

PHILIPPINE VETERANS BANK, PETITIONER, VS. SPOUSES RAMON AND ANNABELLE SABADO, RESPONDENTS.*G.R. No. 224204. August 30, 2017*

Ponente: PERLAS-BERNABE, J.

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Before the Court is a petition for review on certiorari[1] filed by petitioner Philippine Veterans Bank (petitioner) assailing the Decision[2] dated October 29, 2015 and the Resolution[3] dated April 20, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 135922, which reversed and set-aside the Decision[4] dated November 28, 2013 and the Order[5] dated April 28, 2014 of the Regional Trial Court of Antipolo City, Branch 98 (RTC) in SCA Case No. 13-1290 and ordered that Haus Talk Project Managers, Inc. (HTPMI) be impleaded as an indispensable party to the unlawful detainer case against respondents spouses Ramon and Annabelle Sabado (respondents).

The Facts

On May 3, 2007, HTPMI and respondents entered into a Contract to Sell[6] whereby HTPMI agreed to sell a real property located at Lot 26, Block 1, Eastview Homes, Barangay Balimbing, Antipolo City (subject property) to respondents. In consideration therefor, respondents paid HTPMI the total amount of P869,400.00, consisting of a P174,400.00 downpayment and the balance of P695,000.00 payable in 120 equal monthly instalments. The parties further agreed that respondents' failure to pay any amount within the stipulated period of time shall mean the forfeiture of the downpayment and any other payments made in connection thereto, as well as the cancellation and rescission of the Contract to Sell in accordance with law.[7] Shortly thereafter, or on August 16, 2007, HTPMI executed a Deed of Assignment[8] in favor of petitioner assigning, among others, its rights and interests as seller in the aforesaid Contract to Sell with respondents, including the right to collect payments and execute any act or deed necessary to enforce compliance therewith.[9]

On October 14, 2009, petitioner, through a Notice of Cancellation by Notarial Act,[10] cancelled or rescinded respondents' Contract to Sell due to the latter's failure to pay their outstanding obligations thereunder. Consequently, petitioner demanded that respondents vacate the subject property, but to no avail. Thus, petitioner was constrained to file the Complaint[11] dated August 20, 2010 for ejectment or unlawful detainer against respondents before the Municipal Trial Court in Cities of Antipolo City, Branch 1 (MTCC), docketed as SCA Case No. 093-10.[12]

In their defense,[13] respondents argued that petitioner is not the real party in interest to institute such complaint, since ownership over the subject property remained with HTPMI. They expounded that under the Deed of Assignment, only the rights and interests pertaining to the receivables under the Contract to Sell were assigned/transferred to petitioner and not the ownership or the right to the possession of the subject property.[14]

The MTCC Ruling

In a Decision[15] dated April 3, 2013, the MTCC ruled in favor of petitioner and, accordingly, ordered respondents to vacate the subject property, and pay petitioner the amounts of P661,919.47 as rent arrears from July 31, 2008 up to July 31, 2010, P10,000.00 as attorney's fees, including costs of suit.[16]

The MTCC held that by virtue of the Deed of Assignment, petitioner was subrogated to the rights of HTPMI under the Contract to Sell and, hence, is a real party in interest entitled to institute the instant suit against respondents for the purpose of enforcing the provisions of the Contract to Sell. Further, the MTCC found petitioner's claim for compensation in the form of rental just and equitable, pointing out that the same is necessary to prevent respondents from unjustly enriching themselves at petitioner's expense. Finally, the MTCC awarded petitioner attorney's fees and costs of suit since it was compelled to litigate the instant complaint.[17]

Aggrieved, respondents appealed[18] to the RTC.

The RTC Ruling

In a Decision[19] dated November 28, 2013, the RTC affirmed the MTCC's ruling in toto.[20] It ruled that by virtue of the Deed of Assignment executed by HTPMI in petitioner's favor, the latter acquired not only the right to collect the balance of the purchase price of the subject property, but also all the rights of the assignor, including the right to sue in its own name as the legal assignee.[21]

Respondents moved for reconsideration,[22] which was, however, denied in an Order[23] dated April 28, 2014. Undaunted, they elevated the case to the CA.[24]

The CA Ruling

In a Decision[25] dated October 29, 2015, the CA reversed and set aside the RTC's ruling, and accordingly: (a) remanded the case to the MTCC for HTPMI to be impleaded therein; and (b) directed the MTCC to proceed with the trial of the case with dispatch.[26] Initially, it upheld petitioner's right as real party in interest to file the instant suit as HTPMI's assignee. However, since legal title to the subject property was retained by HTPMI pursuant to the provisions of the Deed of Assignment, the latter is not only a real party in interest, but also an indispensable party which should have been impleaded as a plaintiff thereon and without which no final determination can be had in the present case.[27]

Dissatisfied, petitioners moved for reconsideration,[28] which was, however, denied in a Resolution[29] dated April 20, 2016; hence, this petition.

The Issue Before the Court

The primordial issue is whether or not the CA correctly ruled that HTPMI is an indispensable party to petitioner's ejectment suit against respondents and, thus, must be impleaded therein.

The Court's Ruling

The petition is meritorious.

Section 7, Rule 3 of the Rules of Court mandates that all indispensable parties should be joined in a suit, viz.:

SEC. 7. Compulsory joinder of indispensable parties. - Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

Case law defines an indispensable party as "one whose interest will be affected by the court's action in the litigation, and without whom no final determination of the case can be had. The party's interest in the subject matter of the suit and in the relief sought are so inextricably intertwined with the other parties' that his legal

presence as a party to the proceeding is an absolute necessity. In his absence, there cannot be a resolution of the dispute of the parties before the court which is effective, complete, or equitable." [30] "Thus, the absence of an indispensable party renders all subsequent actions of the court null and void, for want of authority to act, not only as to the absent parties but even as to those present." [31] In *Regner v. Logarta*, [32] the Court laid down the parameters in determining whether or not one is an indispensable party, viz.:

An indispensable party is a party who has x x x an interest in the controversy or subject matter that a final adjudication cannot be made, in his absence, without injuring or affecting that interest, a party who has not only an interest in the subject matter of the controversy, but also has an interest of such nature that a final decree cannot be made without affecting his interest or leaving the controversy in such a condition that its final determination may be wholly inconsistent with equity and good conscience. It has also been considered that an indispensable party is a person in whose absence there cannot be a determination between the parties already before the court which is effective, complete, or equitable. Further, an indispensable party is one who must be included in an action before it may properly go forward.

A person is not an indispensable party, however, if his interest in the controversy or subject matter is separable from the interest of the other parties, so that it will not necessarily be directly or injuriously affected by a decree which does complete justice between them. Also, a person is not an indispensable party if his presence would merely permit complete relief between him and those already parties to the action, or if he has no interest in the subject matter of the action. It is not a sufficient reason to declare a person to be an indispensable party that his presence will avoid multiple litigation. [33] (Emphases and underscoring supplied)

Guided by the foregoing parameters and as will be explained hereunder, the CA erred in holding that HTPMI is an indispensable party to the ejectment suit filed by petitioner against respondents.

Under the Deed of Assignment, HTPMI assigned its rights - save for the right of ownership - to petitioner under the Contract to Sell:

2. RIGHTS UNDER THE CONTRACTS TO SELL. By this assignment, the ASSIGNEE hereby acquires all rights of the ASSIGNOR under the Contracts to Sell and under the law, including the right to endorse any and all terms and conditions of the Contracts to Sell and the right to collect the amounts due thereunder from the purchaser of the Property. The ASSIGNOR for this purpose hereby names, constitutes and appoints the ASSIGNEE [as its] attorney-in-fact to execute any act and deed necessary in the exercise of all these rights. Notwithstanding the assignment of the Contracts to Sell and the Receivables thereunder to the ASSIGNEE, the legal title to the Property and obligations of the ASSIGNOR under the Contracts to Sell, including the obligation to complete the development of the property and the warranties of a builder under the law, shall remain the ASSIGNOR'S. x x x. [34] (Emphasis and underscoring supplied)

Verily, HTPMI's assignment of rights to petitioner must be deemed to include the rights to collect payments from respondents, and in the event of the latter's default, to cancel or rescind the Contract to Sell, and resultantly, recover actual possession over the subject property, as follows:

TERMS AND CONDITIONS

b) the [respondents] herein agree to perform and undertake the [HTPMI] Payment Plan with the following terms:

i) Downpayment x x x of ONE HUNDRED SEVENTY FOUR THOUSAND FOUR HUNDRED PESOS ONLY (P174,400.00) to be paid within twelve (12) months after payments [sic] of the reservation. Failure to pay two (2) consecutive monthly installments will mean cancellation of this contract and forfeiture of all payments. Discount terms shall be based on [HTPMI] Agreed Payment Plan.

x x x x

iii) Failure to pay any amount within the stimulated [sic] period of time shall mean forfeiture of the down payment and any other payments made and the Contract to Sell shall be cancelled and rescinded in accordance with law.[35] (Emphases and underscoring supplied)

In view of the foregoing, the Court agrees with the findings of the courts a quo that petitioner had the right to institute the instant suit against respondents.

However, the Court cannot subscribe to the CA's conclusion that since HTPMI retained ownership over the subject property pursuant to the Deed of Assignment, it is an indispensable party to the case. As adverted to earlier, an indispensable party is one who has an interest in the subject matter of the controversy which is inseparable from the interest of the other parties, and that a final adjudication cannot be made without affecting such interest. Here, the only issue in the instant unlawful detainer suit is who between the litigating parties has the better right to possess de facto the subject property.[36] Thus, HTPMI's interest in the subject property, as one holding legal title thereto, is completely separable from petitioner's rights under the Contract to Sell, which include the cancellation or rescission of such contract and resultantly, the recovery of actual possession of the subject property by virtue of this case. Hence, the courts can certainly proceed to determine who between petitioner and respondents have a better right to the possession of the subject property and complete relief can be had even without HTPMI's participation.

In sum, both the MTCC and the RTC are correct in ruling on the merits of the instant unlawful detainer case even without the participation of HTPMI.

WHEREFORE, the petition is hereby GRANTED. The Decision dated October 29, 2015 and the Resolution dated April 20, 2016 of the Court of Appeals in CA-G.R. SP No. 135922 are hereby REVERSED and SET-ASIDE. The Decision dated November 28, 2013 and the Order dated April 28, 2014 of the Regional Trial Court of Antipolo City, Branch 98 in SCA Case No. 13-1290, affirming in toto the Decision dated April 3, 2013 of the Municipal Trial Court in Cities of Antipolo City, Branch 1 in SCA Case No. 093-10, are REINSTATED.

SO ORDERED.

Carpio,[*] (Chairperson), Peralta, Caguioa, and Reyes, Jr., JJ., concur.

[*] Acting Chief Justice per Special Order No. 2475 dated August 29, 2017.

[1] Rollo, pp. 9-24.

[2] Id. at 28-36. Penned by Associate Justice Danton Q. Bueser with Associate Justices Samuel H. Gaerlan and Socorro B. Inting, concurring.

[3] Id. at 38-41.

[4] Id. at 101-105. Penned by Presiding Judge Ma. Consejo Gengos-Ignalaga.

[5] Id. at 106.

[6] Id. at 58-61.

[7] See id. at 29 and 58.

[8] Id. at 45A-48.

[9] See *id.* at 29, 45A-47, and 80-81.

[10] *Id.* at 62.

[11] *Id.* at 49-55.

[12] See *id.* at 9-30 and 81-82.

[13] See Answer dated September 27, 2009; *id.* at 66-68.

[14] See *id.* at 30 and 67.

[15] *Id.* at 80-86. Penned by Acting Presiding Judge Alberto L. Vizcocho.

[16] *Id.* at 85-86.

[17] See *id.* at 83-85.

[18] See Notice of Appeal dated May 16, 2013; *id.* at 87-88.

[19] *Id.* at 101-105.

[20] *Id.* at 105.

[21] See *id.* at 103-104.

[22] See motion for reconsideration dated January 16, 2014; *id.* at 107-110.

[23] *Id.* at 106.

[24] See petition dated July 7, 2014; *id.* at 111-121.

[25] *Id.* at 28-36.

[26] See *id.* at 36.

[27] See *id.* at 31-35.

[28] See motion for reconsideration dated November 20, 2015; *id.* at 143-150.

[29] *Id.* at 38-41.

[30] *Land Bank of the Philippines v. Cacayuran*, 759 Phil. 145, 152 (2015), citing *Gabatin v. Land Bank of the Philippines*, 486 Phil. 366, 379-380 (2004).

[31] *Id.*, citing *Domingo v. Scheer*, 466 Phil. 235, 265 (2004).

[32] 362 Phil. 862 (2007).

[33] *Id.* at 875-876, citing *Arcelona v. CA*, 345 Phil. 250, 269-270 (1997).

[34] *Rollo*, p. 45A.

[35] *Id.* at 58.

[36] "Unlawful detainer is an action to recover possession of real property from one who unlawfully withholds possession thereof after the expiration or termination of his right to hold possession under any contract, express or implied. The possession of the defendant in unlawful detainer is originally legal but became illegal due to the expiration or termination of the right to possess. The only issue to be resolved in an unlawful detainer case is the

physical or material possession of the property involved, independent of any claim of ownership by any of the parties." (Piedad v. Spouses Gurieza, G.R. No. 207525, June 18, 2014, 736 Phil. 709, 715 [2014]; emphases and underscoring supplied)

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