18, 2005, the RTC granted the respondent's motion for summary judgment and considered the case submitted for decision based on the respondent's testimonies, documentary evidence and the petitioner's admissions during the pre-trial.

The RTC then rendered its decision dated January 9, 2006, ordering the petitioner to pay the respondent the loan amount of P185,000.00, and in case of default, that the subject property be sold at public auction to satisfy the mortgage debt. The dispositive portion of the decision reads:

"WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor or (sic) the plaintiff and against the defendant:

- Ordering the defendant to pay plaintiff the amount of P185,000.00 within the period of ninety (90) days from entry of judgment;
- In default of such payment, the mortgaged property under the Sanglang-Tira Agreement shall be sold at a public auction to satisfy the mortgage debt;
- Ordering the defendant to pay plaintiff the amount of P20,000.00 as attorney's fees; and to pay the costs of this suit.

SO DECIDED."

The petitioner filed a motion for reconsideration but the RTC denied it in its resolution dated March 3, 2006.

The petitioner appealed the decision to the CA.

The Court of Appeal's Ruling

In its decision dated May 21, 2009, the CA affirmed the RTC's findings. It found that, based on the petitioner's admission of default in the payment of his obligation, no genuine issue of fact on the issue of his liability existed, requiring a trial for the presentation of evidence. Thus, it held that the RTC did not err in granting both the respondent's motion for summary judgment and the petition for judicial foreclosure of mortgage.

The CA also upheld the real estate mortgage's validity. It held that the respondent's decision to discontinue occupying the mortgaged property did not in any way affect the validity of the loan and the mortgage agreement. Furthermore, considering that the petitioner's mother (who was the subject property's registered owner) was already dead when the contract of mortgage was executed, the petitioner - by operation of law - already had a vested right over the subject property.

The Petition

The petitioner insists that the CA committed a serious error when it affirmed the RTC's decision. It submits that the CA misapprehended the facts and failed to consider the respondent's breach of the mortgage contract.

The petitioner also assails the RTC's summary judgment. Citing the Court's ruling in *Solid Bank v. Court of*

Appeals,[5] in relation with Sections 1 and 3, Rule 35 of the 1997 Rules of Civil Procedure, he alleges that the respondent failed to observe the requirements laid down in Sections 1 and 3, Rule 35 of the 1997 Rules of Procedure as the RTC and the CA decisions failed to mention that he submitted affidavits and pleadings in support of his motion.

The Case for the Respondent

The respondent dismisses the petitioner's arguments and issues as mere rehashes of what he raised in his pleadings with the CA. He contends that these issues do not merit further consideration as the CA has already resolved them.

The Issues

The sole issue in this case is whether or not the CA erred in affirming the RTC's summary judgment.

The Court's Ruling

We DENY the petition for lack of merit.

The petitioner argues that the RTC's summary judgment was baseless because his admissions regarding his indebtedness and non-payment of debt were qualified by his allegation that the respondent breached their agreement. He also maintains that the summary judgment was inappropriate because of the respondent's failure to submit supporting affidavits and pleadings.

We do not agree with the petitioner.

Nature and Propriety of Summary Judgment

The respondent's motion for summary judgment against the petitioner was based on Section 1, Rule 35 of the 1997 Rules of Civil Procedure, which states:

"Section 1. Summary Judgment for claimant. - A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory relief may, at any time after the pleading in answer thereto has been served, move with supporting affidavits, depositions or admissions for a summary judgment in his favor upon all or any part thereof."

Under this provision, a summary judgment may be used to expedite the proceedings and to avoid useless delays, when the pleadings, depositions, affidavits or admissions on file show that there exists no genuine question or issue of fact in the case, and the moving party is entitled to a judgment as a matter of law.

In determining the genuineness of the issue and the propriety of summary judgments, the court is obliged to carefully study and appraise, not only the tenor or contents of the pleadings, but also the facts alleged and admitted by the parties, their affidavits and the corresponding opposition.

The Court explained the nature of summary judgment in *Wood Technology Corporation v. Equitable Banking Corporation*:^[6]

Summary judgment is a procedure aimed at weeding out sham claims or defenses at an early stage of the litigation. The proper inquiry in this regard would be whether the affirmative defenses offered by petitioners constitute genuine issues of fact requiring a full-blown trial. In a summary judgment, the crucial question is: are the issues raised by petitioners not genuine so as to justify a summary judgment? A "genuine issue" means an issue of fact which calls for the presentation of evidence, as distinguished from an issue which is fictitious or contrived, an issue that does not constitute a genuine issue for trial.

Furthermore, in *Puyat v. Zabarte*,^[7] we laid down the requisites for the proper rendition of summary judgment:

For summary judgment to be valid, Rule 34, Section 3 of the Rules of Court, requires (a) that there must be no genuine issue as to any material fact, except for the amount of damages; and (b) that the party presenting the motion for summary judgment must be entitled to a judgment as a matter of law.

Using these criteria, we find that the CA correctly affirmed the RTC's summary judgment.

The record of the case shows that the petitioner made the following factual admissions: first, he obtained a loan from the respondent; second, the loan was secured by a real estate mortgage; and third, he failed to settle his obligation upon demand. The petitioner also admitted the existence of the real estate mortgage (*Sanglang-Tira Agreement*), the respondent's demand letter dated October 21, 2002, and the Certificate to File Action.

Based on these clear admissions of fact as well as the respondent's testimony and documentary evidence, we agree with the lower courts that the action for judicial foreclosure of mortgage was ripe for summary judgment as there was no longer any genuine issue of fact that would require a trial for the presentation of evidence.

In an action for judicial foreclosure of mortgage, the factual issues to be resolved are: whether or not the debtor-mortgagor was in default, and whether the mortgagee has the right to foreclose the mortgage.^[8]

It is a settled rule that when the debtor is in default in the payment of his obligation, the mortgagee has the right to foreclose the mortgage and to have the property seized and sold with the view of applying the proceeds to the payment of the obligation.^[9]

In the present case, the petitioner tacitly admitted his default in the payment of his obligation. Considering that the petitioner's indebtedness and liability were uncontested, a full blown trial can be totally dispensed with. The submission of further evidence is not necessary since judgment could be rendered judiciously on the basis of the petitioner's admissions. Thus, we find that the RTC was justified in rendering summary judgment based on the parties' testimonies, documentary evidence and admissions.

We also find, as the CA did, that the issue of the respondent's alleged breach of the mortgage contract patently lacks merit and real substance. The parties' real estate mortgage contract provided, among others, the following:

"That the MORTGAGOR does hereby convey by way of *SANGLANG-TIRA AGREEMENT* (Real Estate Mortgage) unto the mortgagee the following described property, to wit:
"One Unit Apt. A Located at No. 1409 Sta. Rita Olongapo City."

of which above-described property, the MORTGAGOR is the lawful owner and possessor free from all liens and encumbrances;

That the Real Estate Mortgage is given as security for the payment of ONE HUNDRED EIGHTY FIVE THOUSAND PESOS (185,000.00) Philippine Currency secured by the Mortgagor to the Mortgagee;

That the MORTGAGOR hereby promise to pay the above-mentioned amount within a period of one (1) year from July 14, 2001 up to July 14, 2002 renewable upon the option of both parties. That the parties hereby agree that the MORTGAGEE shall reside on the above-mentioned premises during the lifetime of this agreement free of rent xxx xxx xxx."

Our examination of the contract reveals that indeed, the respondent's decision to discontinue his stay on the property did not in any way affect his right to foreclose the mortgage. The respondent still has the legal right - whether or not he opts to occupy the mortgaged property's premises - to foreclose the mortgage over a specific property and to have the encumbered property sold to satisfy the outstanding indebtedness. The right to foreclose

such mortgage is not dependent on the mortgagee's possession of the property but on the mortgagee's cause of action against the mortgagor. Hence, we agree with the lower courts that the issue posed by the petitioner is so patently unsubstantial as not to constitute a genuine issue for trial.

WHEREFORE, premises considered, we hereby DENY the petitioner's petition for review on certiorari, and AFFIRM the May 21, 2009 Decision of the Court of Appeals in CA-G.R. CV No. 87159.

Costs against the petitioner.

SO ORDERED.

Carpio, (Chairperson), Del Castillo, Mendoza, and Leonen, JJ., concur.

[1] Under Rule 45 of the Rules of Court, rollo, pp. 11-15.

[2] Id. at 17-27; penned by Associate Justice Noel G. Tijam, and concurred in by Associate Justice Arturo G. Tayag, and Associate Justice Priscilla J. Baltazar-Padilla.

[3] Id. at 7-8.

[4] The Sanglang-Tira Agreement (Real Estate Mortgage) provided, among others, the following:

That the MORTGAGOR hereby promise to pay the above-mentioned amount within a period of one (1) year from July 14, 2001 up to July 14, 2002 renewable upon the option of both parties. That the parties hereby agree that the MORTGAGEE shall reside on the above-mentioned premises during the lifetime of this agreement free of rent xxx xxx xxx."

[5] G.R. No. 120010, October 3, 2002, 390 SCRA 241; "A "genuine issue" is such issue of fact which requires the presentation of evidence as distinguished from a sham, fictitious, contrived or false claim. Conversely, where the pleadings tender a genuine issue, summary judgment is not proper."

[6] G.R. No. 153867, February 17, 2005, 451 SCRA 724.

[7] G.R. No. 141536, February 26, 2001, 352 SCRA 738.

[8] *Rose Packing Co., Inc. v. Court of Appeals*, L-33084, November 14, 1988, 167 SCRA 309.

[9] *Commodity Financing Co., Inc., v. Jimenez*, L-31384, June 29, 1979, 91 SCRA 57.

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