

PHILIPPINE NATIONAL BANK, PETITIONER, VS. SPOUSES ROGELIO AND EVELYN ROQUE, RESPONDENTS.

G.R. No. 193346. February 06, 2012

Ponente: REYES, J.

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REYES, J.:

The Case

The present case is a Petition for Review on Certiorari[1] under Rule 45 of the 1997 Rules of Civil Procedure filed by petitioner Philippine National Bank (PNB), praying for the grant of the petition and the reversal of the Court of Appeals' (CA) November 26, 2009 Decision[2] and July 29, 2010 Resolution[3] in CA-G.R. SP No. 01625-MIN.

Antecedent Facts

Respondents Spouses Rogelio and Evelyn Roque (Spouses Roque) executed real estate mortgages over two (2) lots in Valencia City, Bukidnon and three (3) lots in Cagayan de Oro City to secure all loans they have incurred from petitioner PNB. On August 31, 2001, the respondents' entire obligation covered by the mortgages reached P16,534,803.29.[4]

However, the respondents failed to pay their loans upon maturity. Hence, on November 21, 2002, PNB filed before the Regional Trial Court (RTC) of Cagayan de Oro City a petition for extrajudicial foreclosure of the mortgaged properties located therein. The next day, PNB also filed a similar petition in the RTC, Malaybalay City, Bukidnon for the extrajudicial foreclosure of the mortgaged properties located in Valencia City. After the parties were duly notified, two (2) separate public auctions, one for the properties in Cagayan de Oro City (first foreclosure sale) and another for the properties in Valencia City (second foreclosure sale), were held on January 15, 2003.[5]

For the properties located in Cagayan de Oro City, PNB submitted a bid of P16,534,803.29, equivalent to the amount of the indebtedness as of August 31, 2001. PNB submitted the same amount as its bid for the Valencia City properties. Thus, the total amount of PNB's bid reached P33,069,606.58. Since PNB was the sole bidder and mortgagee in both extrajudicial foreclosure sales, all of the properties were sold to the bank. Two separate Certificates of Sale were issued to the petitioner.[6]

On October 23, 2003, the respondents filed a "Complaint for Annulment of Sale, Cancellation of Certificate of Sale, Injunction and

Damages" against PNB before the RTC of Malaybalay City. They sought to annul the second foreclosure sale covering the properties in Valencia City, because the principal obligation was already extinguished when PNB bought the Cagayan de Oro City properties in the first foreclosure sale.[7] During pre-trial, the respondents admitted the amount of their indebtedness as of January 15, 2003 at P22,230,269.57, while PNB also admitted that it made a bid for the total amount of P33,069,606.58.[8]

However, while PNB admitted the total amount of its bid, it claimed making a mistake in its bid for the Valencia City properties. It should have offered P4,785,000.00 only for the second foreclosure sale. PNB argued that it even sent a letter dated January 15, 2003 to the Clerk of Court and Ex-Officio Sheriff of the RTC of Malaybalay City to correct its alleged mistake. The said letter, however, was only received on August 5, 2003 and the correction was not accepted since a certificate of sale had already been issued. PNB admitted that it took no action to contest the second foreclosure sale despite its supposed mistake.[9]

On December 19, 2005, the trial court ruled that both foreclosure sales were valid and directed PNB to return the balance of the proceeds of the two sales to the respondents, amounting to P10,839,337.01, including legal interest.[10]

On January 23, 2006 or six (6) days after its receipt of the December 19, 2005 Resolution of the RTC Malaybalay City, PNB filed a Motion for Reconsideration,[11] which was denied by the trial court in an Order[12] dated May 3, 2006. PNB received the said order on June 19, 2006.[13]

PNB then filed a Notice of Appeal[14] on June 27, 2006, alleging among other matters, that the docket and other lawful fees therefore had been paid through PNB's Manager's Check, payable to the Office of the Clerk of Court of the RTC Malaybalay City in the amount of P3,330.00. The respondents filed a motion to disallow the notice of appeal[15] on the grounds of the late filing of the same and of the petitioner's failure to pay the appeal fees.

The trial court in a Resolution dated November 7, 2006,[16] disallowed the notice of appeal because of the petitioner's failure to pay the required docket fees within the reglementary period, resulting in the non-perfection of the appeal. After its Motion for Reconsideration[17] was also denied,[18] PNB filed with the CA a Petition for Certiorari with Prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction[19] under Rule 65 of the Rules of Court. The said petition was subsequently denied via the CA Decision[20] dated November 26, 2009 and Resolution[21] dated July 29, 2010 for failure of petitioner PNB to show evidence of grave abuse of discretion on the part of the trial court.

Hence, this petition.

The Issues

From the issues petitioner PNB raised, we have deduced the following issues for our consideration:

I.

WHETHER OR NOT THE RULES ON APPEAL, PARTICULARLY PERFECTION OF APPEAL, SHOULD BE LIBERALLY CONSTRUED, CONSIDERING THE PETITIONER'S CLAIM OF VALID AND JUSTIFIABLE REASONS FOR THE DELAY IN THE PAYMENT OF THE APPEAL FEES.

II.

WHETHER OR NOT THE SUBJECT FORECLOSURE SALE IS VALID.

III.

WHETHER OR NOT THE RULING OF THE TRIAL COURT IS INCONSISTENT WITH THE CAUSES OF ACTION AND PRAYER OF SPOUSES ROQUE IN THEIR COMPLAINT.

Our Ruling

After carefully reviewing the records of the case, we resolve to deny the petition.

The petitioner failed to advance any compelling, valid and justifiable reason for us to liberally construe the rules on the perfection of appeal.

We agree with the ruling of the CA, finding the petitioner to have timely filed the notice of appeal but failing to perfect the same. In *Enriquez v. Enriquez*,^[22] we underscored the fact that payment of docket fees within the prescribed period is not merely a technicality but a condition sine qua non for the perfection of an appeal. We held:

Time and again, this Court has consistently held that payment of docket fee within the prescribed period is mandatory for the perfection of an appeal. Without such payment, the appellate court does not acquire jurisdiction over the subject matter of the action and the decision sought to be appealed from becomes final and executory.

x x x

Appeal is not a right but a statutory privilege, thus, appeal must be made strictly in accordance with the provision set by law. The requirement of the law under Section 4, Rule 41 is clear. The payment of appellate docket fee is not a mere technicality of law or procedure but an essential requirement for the perfection of an appeal.

The payment of the docket fee within the period is a condition sine qua non for the perfection of an appeal. Contrary to petitioners' submission, the payment of the appellate court docket and other lawful fees is not a mere technicality of law or procedure. It is an essential requirement, without which the decision or final order appealed from would become final and executory as if no appeal was filed at all.^[23] (citations omitted)

Indeed, the above-jurisprudence shows that the payment of the full amount of the docket fees within the reglementary period is an indispensable step for the perfection of an appeal, absent which will result to the court not acquiring jurisdiction over the appealed case.

Of course, the petitioner asks us to liberally construe the rules of procedure. However, required in the liberal interpretation of the rules of procedure is the effort on the invoking party to sufficiently explain his failure to abide by the Rules of Court. One who seeks to be exempted from the application of the rules must prove highly meritorious reasons to warrant departure from the rules.^[24]

Here, the CA found no compelling reason to relax the rules and we agree with the said findings. The CA clearly explained its reasons for refusing liberal interpretation, thus:

In this case, the excuse of PNB for the late payment of the appeal fees is excusable neglect as its branch personnel, who was tasked to make the payment, was unaware of the significance of prompt payment. It then submitted the Affidavit of Cagalawan to prove the same. x x x:

xxx xxx xxx

The above attempts to account for why the fees were not paid on June 27, 2006 or the date when the Notice of Appeal was filed. The explanation is Cagalawan's failure to realize the import of paying the fees and his daily tasks on the said date. Unfortunately for PNB, this explanation is not sufficient to warrant a relaxation of the rules. It must be borne in mind that ignorance of the law is no excuse and pressure of work has been already been (sic) repeatedly held to be a flimsy excuse. More importantly, even granting that Cagalawan's excuse is a valid excuse for not paying the fees on July 27, 2006, no excuse whatsoever was given why no payment was made after that date. x x x

xxx xxx xxx

It can immediately be seen that, unlike in the first part of the Affidavit where there was at least a reason forwarded why payment was not made on June 27, 2006, no reason or explanation was given why it took six (6) more days from the time of the second follow up to pay the docket fees resulting in a delay of one (1) day. Cagalawan's affidavit only shows why no payment was made when the Notice of Appeal was filed. But it did not state reasons, flimsy or otherwise, why the fees were not paid for six (6) more days. Clearly, the evidence PNB submitted fails to discharge the burden of proving exceptionally meritorious instances explaining the delay.[25] (citations omitted)

From the foregoing, the petitioner and its counsel clearly took for granted the mandatory nature of paying the docket fees so as to leave its payments to PNB's Malaybalay Sales and Service Head Bernardo R. Cagalawan (Cagalawan), a non-lawyer. To allow this kind of excuse is to open opportunities for litigants to advance flimsy and irresponsible reasons, to the detriment of the integrity of the Rules of Court. This we shall not tolerate, because while substantial justice must be given more weight over technicalities, the latter exists precisely to give way to substantial justice. Thus, absent compelling reason to disregard the Rules, we have no choice but to enforce the same.

The questioned foreclosure sale is valid, considering absence of any ground to annul the same.

Our resolve to deny this petition emanates as well to the correctness of the trial court's ruling as to the merit of the case.

We agree with the trial court and the CA as to its ruling on the validity of the subject foreclosure sale. To justify its ruling, the CA cited our decision in *United Coconut Planters Bank v. Beluso*,[26] where we enumerated the grounds for the proper annulment of the foreclosure sale, to wit: "(1) that there was fraud, collusion, accident, mutual mistake, breach of trust or misconduct by the purchaser; (2) that the sale had not been fairly and regularly conducted; or (3) that the price was inadequate and the inadequacy was so great as to shock the conscience of the court." [27]

The CA correctly pointed out that the present case does not fall in any of the grounds cited above. PNB did not appear to bid under fraud, collusion, accident, mutual mistake, breach of trust or misconduct; the sale was also conducted fairly and regularly considering that PNB did not even institute any action to correct its bid; nor did it file any counterclaim.[28] The price was also not shockingly inadequate, as there was even an excess. Thus, in sum, no ground may be cited to declare the subject foreclosure sale null and void.

Can we then say that the foreclosure sale is invalid because PNB committed a mistake in its bid?

We rule in the negative. The CA wisely ratiocinated that PNB cannot

be allowed to change its bid after the foreclosure sale by simply submitting a letter because tolerating it is to set a dangerous precedent where unscrupulous bidders would offer an astronomical amount, only to withdraw it after the foreclosure sale has been completed.[29] Such a scenario will defeat the very purpose of bidding. The CA clearly explained its ruling, to wit:

Besides, PNB cannot be allowed to change its bid after the foreclosure sale by the simple expedient of submitting a letter months after the sale. To grant PNB's claim could set a dangerous precedent where unscrupulous bidders would offer astronomical amounts to overcome or discourage competition and upon winning, ask that their bid be changed to a lower amount because of mistake. This is definitely repugnant to fair play. Moreover, as observed by the trial court, PNB instituted no action to correct its bid. It did not even file a counterclaim. Thus, it appears that PNB really intended to bid sixteen million five hundred thirty four

thousand eight hundred three pesos and twenty nine centavos (Php16,534,803.29) for the Valencia City properties[30]

Finally, there is no need to discuss the last issue that the petitioner raised because of our findings that the appeal was not perfected. The non-perfection of the appeal therefore closes any possibility of reviewing the December 19, 2005 Resolution of the trial court, since the same has become final and executory.

WHEREFORE, in consideration of the above-findings and jurisprudence, we DENY the instant Petition.

SO ORDERED.

Carpio, (Chairperson), Brion, Perez, and Sereno, JJ., concur.

[1] Rollo, pp. 36-71.

[2] Penned by Associate Justice Ruben C. Ayson, with Associate Justices Rodrigo F. Lim, Jr. and Leonita Real-Dimagiba concurring; id. at 72-91.

[3] Id. at 92-93.

[4] Id. at 153-154.

[5] Id. at 154-155.

[6] Id. at 155.

[7] Id. at 152-160.

[8] Id. at 75, 199.

[9] Id. at 75.

[10] Id. at 199-200.

[11] Id. at 201-204.

[12] Id. at 205-206.

[13] Id. at 207.

[14] Id. at 207-208.

[15] Id. at 209-211.

[16] Id. at 221-222.

[17] Id. at 223-228.

[18] Id. at 229-230.

[19] Id. at 231-243.

[20] Supra note 2.

[21] Supra note 3.

[22] 505 Phil 193 (2005).

[23] Id. at 200.

[24] *Tamayo v. Tamayo, Jr.*, 504 Phil 179, 184 (2005).

[25] Rollo, pp. 84-86.

[26] G.R. No. 159912, August 17, 2007, 530 SCRA 567.

[27] Id. at 593; see also *Philippine National Bank v. Gonzalez*, 45 Phil 693, 699 (1924).

[28] Rollo, pp. 86-87.

[29] Id. at 86-87.

[30] Id. at 24-25.

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