

CONCORDE CONDOMINIUM, INC., PETITIONER, VS. PHILIPPINE NATIONAL BANK, PNB-INTERNATIONAL FINANCE LIMITED, AND NEW PPI CORPORATION (FORMERLY PULP AND PAPER, INC.), RESPONDENTS.

G.R. No. 228354. November 26, 2018

Ponente: GESMUNDO, J.

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GESMUNDO, J.:

Before us are the consolidated petitions for review on certiorari under Rule 45 assailing the Decision,[1] dated March 21, 2016, and the Resolution,[2] dated November 21, 2016, of the Court of Appeals (CA). The CA decision granted the petition in CA-G.R. SP No. 135651 but dismissed the petition in CA-G.R. SP No. 135689. Both petitions before the CA sought the reversal of the June 14, 2013 Decision[3] of the Office of the President (O.P. Case No. 11-E-159) affirming the March 17, 2011 Decision[4] of the Housing and Land Use Regulatory Board Board of Commissioners (HLURB Board). The HLURB Board upheld the December 14, 2005 Decision[5] of the HLURB Arbiter in the National Capital Region Field Office (HLURB-NCRFO).

ANTECEDENTS

Pulp and Paper, Inc. (PPI) is the owner/developer of a residential project known as the Concorde Condominium (Concorde), a seven-storey building situated at Benavidez corner Salcedo Streets, Legaspi Village, Makati City. On November 4, 1974, PPI executed a Master Deed with Declaration of Restrictions[6] (master deed) for the said project. It covered two parcels of land registered in its name under Transfer Certificate of Title (TCT) No. [351672] S-20277 with an area of 1,022 square meters and TCT No. [420504] S-20278 consisting of 1,209 square meters. The master deed was annotated on these titles.[7]

The master deed provided for the common areas of the Concorde, as follows:

Section 3. The Common Areas. The common areas of the project include:

- a) The parcels of land described above, the basement, the deck roof, the main lobby, the stairways, the common entrances and exits, and common hallways and other areas of common use;
- b) The bearing walls, columns, floors, beams, borders, roofs, foundations, and other structural elements of the building;
- c) The elevator equipment and shafts, the compartments and installations of all other services and utilities such as light, water, pumps, drainage, sewerage, fire alarm systems and all pipes, ducts, flues, chutes, conduits, wires and other utility lines wherever located, except the telephone cable line mentioned in Section 4(b) below, and the outlets of such utilities and services when located within a unit, and all other devices and installations existing for or rationally of common use or necessary to the existence, upkeep and safety of the building; and
- d) All other areas, structural elements and central services, facilities and utilities shown or indicated as part of

the common areas in the condominium project plan hereto attached and marked as Annex "A." [8] (Emphases supplied)

The basement of the Concorde is used for parking purposes. Directly at the rear portion of the building is an uncovered parking area also used by the unit owners.

On January 6, 1975, pursuant to the provisions of the master deed, the Concorde Condominium, Inc. (CCI) was organized to own, hold title to, and manage the common areas, along with the two parcels of land. [9] However, despite the completion of the project and incorporation of CCI, the titles to the two parcels of land, where the condominium building stands and all the common areas are located, have not been transferred to CCI.

It turned out that PPI, without CCI's knowledge and consent, consolidated and later subdivided the two parcels of land, thus, segregating the uncovered parking area from the condominium building lot.

On November 7, 1995, PPI, through its president, Robert G. Young (Young), requested the Register of Deeds of Makati to issue two new certificates of title based on a re-survey and a subdivision plan covering the two parcels of land. The Register of Deeds of Makati denied the request on the ground that Republic Act No. 4726 (Condominium Act) does not allow separate titling for specific common areas of the condominium project. PPI elevated the matter to the Land Registration Authority (LRA) which issued a resolution (Consulta No. 2439, dated June 10, 1996) granting its request for the issuance of separate certificates of title based on the re-survey plan. Thus, on July 10, 1996, the following new titles were issued in the name of PPI: TCT No. 206284 covering an area of 1,225 square meters and TCT No. 206285 covering 1,006 square meters. The master deed annotated on the original titles was carried over to the new TCTs. [10]

On January 16, 1997, again without CCI's knowledge and consent, PPI, through Young, applied with the HLURB for the alteration of the Concorde Condominium Project's (Concorde project) approved plan. The plan excluded the uncovered parking area (TCT No. 206285) from the list of common areas of the condominium project and its master deed. The HLURB granted the request on March 25, 1997, giving PPI clearance for the amended master deed to be recorded with the Register of Deeds of Makati. Thereafter, upon the request of Young, the Register of Deeds of Makati cancelled TCT No. 206285 and issued TCT No. 208874 in the name of PPI without the annotation of the master deed. [11]

With the new TCT No. 208874 over the uncovered parking area, PPI executed on May 23, 1997, a real estate mortgage over the said property in favor of Philippine National Bank-International Finance Limited (PNB-IFL) as security for a P26,300,000.00 loan extended to PPI and two other corporations. The debtors-mortgagors defaulted on its loan obligation, resulting in the foreclosure of the mortgage. Consequently, the property was sold at a public auction and a certificate of sale was issued to Philippine National Bank (PNB) on September 1, 1999. [12]

On May 5, 2000, CCI filed a complaint against PPI, PNB-IFL, and the Register of Deeds of Makati for annulment of title, mortgage, and reconveyance (HLURB Case No. REM-050500-10982). [13]

CCI alleged that PPI's acts of retaining title over the two parcels of land of the condominium project, including its common areas as provided in the master deed, were done without CCI's knowledge and consent and in evident bad faith, with fraud and misrepresentation to promote its self-interest. Such caused the re-survey and amendment of the project plan and master deed and the issuance of a separate title for the uncovered parking area which undisputedly forms part of the common areas. By excluding the uncovered parking area of the condominium project from the common areas, PPI has deprived CCI of ownership over it. CCI averred that not all unit owners were given prior or appropriate notices of the proposal to amend the master deed. There was no approval by majority of the registered owners of the amendment, contrary to the Corporate Secretary's Certificate submitted by PPI. Neither did the Makati Commercial Estate Association (MACEA) and the City Engineer approve the

amendment to the plan and master deed.

As for PNB-IFL, CCI claimed that it is not an innocent mortgagee for value, having failed to exercise the degree of diligence required by law before accepting the mortgage, relying solely on the representation of the borrower and PPI. Had PNB-IFL conducted an ocular inspection of the property offered as collateral, it would have been compelled by the physical features to undertake further inquiry and investigation on the property's recent history. It would have then discovered that the parcel of land covered by TCT No. 208874 formed part of the condominium project. CCI cited the following physical evidence: 1) the lot is situated directly behind the condominium building and is still being used by CCI and its owners for parking; and 2) there is no demarcation line or divider between the building and the uncovered parking area to show that the latter is not part of the condominium project. The mortgage, constituted without the prior approval of the HLURB, is not valid. The foreclosure sale to PNB is likewise void, PNB-IFL being a mere alter ego or conduit of PNB. PNB is, therefore, not an innocent purchaser for value. CCI argued that PPI, PNB-IFL and PNB, being mere trustees of the property, are duty bound to convey or transfer the title in its favor. In the alternative, CCI prayed that if, for whatever reason, the property covered by TCT No. 208874 cannot be transferred in its name, PPI and/or PNB/PNB-IFL should compensate CCI in the amount equivalent to its current value. Further, it should cause the annotation in the title the exclusive and perpetual easement of use of the uncovered parking area in CCI's favor.

In its Answer,[14] PPI contended that no specific provision in the Condominium Act vests exclusive jurisdiction on the HLURB over cases on annulment and cancellation of titles, issuance of new titles, transfer of title, and possession. Such actions are under the exclusive original jurisdiction of the RTC of Makati City. In fact, Section 23 of said law provides that the courts have jurisdiction over actions for partition of a condominium project or for the dissolution of the condominium corporation.

PPI argued that the complaint essentially questions the validity of the resolution (consulta) of the LRA granting PPI's request for the issuance of a separate certificate of title over the segregated parking lots. It pointed out that the HLURB approved the proposed amendment of the master deed and issued its clearance after a review of all documents submitted, particularly the proof of consent for the condominium plan alteration. Indeed, the Corporate Secretary's Certificate attesting to the stockholders' approval of the amendment to the condominium project and the master deed, confirms this.

PPI stressed that the acts of the LRA, the Register of Deeds of Makati, and the HLURB in acknowledging PPI's absolute ownership over the uncovered parking area by cancelling TCT No. 206285 and issuing the new title TCT No. 208874, evidence the presumption of regularity. It posited that the non-annotation of the master deed in TCT No. 208874 confirms that the subject lot is not part of the common areas.

PNB and PNB-IFL filed their Answer,[15] asserting that PNB-IFL is a mortgagee in good faith and for value. Due to the default of the debtors-mortgagors on their loan obligation and their failure to settle their outstanding debt despite demands, PNB-IFL foreclosed the property, pursuant to the provisions of the promissory note and the mortgage contract, after due notice and publication. PNB, the highest bidder at the public auction, was issued a certificate of sale.

PNB-IFL alleged that before accepting the offered collateral, it had conducted a thorough investigation, inspection, and appraisal. On the strength of the conclusive character of all matters in TCT No. 208874 issued solely in the name of PPI, PNB-IFL approved the loan and executed the loan documents, including the real estate mortgage contract. It claimed to have granted the credit accommodation and accepted the mortgage in good faith only on the basis of TCT No. 208874 solely in PPI's name, satisfied that the title had no defect or infirmity. Interposing a cross-claim against PPI, PNB-IFL stated that it had extended the credit accommodation on PPI's

representation as the absolute owner of the mortgaged property free from all liens and encumbrances. Thus, should the mortgage and the foreclosure be declared void, PNB-IFL prayed that PPI be ordered to pay its outstanding obligation or the fair market value of the property.

Ruling of the HLURB Arbiter

On June 5, 2003, Arbiter Dunstan T. San Vicente rendered a decision^[16] upholding the HLURB's jurisdiction over the case. It reasoned that the HLURB is granted exclusive authority to approve or disapprove the alteration of condominium plans and to issue a title resulting from such. It would thus be illogical that it would have no authority to order the partition of the common areas, which is but an incident of alteration. It cited PPI's previous invocation of the HLURB's authority to give it clearance and to approve its alteration of the Concorde Condominium Project plan, only to deny such jurisdiction because of its suit for the alleged illegal alteration.

On the validity of the
consolidation and subdivision
of the two parcels of land of
the Concorde Condominium
project

Arbiter San Vicente found that the issuance of a new title over the said portion without annotation of the master deed showed that PPI failed to secure the required consent of the majority of the unit owners for the amendment of the master deed. PPI had submitted to the HLURB a mere certificate of its corporate secretary and not a registrable instrument, i.e., a resolution of the CCI Board attesting that the majority of the registered owners approved the proposed amendment. Nonetheless, the new titles issued over the uncovered parking area, the mortgage in favor of PNB-IFL, and the certificate of sale awarded to PNB were not declared null and void. PNB is considered an innocent assignee of the foreclosed property. PPI's acts deprived CCI of ownership over the parcels of land and disregarded CCI's rights as condominium unit buyers. Thus, it is held solely liable to CCI for damages.

The fallo of the HLURB-NCRFO's original decision reads:

WHEREFORE, all the foregoing premises considered, a judgment is hereby rendered as follows:

1. Ordering the respondent Pulp and Paper, Inc. to compensate and reimburse complainant Concorde Condominium, Inc. the amount of money equivalent to the present market value of the land segregated from the mass of the common areas of the condominium project, which is covered by TCT No. 206285 and later TCT No. 208874;
2. Ordering the respondent Pulp and Paper, Inc. to restore and provide to the Concorde Condominium project parking lots or slots, whether on-site or off-site, with the same area and use as the lot area, which was removed or taken from it by reason of the alteration of the project's common area;
3. Ordering respondent Pulp and Paper, Inc. to pay CCI damages in the amount of P100,000.00 and attorney's fees in the amount of P20,000.00.

All other claims and counterclaims are denied.^[17]

CCI elevated the case to the HLURB Board. During the appeal, Landmart Philippines, Inc. (Landmart), a unit owner and member of CCI, filed a motion to intervene, which was initially denied by the HLURB. On motion for reconsideration, Landmart's intervention was granted. CCI and PNB, PNB-IFL and PPI were ordered to comment on its complaint-in-intervention. The Board ordered the remand of the case to the HLURB-NCRFO for the determination of the rights of the intervenor. Two more unit owners and CCI members: Lasquite Foodstar, Inc.

and Majette Tan Torres, were also allowed to intervene.

On December 14, 2005, Arbiter San Vicente rendered a new decision^[18] upholding the jurisdiction of the HLURB over the case. This reversed its earlier ruling that PNB-IFL was a mortgagee in good faith and PNB was an innocent assignee of the foreclosed property. It held that, based on the master deed, the two parcels of land had been set aside and reserved by PPI from its own estate and declared as part of the common areas of the Concorde. Thus, PPI cannot unilaterally take away these properties from the mass of the common areas without violating the law and its contractual undertaking with the unit owners. Recall that the CCI had been designated by PPI to hold and manage the project, specifically, the common areas. For CCI to discharge these responsibilities, PPI needs to turn over the titles to the project, including those of the common areas.

On the approval of the
alteration of the condominium
project plan

Arbiter San Vicente reiterated his previous finding that PPI committed an illegal act of presenting an inexistent CCI Board resolution, in its request for approval of the amendment of the master deed and ensuing alteration of the project plan. PPI did not meet the strict requirement of the law when it submitted a mere certificate of its corporate secretary. He also maintained his earlier ruling that all the acts of the government agencies concerned in the approval of the re-survey and alteration of the project plan, amendment of the master deed, and issuance of new certificates of title, still in PPI's name, were a nullity and cannot enjoy the presumption of regularity under the law. This time, however, Arbiter San Vicente opined that the unjust consequences borne by the unit owners and buyers, including the intervenors, deserve equitable and commensurate reliefs, beyond compensation or reimbursement to CCI of the present market value of the land. Indeed, the remand of the case to the HLURB-NCRFO re-opened the proceedings and authorized the adjudication anew of the rights of the parties.

Arbiter San Vicente held that the presumed bona fide members of CCI and complainants-intervenors enjoy the equal right to maintain the present suit as well as to be protected from the acts of PPI, PNB-IFL, and PNB that impinged on their interest in the common areas. Since PPI failed to meet the requirements of the law when it segregated and separately titled the uncovered parking area from the common areas, the original titles of the Concorde remained valid and subsisting. Consequently, the new titles and their derivatives, being a nullity, conferred no right or title in favor of the mortgagee PNB-IFL and its successor-in-interest, PNB. Clearly, PPI cannot freely dispose of the ownership of the disputed parking area which had been previously vested by law and by contract on CCI. Further, even if PPI acquires a separate title through legal means or in good faith, still, it cannot mortgage the segregated portion without the HLURB's approval.

The dispositive portion of the December 14, 2005 decision of the HLURB-NCRFO states thus:

WHEREFORE, all the foregoing premises considered, a judgment is hereby rendered as follows:

1. Declaring the issuance of TCT No. 206284 for Lot 1 [Pcs-00-06989] and TCT No. 206285 for Lot 2 [Pcs-00-0066989] null and void and canceling the same;
2. Declaring the issuance of TCT No. 208874 for Lot 2 [Pcs-00-0066989], which replaced TCT No. 206285, as null and void and canceling the same;
3. Ordering the Register of Deeds of Makati City to cancel TCT Nos. 206284, 206285 and 208874 of the Register of Deeds of Makati and reinstate TCT No. (351672) [S]-20277 and TCT No. (420504) [S]-20278;
4. Declaring as null and void the amendment of the Master Deed with Declaration of Restrictions effected by PPI without notice and without the consent of the simple majority of all the registered unit owners of Concorde

Condominium Project and without the written approval of the City Engineer of Makati City and of this Board, including the cancellation of the annotation of the said amendment from TCT Nos. (351672) [S]-20277 and (420504) [S]-20278 of the Register of Deeds for the Province of Rizal;

5. Declaring as void and inexistent the mortgage of Lot 2 [covered previously by TCT No. 206285 and later by TCT No. 208874] executed between PNB-IFL and PPI over the parcel of land upon which the uncovered parking area of Concorde Condominium is located, including the sale by auction or otherwise of the parcel of land upon which the uncovered parking area of Concorde Condominium was constituted and described in TCT No. 208874 to PNB. This shall [sic] understood to be without prejudice to the right of PNB to proceed against other assets of Pulp & Paper Inc. to cover or guarantee the amount of the loan and its interest;

6. Directing PPI to deliver TCT No. (351672) [S]-20277 [as replaced by TCT No. 206284] covering Lot No. 1 to the complainant Concorde Condominium, Inc., in the same manner that PNB is directed to release and deliver TCT No. (420504) [S]-20278 [as replaced by TCT No. 208874] covering Lot No. 2, also to the complainant Concorde Condominium Inc. or to the Complainants-Intervenors, being trustors and holders of rights of the two (2) properties.

In the event of failure of PPI and PNB to make the delivery of TCT No. 206284 and TCT No. 208874, the Register of Deeds of Makati City is directed to cancel and nullify said titles and issue another titles in the name of Concorde Condominium, Inc. (CCI).

7. Ordering PPI to pay the complainant and complainant-intervenors exemplary damages of P500,000.00 and attorney's fees of P300,000.00;

In the alternative, and if for any reason the parcels of land upon which the mortgage of the Concorde Condominium building and/or its uncovered parking lot are constituted cannot be conveyed and/or transferred to CCI, directing PPI and/or PNB-IFL and/or PNB to pay CCI an amount of money equal to the value of the said parcel of land and directing PPI and/or PNB-IFL and/or PNB to cause the annotation at the back of TCT Nos. 351672 and 420504 of the Registry of Deeds for the Province of Rizal an exclusive and perpetual easement of use in favor of CCI and/or the complainants-intervenors.

All other claims and counterclaims are denied.[19]

Both CCI and PNB-IFL, and PNB filed their respective petitions for review with the HLURB Board.

Ruling of the HLURB Board of Commissioners

In a decision,[20] dated March 17, 2011, the HLURB Board dismissed CCI's appeal for being moot and academic. The issue of validity of the real estate mortgage and auction sale of the property covered by TCT No. 208874 (TCT No. 206285) were already resolved by the regional office. PNB-IFL and PNB's appeal was likewise denied for lack of merit. The regional office found that the appellants failed to meet the requirements of the law for the alteration of the condominium plan and amendment of the master deed under the Condominium Act. Laquiste Food, Inc. (LFI) also filed a motion to cite a board member of CCI for indirect contempt.

The Board decreed:

WHEREFORE, premises considered, CCI's appeal is DISMISSED for being moot and academic; respondents PNB-IFL and PNB's appeal, and LFI's urgent motion to cite Mr. Dela Paz for indirect contempt are hereby DENIED for lack of merit.

SO ORDERED.[21]

PNB-IFL and PNB appealed the HLURB decision with the Office of the President (OP), in accordance with Sec. 15 of Presidential Decree No. 957 (P.D. No. 957)[22] and Sec. 2 of Presidential Decree No. 1344 (P.D. No.

1344),[23] in relation to Sec. 2, Rule XX of the 2009 HLURB Rules of Procedure.

Ruling of the Office of the President

In its June 14, 2013 decision,[24] the OP dismissed the appeal and affirmed the March 17, 2011 decision of the HLURB Board. The OP upheld the jurisdiction of the HLURB in line with existing jurisprudence. It likewise sustained the HLURB in declaring as void the mortgage to PNB-IFL. It explained that PPI had engaged in unsound real estate business practice when it mortgaged a portion of the common areas without the consent of the Concorde owners. It further noted that contrary to the argument of PNB-IFL and PNB that the complaint questions the validity of the LRA's resolution in consulta, it actually reinforces it. The LRA resolution specifically provides that the segregated lot is "reserved for the use of the unit owners pursuant to the Master Deed With Declaration of Restrictions." [25]

The motion for reconsideration filed by PNB-IFL and PNB was likewise denied in the OP's resolution,[26] dated April 28, 2014.

In the same resolution, the OP denied the Motion to Admit and Manifestation filed by PPI for failing to appeal the December 14, 2005 decision of the HLURB Arbiter. Hence, PPI is bound by the said ruling and could not anymore seek affirmative relief on appeal.

PNB and New PPI Corporation (formerly PPI) filed separate petitions for review under Rule 43 of the 1997 Rules of Civil Procedure, docketed as CA-G.R. SP No. 135651 and CA-G.R. SP No. 135689, respectively. The two cases were ordered consolidated. On September 26, 2014, the CA's Sixteenth Division issued a Resolution[27] granting PNB's application for a writ of preliminary injunction, thereby enjoining the HLURB from implementing the December 14, 2005 decision of Arbiter San Vicente, subject to payment of the bond set by the appellate court.

Ruling of the CA

On March 21, 2016, the CA rendered its decision holding that HLURB has no jurisdiction over the case. It noted that CCI's complaint reveals allegations of the nullity of TCT No. 208874, the mortgage constituted thereon in favor of PNB-IFL, and the certificate of sale in favor of PNB. The complaint essentially prayed for the reconveyance of the disputed property. Since the ultimate purpose involves title to real property, a real action lies under the exclusive jurisdiction of the regular courts and not with the HLURB.

The appellate court declared valid the real estate mortgage over the uncovered parking area, finding no evidence of possession by CCI. PNB-IFL, as a mortgagee in good faith, had conducted an investigation, inspection, and appraisal of the said property offered as collateral. PPI's failure to attach the board resolution to the Secretary's Certification, was held to be a mere irregularity in PPI's application for amendment of the master deed. Such irregularity does not amount to an unsound real estate business practice. Also, Sec. 18 of P.D. No. 957 prohibiting the mortgage by condominium developers/owners of their units does not cover applications for amendment of master deeds or alteration of plans. The CA further pointed out that the irregularity, i.e., cannot prejudice PNB-IFL and PNB. It only arose from CCI's complaint filed nearly eleven (11) years from the HLURB's approval of the amendment. Thus, PNB-IFL as mortgagee could not be expected to know of, much less anticipate, this finding of irregularity by the HLURB Board that would otherwise constitute a ground for nullification of the amendment.

The CA stressed that there is nothing in TCT No. 208874 and its physical condition which would have put PNB on guard on the existence of irregularity. It concluded that it is contrary to fair play to declare PNB-IFL and PNB liable with PPI for the latter's failure to strictly comply with the requirements in P.D. No. 9157 on the alteration of the project plan and the amendment of the master deed. Earlier, the OP and the HLURB Board had declared the

same. Moreover, CCI failed to present evidence to its claim on the existence of alleged structures on the uncovered parking lot. There were no signages, no security guards, and no allocation of parking space to unit owners. Not one car was seen in the vicinity to indicate that the lot covered by TCT No. 208874 was part of Concorde.

The appellate court dismissed New PPI's petition. It had failed to appeal the June 14, 2005 decision of the HLURB Arbiter, the March 17, 2011 decision of the HLURB Board, and the June 14, 2013 decision of the OP. New PPI's direct recourse to the CA was held a violation of the rule on exhaustion of administrative remedies.

The CA decreed:

WHEREFORE, premises considered, this Court hereby resolves to:

- GRANT PNB-IFL's and PNB's Petition (CA-G.R. SP No. 135651). The real estate mortgage constituted on Lot 2 (TCT No. 208874) in favor of PNB-IFL and the Certificate of Sale in favor of PNB remain valid.

- DISMISS New PPI's Petition (CA-G.R. SP No. 135689). New PPI's liability to CCI stands. Accordingly, New PPI is ordered to compensate and reimburse CCI in the amount equivalent to the present market value of Lot 2 (TCT No. 208874).

SO ORDERED.[28]

CCI and New PPI filed their respective motions for reconsideration. In its resolution,[29] dated November 21, 2016, the CA denied both motions and reiterated its findings and conclusions in its March 21, 2016 decision.

ISSUES

I.

WHETHER THE HLURB HAS JURISDICTION OVER THE CASE;

II.

WHETHER THE DISMISSAL OF NEW PPI'S PETITION FOR REVIEW BEFORE THE CA WAS PROPER; AND

III.

WHETHER PNB-IFL IS A MORTGAGEE IN GOOD FAITH, AND PNB AN INNOCENT ASSIGNEE/PURCHASER IN GOOD FAITH.

Petitioners' Arguments

In G.R. No. 228354, CCI contends the CA's ruling that the HLURB has no jurisdiction over its complaint is contrary to existing jurisprudence that upholds the HLURB's authority over cases on annulment of mortgages on condominium or subdivision units. While the ultimate prayer is for reconveyance of the disputed property, the Court has held that HLURB is vested with jurisdiction on issues involving title to real property. CCI argues that, without its knowledge and consent, the acts of PPI (now New PPI) in refusing to turn over the title of the project to CCI, and in segregating the uncovered parking area from the project and its ensuing consequences, are unsound real estate business practice. Such acts are well within the jurisdiction of the HLURB. On the CA's observation that PPI's acts were done without any protest from the condominium owners, CCI points out that it could not have opposed such acts simply because it was not made a party thereto. Nor was it notified by the government agencies concerned.

As to the claimed status of a mortgagee in good faith, CCI avers that no board resolution was presented by New PPI authorizing predecessor-in-interest, PPI's Vice-President for Finance and Operations, to enter into a real estate mortgage agreement with PNB-IFL. Further, the Inspection and Appraisal Report of PNB (PNB report) contains the notation that at the time of the mortgage, TCT No. 208874 had not yet issued. The HLURB Board and the OP disregarded this PNB report, having been submitted only on appeal. CCI maintains that no inspection was actually conducted prior to execution of the mortgage contract between PPI and PNB-IFL. The PNB report also failed to disclose the physical features of the project to show that the uncovered parking area was used by unit owners as a common area. The foregoing circumstances prove the PNB-IFL's lack of due diligence. Since the mortgage was made in violation of Section 18 of P.D. No. 957, said contract, as well as the certificate of sale issued to PNB, should be considered null and void.

In G.R. No. 228359, New PPI asserts that the CA decision is based on a misapprehension of facts. It clarifies that the appellate court erred in holding that its liability to CCI stands despite ruling that the HLURB has no jurisdiction over CCI's complaint. Citing *Vda. De Herrera v. Bernardo, et al.*,^[30] New PPI argues that the decision of both the OP and the HLURB Board affirming the HLURB-NCRFO's decision cannot bind it for lack of jurisdiction. Without jurisdiction, any judgment by a quasi-judicial body is void. It cannot be the source of any right or create any obligation. All acts and all claims emanating from it have no legal effect.

Further, New PPI faults the CA in ruling that it failed to exhaust administrative remedies. It claims that the CA overlooked the exception where the challenged administrative act is patently illegal, amounting to lack of jurisdiction. The CA, thus, should not have dismissed its petition on mere technicalities. Regardless of the fact that the HLURB has no jurisdiction over CCI's complaint, New PPI contends that the CA still erred in its decision benefiting only PNB. Assuming that it had failed to exhaust administrative remedies, New PPI insists that a decision in favor of PNB should inure to its benefit.

New PPI thus prays that this Court reverse and set aside the assailed CA decision and resolution, as well as the decisions of the HLURB Board and the OP which affirmed the December 14, 2005 decision of the HLURB-NCRFO. Further, it prays that the latter be declared as null and void for having been rendered without jurisdiction.

Respondents' Arguments

In G.R. No. 228354, PNB-IFL and PNB argue that the CA was correct in ruling that the HLURB has no jurisdiction over CCI's complaint. While it appears that the complaint called for the nullity and cancellation of TCT No. 208874, the validity of the title had not been questioned directly. The issues raised in the complaint clearly involved a determination of the ownership of a party of real properties, over which the Regional Trial Courts have exclusive jurisdiction. Moreover, the complaint does not concern the enforcement of contractual rights and statutory obligations between a developer and its buyers. Rather, it is the validity of the alteration of the condominium plan which segregated Lot No. 2 from the common areas and enabled PPI to obtain TCT No. 208874 from the Register of Deeds of Makati City. The CA correctly pointed out that Section 18 of P.D. No. 957 would not apply since, at the time of the mortgage to PNB-IFL, Lot No. 2 no longer formed part of the condominium project. Its exclusion followed the amendment of the master deed, which was duly approved by the HLURB.

Asserting their respective status as mortgagee and purchaser in good faith, PNB-IFL and PNB contend that even assuming that HLURB had jurisdiction to determine the validity of the mortgage, the CA nonetheless correctly ruled that the mortgage to PNB-IFL and subsequent sale to PNB remain valid. By virtue of the PNB report, PNB-IFL, in the ordinary course of business, followed the standard operating procedure in accepting the property

as security. It conducted a thorough investigation, appraisal, and inspection of the property, including verification with the government offices concerned, prior to the acceptance of the collateral and the resulting approval of the credit facility. PNB-IFL thus did not confine itself to the four comers of TCT No. 208874.

Also, contrary to the findings of the HLURB and the OP, PNB-IFL and PNB point out that the condominium building stood right in front of the contested northern portion covered by TCT No. 208874. Even if vehicles were parked in it, nothing else should have made PNB-IFL conclude that the lot in question actually belonged to the common areas, absent any lien or encumbrance inscribed in the title. It was noted that the condominium itself has basement parking slots allotted to its registered unit owners. They stress that nothing in the master deed or in the amended master deed that specifically states that Lot No. 2 was to be constituted as the uncovered parking lot of the project. Besides, the issuance of TCT No. 208874 without the annotation of the master deed was accomplished through the proper government agencies. Hence, the presumption of regularity in the performance of official duty stands. Being without fault, PNB-IFL and PNB assert that they should not be unduly stripped of their rights without due process. PPI's fault cannot be attributed to them who are mortgagee and purchaser, respectively, in good faith.

On its part, New PPI maintains that it has not committed any unsound real estate business practice. As recognized in the CA decision, New PPI followed the procedure laid down by the proper government agencies to secure the separation of Lot 2 from the common areas of the project. The CA likewise correctly ruled that PNB-IFL is a mortgagee in good faith; and that the real estate mortgage in favor of PNB-IFL, as well as the certificate of sale to PNB, are valid.

New PPI argues that whether PNB-IFL is a mortgagee in good faith is a question of fact, outside the scope of a Rule 45 petition. The petition in G.R. No. 228354 should therefore be dismissed.

In G.R. No. 228359, CCI contends that New PPI failed to show that it had availed of the proper administrative remedies to question the findings of the HLURB-NCRFO. New PPI's position that HLURB lacks jurisdiction over CCI's complaint does not justify its bringing directly the HLURB-NCRFO decision to the CA via a petition for review under Rule 43. CCI further assails the argument of New PPI that, while it failed to exhaust administrative remedies, the CA decision should inure to its benefit owing to its commonality of interests with PNB-IFL. Such reasoning would contravene and abandon New PPI's claim that HLURB had no jurisdiction over the complaint in the first place.

CCI reiterates that its complaint prayed for the nullification of the mortgage agreement executed by then PPI and PNB-IFL, among other things, in violation of Section 18 of P.D. No. 957. Hence, it is the HLURB that should have jurisdiction over the case.

OUR RULING

We grant the petition in G.R. No. 228354 and deny the petition in G.R. No. 228359.

HLURB has jurisdiction
over CCJ's complaint for
annulment of title and
mortgage.

The nature of an action and the jurisdiction of a tribunal are determined by the material allegations of the complaint and the law governing at the time the action was commenced. Either is conferred only by law; not by the parties' consent or by their waiver in favor of a court that would otherwise have no jurisdiction over the subject matter or the nature of an action.[31] Once vested by the allegations in the complaint, jurisdiction also

remains vested irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein.[32]

P.D. No. 957,[33] promulgated on July 12, 1976, conferred exclusive jurisdiction upon the National Housing Authority (NHA)[34] to regulate the real estate trade and business. P.D. No. 1344, dated April 2, 1978, expanded the quasi-judicial powers of the NHA by providing:

Section 1. In the exercise of its functions to regulate the real estate trade and business and in addition to its powers provided for in Presidential Decree No. 957, the National Housing Authority shall have exclusive jurisdiction to hear and decide cases of the following nature:

A. Unsound real estate business practices;

B. Claims involving refund and any other claims filed by subdivision lot or condominium unit buyer against the project owner, developer, dealer, broker, or salesman; and

C. Cases involving specific performance of contractual and statutory obligations filed by buyers of subdivision lot or condominium unit against the owner, developer, dealer, broker or salesman.

By virtue of Executive Order No. 648,[35] the Human Settlements Regulatory Commission (HSRC) was created to regulate zoning and land use and development and to assume the regulatory and adjudicatory functions of the NHA. The HSRC was later renamed HLURB under Executive Order No. 90.[36]

It was held that the jurisdiction of the HLURB to hear and decide cases is determined by the nature of the cause of action, the subject matter or property involved and the parties.[37] The case must involve a subdivision project, subdivision lot, condominium project or condominium unit.[38]

Contrary to the CA's reasoning, the complaint raising the issue of ownership and title will not automatically characterize it as a real action as to confer jurisdiction on the RTC. Clearly, the suit involves a claim against a condominium owner or developer filed by the registered unit owners to compel the performance of the former's contractual and statutory obligations. As we held in *Peña v. Government Service Insurance System (GSIS)*:[39]

When an administrative agency or body is conferred quasi-judicial functions, all controversies relating to the subject matter pertaining to its specialization are deemed to be included within the jurisdiction of said administrative agency or body. Split jurisdiction is not favored. Therefore, the Complaint for Specific Performance, Annulment of Mortgage, and Damages filed by petitioner against respondent, though involving title to, possession of, or interest in real estate, was well within the jurisdiction of the HLURB for it involves a claim against the subdivision developer, Queen's Row Subdivision, Inc., as well as respondent.[40]

In *Spouses Vargas v. Spouses Caminas, et al.*,[41] this Court declared:

On spouses De Guzman's claim that Section 18 of PD 957 does not grant the HLURB the authority to invalidate the mortgage contract if the requisite authority from the NHA is not obtained, this Court has previously ruled that the HLURB has jurisdiction over cases involving the annulment of a real estate mortgage constituted by the project owner without the consent of the buyer and without the prior written approval of the NHA.

In *Union Bank of the Philippines v. HLURB*, the Court held that a realty company's act of mortgaging a condominium project without the knowledge and consent of the buyer of one of the condominium units, and without obtaining the prior approval of the NHA, constitutes unsound real estate business practice. Accordingly, the action for the annulment of such mortgage and mortgage foreclosure sale falls within the exclusive jurisdiction of the HLURB, thus:

Clearly, FRDC's act of mortgaging the condominium project to Bancom and FEBTC, without the knowledge

and consent of David as buyer of a unit therein, and without the approval of the NHA (now HLURB) as required by P.D. No. 957, was not only an unsound real estate business practice but also highly prejudicial to the buyer. David, who has a cause of action for annulment of the mortgage, the mortgage foreclosure sale, and the condominium certificate of title that was issued to the UBP and FEBTC as [the] highest bidders at the sale. The case falls within the exclusive jurisdiction of the NHA (now HLURB) as provided in P.D. No. 957 of 1976 and P.D. No. 1344 of 1978. (Emphasis supplied)

The Court reiterated this ruling in *Home Bankers Savings and Trust Co. v. Court of Appeals* which involves a mortgage entered into by the same Trans-American Sales and Exposition that is a party in this case, thus:

The CA did not err in affirming the decision of the Office of the President that HLURB has jurisdiction to declare invalid the mortgage contract executed between Garcia/TransAmerican and petitioner over the subject lots insofar as private respondents are concerned. It correctly relied on *Union Bank of the Philippines vs. HLURB, et al.* where we squarely ruled on the question of HLURB's jurisdiction to hear and decide a condominium buyers complaint for: (a) annulment of a real estate mortgage constituted by the project owner without the consent of the buyer and without the prior written approval of the NHA; (b) annulment of the foreclosure sale; and (c) annulment of the condominium certificate of title that was issued to the highest bidder at the foreclosure sale, x x x.[42] (Citations omitted)

Undoubtedly, the jurisdiction of the HLURB to regulate the real estate business is broad enough to include jurisdiction over a complaint for annulment of foreclosure sale and mortgage and the grant of incidental reliefs such as a cease and desist order.[43]

In *Maria Luisa Park Association, Inc. v. Almendras, et al.*, [44] the Court explained the rationale for upholding the expanded jurisdiction of the HLURB:

The provisions of P.D. No. 957 were intended to encompass all questions regarding subdivisions and condominiums. The intention was aimed at providing for an appropriate government agency, the HLURB, to which all parties aggrieved in the implementation of provisions and the enforcement of contractual rights with respect to said category of real estate may take recourse. The business of developing subdivisions and corporations being imbued with public interest and welfare, any question arising from the exercise of that prerogative should be brought to the HLURB which has the technical know-how on the matter. In the exercise of its powers, the HLURB must commonly interpret and apply contracts and determine the rights of private parties under such contracts. This ancillary power is no longer a uniquely judicial function, exercisable only by the regular courts.[45] (Emphasis supplied; citations omitted)

The Court similarly underscored this rationale in *Sps. Chua v. Ang, et al.*, [46] when it pronounced that:

The law recognized, too, that subdivision and condominium development involves public interest and welfare and should be brought to a body, like the HLURB, that has technical expertise. In the exercise of its powers, the HLURB, on the other hand, is empowered to interpret and apply contracts, and determine the rights of private parties under these contracts. This ancillary power, generally judicial, is now no longer with the regular courts to the extent that the pertinent HLURB laws provide.

Viewed from this perspective, the HLURB's jurisdiction over contractual rights and obligations of parties under subdivision and condominium contracts comes out very clearly.[47] (Emphasis supplied; citations omitted)

The CA therefore erred in holding that the HLURB lacks jurisdiction over the case filed by CCI.

New PPI is not entitled to any
relief due to its failure to
appeal the decision of the

HLURB-NCRFO.

The CA was correct in dismissing the petition for review filed by New PPI. Having failed to appeal to the OP the decision of Arbitrator San Vicente, New PPI is deemed to have acquiesced to the findings and conclusions therein with respect to CCI's rights over the common areas including the uncovered parking lot.

Well settled is the rule that a party who fails to appeal from a judgment can no longer seek the modification or reversal thereof.[48] Indeed, one party's appeal from a judgment will not inure to the benefit of a co-party. And as against the latter, the judgment will continue to run its course until it becomes final and executory. To this general rule, however, one exception stands out: where both parties have a commonality of interests, the appeal of one is deemed to be the vicarious appeal of the other.[49]

We fail to see a commonality of interest of then PPI with those of its co-respondents PNB-IFL and PNB. CCI sought to compel PPI to perform its contractual and statutory obligations to all the registered unit buyers/owners of the Concorde. The contractual and legal liabilities of PPI to the said buyers are distinct and independent from its financial obligations to its creditor-mortgagee PNB-IFL and to PNB, the purchaser at the foreclosure sale. Thus, even if PPI was adjudged to have violated its contractual undertaking to transfer ownership of the subject parcels of land to CCI, PNB-IFL and PNB can still obtain relief on appeal by proving that they are mortgagee and purchaser in good faith. The appellate court's ruling in favor of PNB-IFL and PNB will not inure to the benefit of PPI who remains liable to the condominium unit buyers. Even if the real estate mortgage is held valid under a final judgment, PPI is deemed to have acquiesced to the HLURB judgment with respect to its obligations to its buyers.

PNB-IFL is not a mortgagee
in good faith; the foreclosure
sale in favor of PNB is
likewise void.

In general, the issue of whether a mortgagee is in good faith cannot be entertained in a Rule 45 petition. This is because the ascertainment of good faith or the lack thereof, and the determination of negligence are factual matters which lie outside the scope of a petition for review on certiorari. Good faith, or the lack of it, is a question of intention. In ascertaining intention, courts are necessarily controlled by the evidence as to the conduct and outward facts by which alone the inward motive may safely be determined.[50] A recognized exception to the rule is when there are conflicting findings of fact by the CA and the RTC.

Given the conflicting findings of the CA and that of the HLURB and the OP, the Court shall address the factual issue on hand.

As mentioned earlier the uncovered parking area formed part of the condominium project under the approved plan. This is evident from the provisions of the master deed which referred to the uncovered parking spaces as among those "limited common areas." PPI expressly conferred their ownership and management to the condominium corporation or CCI that was formed and designated as the management body for the limited common areas.

The pertinent provisions of the master deed state:

Section 4. The limited Common Areas. Certain parts of the common areas are to be set aside and reserved for the exclusive use of certain units and each unit shall have appurtenant thereto an exclusive easement for the use of the limited common areas:

a)

Exclusive use of the covered and uncovered parking spaces within the project, as now existing or as may hereafter exist subject to the deed restrictions mentioned in Section 9 of Part 1 hereof, shall be allocated as equally as possible among all the unit owners in the project. Of the twenty-nine (29) covered and thirty four (34) uncovered parking spaces presently existing, each unit owner shall be entitled to the exclusive use of five (5) parking spaces for Unit A owners and four (4) parking spaces for Unit B owners to be allocated by the management body referred to in Part II, Section 1 below in the following manner, namely:

For Unit A Owners

For Unit B Owners

Covered

Uncovered

Covered

Uncovered

First Floor

5

None

4

None

Second Floor

5

None

4

None

Third Floor

1

4

1

3

Fourth Floor

1

4

2

2

Fifth Floor

1

4

1

3

Sixth Floor

1

4

1

3

Seventh Floor

1

4

1

3

15 20 14 14

Of the additional parking spaces that may hereafter be provided, the management body shall reserve one parking space for the exclusive use of the building administrator. Use of the rest of the parking spaces (i.e., those not exclusively reserved in accordance with the foregoing) shall be at the discretion of the management body which may allow use thereof in accordance with the need of particular unit owners for additional space, or on a first-come, first-served basis, or on a rotation basis or such other equitable basis as the management body may determine and subject to such terms and conditions as it may fix.

x x x x

Section 5. Appurtenant Interest of each Unit in the Common Areas. To each unit in the project shall indirectly appertain an undivided interest in the common areas equal to the percentage which the floor area of the unit bears to the total floor area of all the units in the project, exclusive of common areas. x x x

x x x x

Section 6. The Condominium Corporation. The Declarant shall, before conveying any unit in the Project, form and organize a condominium corporation pursuant to the provisions of the Condominium Act and the Corporation Law, for the purpose of holding title to all the common areas in the project and of managing the entire project. All owners of units in the project shall automatically become members of the condominium corporation, to the exclusion of others.

Section 7. Nature of Interest acquired by purchasers of units. The purchaser of a condominium unit in the project shall acquire ownership of such unit, subject to the terms and conditions of the instrument conveying the unit from the Declarant to such purchaser or to the terms and conditions of any subsequent conveyance under which the purchaser takes title to the unit. Each condominium unit owners, as an appurtenance of such ownership, shall

automatically become a member of the condominium corporation provided for above. The proprietary interest acquired by each member of the condominium corporation shall be equal to the appurtenant interest of his unit in the common areas as provided in Section 5 above. Each condominium unit owner shall also acquire, as an appurtenance of the Unit, an exclusive easements for the use of the limited common areas as provided in Section 4 above.

x x x x

Section 8. Options in case of involuntary dissolution of condominium corporation. In case of involuntary dissolution of the condominium corporation for any of the cause provided by law, the members of the corporation shall have the option to decide, by a majority vote of all the members in a regular or special meeting called for the purpose, whether to convert their interest or participation in the corporation into an undivided co-ownership interest in the common areas or to sell and dispose of the entire project as a whole, including their separate units therein, before dissolution and liquidation of the corporation.

x x x x

Part II

x x x x

Section 1. Management Body. The condominium corporation formed and organized pursuant to Section 6 of Part I above, shall constitute the management body of the project. As such management body, the powers of the corporation shall be such as are provided by the Condominium Act, by the Articles of Incorporation and the By-Laws of the corporation, by this instrument and by the applicable provisions of the Corporation Law as are not inconsistent with the Condominium Act. Among such powers but not by way of limitation, it shall have the power to enforce the provisions hereof in accordance with the By-Laws of the Corporation. x x x[51]

The foregoing indisputably shows that PPI is contractually bound to transfer to CCI the title to the common areas and the "limited common areas."

To enable the orderly administration over these common areas which are jointly owned by the various unit owners, the Condominium Act permits the creation of a condominium corporation. Such is specially formed for the purpose of holding title to the common area, in which the holders of separate interests shall automatically be members or shareholders, to the exclusion of others, in proportion to the appurtenant interest of their respective units.[52] Other management bodies are specifically allowed to manage the common areas, namely: association of condominium owners, a board of governors elected by condominium owners or by the board named in the declaration.[53]

Having expressly covenanted the organization of a condominium corporation to hold title and manage the common areas and limited common areas provided in the master deed, PPI's refusal to transfer title to CCI and subsequent acts, without the knowledge or consent of the condominium buyers, are highly prejudicial to the registered unit owners. Undeniably, each has an undivided interest in the common areas of the condominium project.

Under the Condominium Act, the enabling or master deed may be amended or revoked upon registration of an instrument executed by a simple majority of the registered owners of the property. With prior notifications to all registered owners, any such amendment or revocation already decided by a simple majority of all registered owners shall be submitted to the HLURB and the city or municipal engineer for approval.[54] In this case, the HLURB-NCRFO ruled that PPI failed to comply with the requirements of the law having submitted a mere

Secretary's Certificate.[55] The certificate stated that the proposed amendment was approved by 84% of the controlling interest of CCI. It was not a CCI board resolution. CCI denies having given such consent, hence, the amendment was ineffectual.

Moreover, the law prohibits the mortgage of a portion of the common areas of the condominium project without the approval of the HLURB.

Section 18 of P.D. No. 957 provides:

Section 18. Mortgages. — No mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the Authority. Such approval shall not be granted unless it is shown that the proceeds of the mortgage loan shall be used for the development of the condominium or subdivision project and effective measures have been provided to ensure such utilization x x x.

PNB-IFL and PNB assert that Section 18 does not apply in this case. They argue that, at the time of the mortgage, the uncovered parking area (Lot 2) was no longer part of the project after its segregation from the common areas and the amendment of the master deed.

We disagree.

As found by the HLURB, the segregation of the uncovered parking areas contravened the provisions of the master deed. Its subsequent amendment failed to comply with the required consent of the unit owners. Such acts, having been declared without legal force and effect, cannot prejudice the rights of the unit owners.

In *Union Bank of the Philippines v. HLURB, et al.*, [56] the Court held that a realty company's act of mortgaging a condominium project without the knowledge and consent of a condominium unit buyer, and without obtaining the prior approval of the NHA, constitutes unsound real estate business practice.[57]

P.D. No. 957, as amended, aims to protect innocent subdivision lot and condominium unit buyers against fraudulent real estate practices. The HLURB is given wide latitude in characterizing or categorizing acts which may constitute unsound business practice or breach of contractual obligations in the real estate trade.[58]

In this case, we agree with the HLURB and the OP that PPI's act of mortgaging the uncovered parking area – by amending the approved project plan and master deed without the affirmative vote of two-thirds of the voting power of CCI (Sec. 13 of the master deed) or a simple majority of the registered unit owners (Sec. 4 of the Condominium Act) – constitutes unsound real estate business practice. Clearly, PPI has reneged on its contractual commitments to its buyers and CCI which was empowered (Part II, Sec. 1 of the master deed) to "enforce the provisions" of said instrument.

Not even CCI's silence or inaction for several years after its incorporation -- attributed to its lack of knowledge of PPI's acts affecting the common areas -- may defeat the unit owners' contractual and statutory rights. CCI should not be deemed to have waived any right as it has never acquiesced to PPI's maneuverings to deprive the unit owners of their undivided interest in the common areas. CCI's position finds support in Sec. 7 of the master deed, which provides:

Section 7. Waivers. No limitations, restrictions, covenant or conditions herein contained and no rule or regulation in the Building Rules shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.[59]

As a general rule, every person dealing with registered land may safely rely on the correctness of the certificate of title and is no longer required to look behind the certificate in order to determine the actual owner.[60] However, PNB-IFL is not an ordinary mortgagee; it is a mortgagee-bank. As such, unlike private individuals, it is expected

to exercise greater care and prudence in its dealings, including those involving registered lands. A banking institution is expected to exercise due diligence before entering into a mortgage contract. The ascertainment of the status or condition of a property offered to it as security for a loan must be a standard and indispensable part of its operations.[61]

In *Philippine National Bank v. Vila*,^[62] the Court ruled:

Clearly, the PNB failed to observe the exacting standards required of banking institutions which are behooved by statutes and jurisprudence to exercise greater care and prudence before entering into a mortgage contract.

No credible proof on the records could substantiate the claim of PNB that a physical inspection of the property was conducted. x x x The failure of the mortgagee to take precautionary steps would mean negligence on his part and would thereby preclude it from invoking that it is a mortgagee in good faith.

Before approving a loan application, it is standard operating procedure for banks and financial institutions to conduct an ocular inspection of the property offered for mortgage and to determine the real owner(s) thereof. The apparent purpose of an ocular inspection is to protect the "true owner" of the property as well as innocent third parties with a right, interest or claim thereon from a usurper who may have acquired a fraudulent certificate of title thereto.

x x x x

In *Land Bank of the Philippines v. Belle Corporation*, the Court exhorted banks to exercise the highest degree of diligence in its dealing with properties offered as securities for the loan obligation:

When the purchaser or the mortgagee is a bank, the rule on innocent purchasers or mortgagees for value is applied more strictly. Being in the business of extending loans secured by real estate mortgage, banks are presumed to be familiar with the rules on land registration. Since the banking business is impressed with public interest, they are expected to be more cautious, to exercise a higher degree of diligence, care and prudence, than private individuals in their dealings, even those involving registered lands. Banks may not simply rely on the face of the certificate of title. Hence, they cannot assume that, xxx the title offered as security is on its face free of any encumbrances or lien, they are relieved of the responsibility of taking further steps to verify the title and inspect the properties to be mortgaged. As expected, the ascertainment of the status or condition of a property offered to it as security for a loan must be a standard and indispensable part of the bank's operations. xxx.

We never fail to stress the remarkable significance of a banking institution to commercial transactions, in particular, and to the country's economy in general. The banking system is an indispensable institution in the modern world and plays a vital role in the economic life of every civilized nation. Whether as mere passive entities for the safekeeping and saving of money or as active instruments of business and commerce, banks have become an ubiquitous presence among the people, who have come to regard them with respect and even gratitude and, most of all, confidence. Consequently, the highest degree of diligence is expected, and high standards of integrity and performance are even required, of it.[63] (Emphases supplied; citations omitted)

In this case, PNB-IFL clearly failed to exercise the required degree of caution in readily accepting the collateral offered by PPI, as per the loan documents submitted by PNB-IFL and PNB, and in approving the latter's increased credit availments.[64] PNB appears to be a mere accommodation mortgagee with two other corporations as borrower and co-borrower. While it belatedly submitted an Inspection and Appraisal Report, the date of inspection indicated therein, "November 23, 1998," only raised serious doubt whether any inspection was conducted at all considering that the real estate mortgage was executed on May 23, 1997, more than a year earlier. There was also no description of the premises or its physical condition. There was no statement that the lot was directly at the back of the condominium building nor was it being used for parking. Moreover, no inquiry on the

recent history or background of TCT No. 208874 was made. This would have disclosed that it was originally part of the condominium's approved project plan – consistent with the actual physical features of the lot -- and the master deed annotated on previous titles. In fact, under the entry "Encumbrances," it was stated that "TCT No. 208874 was not available when verified on 11-24-98." On the face of TCT No. 208874, its date of issuance was April 1, 1997.[65]

The Court has ruled that the burden of proving the status of a purchaser/mortgagee in good faith lies upon one who asserts that status. This onus probandi cannot be discharged by mere invocation of the legal presumption of good faith.[66] Indeed, the status of a buyer/mortgagee in good faith is never presumed but must be proven by the person invoking it.[67] PNB-IFL and PNB failed to discharge that burden of proof. Clearly, the CA erred in holding that they are purchaser and mortgagee in good faith.

Nonetheless, the mortgage, although voided, still stands as evidence of a contract of indebtedness. PNB-IFL may demand payment from New PPI, subject to claims and defenses they have made against each other that have not been settled in this Decision.[68]

WHEREFORE, the petition in G.R. No. 228354 is GRANTED. The Decision, dated March 21, 2016, and the Resolution, dated November 21, 2016, of the Court of Appeals are hereby AFFIRMED insofar as it dismissed the petition of New PPI (CA-G.R. SP No. 135689); and REVERSED insofar as it granted the petition of PNB-IFL and PNB in CA-G.R. SP No. 135651. The Decision, dated December 14, 2005, of the HLURB Arbiter in the National Capital Region Field Office (HLURB-NCRFO) in HLURB Case No. REM-050500-10982, as affirmed by the HLURB Board of Commissioners and the Office of the President, is hereby REINSTATED.

The petition in G.R. No. 228359 is DENIED.

SO ORDERED.

Leonen (Acting Chairperson),^[**] J. Reyes, Jr., and Hernando, JJ., concur.
Peralta, (Chairperson), J., on official business.

[**] Per Special Order No. 2617 dated November 23, 2018.

[1] Rollo (G.R. No. 228354), pp. 31-55; penned by Associate Justice Renato C. Francisco and concurred in by Associate Justices Apolinario D. Bruselas, Jr. and Danton Q. Bueser.

[2] Id. at 72-84.

[3] Id. at 275-284.

[4] Id. at 240-245.

[5] Id. at 225-239.

[7] Id. at 108-123.

[7] Id. at 92-107.

[8] Id. at 110-111.

[9] Id. at 85-90.

[10] Id. at 125-140.

[11] Id. at 141-148.

[12] Id. at 149-157.

[13] Id. at 158-180.

[14] Id. at 196-206.

[15] Id. at 207-222.

[16] Id. at 182-195.

[17] Id. at 194-195.

[18] Id. at 225-239.

[19] Id. at 238-239.

[20] Id. at 240-245.

[21] Id. at 245.

[22] Regulating the Sale of Subdivision Lots and Condominiums, Providing Penalties for Violations thereof (1976).

[23] Empowering the NHA to Issue the Writ of Execution in the Enforcement of its Decision under P.D. No. 957 (1978).

[24] Rollo (G.R. No. 228354, pp. 275-283.

[25] Id. at 281-282.

[26] Id. at 285-292.

[27] Rollo (G.R. No. 228359, pp. 268-273.

[28] Id. at 71.

[29] Id. at 76-88.

[30] 665 Phil. 234 (2011).

[31] Christian General Assembly, Inc. v. Sps. Ignacio, 613 Phil. 629, 636 (2009), citing Laresma v. Abellana, 484 Phil. 766, 778 (2004).

[32] Geronimo, et al. v. Sps. Calderon, 749 Phil. 871, 880 (2014), citing Go, et al. v. Distinction Properties Development and Construction, Inc., 686 Phil. 1160, 1172 (2012).

[33] The Subdivision and Condominium Buyers' Protective Decree (1976), as amended by P.D. No. 1216 dated October 14, 1977.

[34] Section 3. National Housing Authority - The National Housing Authority shall have exclusive jurisdiction to regulate the real estate trade and business in accordance with the provisions of this Decree.

[35] Reorganizing the Human Settlements Regulatory Commission effective February 7, 1981.

[36] Identifying the Government Agencies Essential for the National Shelter Program and Defining their Mandates, Creating the Housing and Urban Development Coordinating Council, Rationalizing Funding Sources

and Lending Mechanisms for Home Mortgages and for Other Purposes effective December 17, 1986.

[37] *Delos Santos v. Sps. Sarmiento, et al.*, 548 Phil. 1, 13 (2007).

[38] *Id.* at 14.

[39] 533 Phil. 670 (2006).

[40] *Id.* at 688.

[41] 577 Phil. 185 (2008).

[42] *Id.* at 195-196.

[43] *GSIS v. Board of Commissioners (2nd Division) of the HLURB, et al.*, 634 Phil. 330, 338 (2010), citing *Home Bankers Savings & Trust Co. v. Court of Appeals, et al.*, 496 Phil. 637, 649-650 (2005).

[44] 606 Phil. 670 (2009).

[45] *Id.* at 681-682, citing *Antipolo Realty Corp. v. National Housing Authority, et al.*, 237 Phil. 389, 397-398 (1987).

[46] 614 Phil. 416 (2009).

[47] *Id.* at 429.

[48] *Spouses Aquino v. Spouses Aguilar*, 762 Phil. 52, 64, (2015), citing *Taganito Mining Corporation v. Commissioner of Internal Revenue*, 736 Phil. 591, 600 (2014); *Raquel-Santos, et al. v. Court of Appeals and Finvest Securities Co., Inc.*, 609 Phil. 630, 651 (2009).

[49] *Maricalum Mining Corporation v. Remington Industrial Sales Corporation*, 568 Phil. 219, 228 (2008), citing *Portes, et al. v. Arcala, et al.*, 505 Phil. 443, 450-451 (2005); *Mactan-Cebu International Airport Authority v. Court of Appeals, et al.*, 399 Phil. 695, 707 (2000); *Republic v. Institute for Social Concern, et al.*, 490 Phil. 379, 391 (2005).

[50] *Philippine National Bank v. Vila*, 792 Phil. 86, 96 (2016), citing *Land Bank of the Philippines v. Belle Corporation*, 768 Phil. 368, 385 (2015); *Philippine Banking Corporation v. Dy, et al.*, 698 Phil. 750, 756-757 (2012).

[51] *Rollo* (G.R. No. 228354), pp. 111-115.

[52] *Yamane v. BA Lepanto Condominium Corporation*, 510 Phil. 750, 772-773 (2005).

[53] See Republic Act No. 4726, Section 9.

[54] See Republic Act No. 4726, Section 4.

[55] *Rollo* (G.R. No. 228359), p. 155.

[56] 285 Phil. 1095 (1992).

[57] *Id.* at 1101-1102; see also *The Manila Banking Corporation v. Spouses Rabina, et al.*, 594 Phil. 422, 433 (2008).

[58] *Go, et al. v. Distinction Properties Development and Construction, Inc.*, *supra* note 32, at 1174 (2012).

[59] *Rollo* (G.R. No. 228354), p. 119.

[60] Cruz, et al. v. Bancom Finance Corporation (now Union Bank of the Philippines), 429 Phil. 225, 237 (2002), citing Heirs of Spouses Gavino, et al. v. CA, et al., 353 Phil. 686, 701 (1998).

[61] Id. at 239, citing Cavite Development Bank, et al. v. Sps. Lim, et al., 381 Phil. 355, 368-369 (2000); Development Bank of the Philippines v. CA, et al., 387 Phil. 283, 302 (2000); Sunshine Finance and Investment Corp. v. IAC, et al., 280 Phil. 230, 236 (1991).

[62] 792 Phil. 86 (2016).

[63] Id. 97-99.

[64] Rollo (G.R. No. 228354), pp. 403-416.

[65] Id. at 143, 368 and 417.

[66] Sigaya, et al. v. Mayuga, et al., 504 Phil. 600, 613 (2005), citing Potenciano, et al. v. Reynoso, et al., 49 Phil. 396, 410 (2003); Sps. Uy v. CA, et al., 411 Phil. 788, 801 (2001).

[67] Spouses Aggabao v. Parulan, Jr., et al., 644 Phil. 26, 38 (2010), citing Sps. Bautista v. Silva, et al., 533 Phil. 627, 638 (2006); Aguirre, et al. v. Court of Appeals, et al., 466 Phil. 32, 45 (2004).

[68] See Philippine Bank of Communications v. Pridisons Realty Corporation, et al., 701 Phil. 178, 191 (2013).

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