

**PHILIPPINE DEVELOPMENT AND INDUSTRIAL CORPORATION,
PETITIONER, VS. THE HON. COURT OF APPEALS, EQUITABLE PCI
BANK (NOW KNOWN AS BANCO DE ORO UNIBANK, INC.), THE
REGISTER OF DEEDS...**

G.R. No. 231545. April 28, 2021

Ponente: DELOS SANTOS, J.

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DELOS SANTOS, J.:

The Cases

This is a consolidation of two (2) cases filed by petitioner Philippine Development and Industrial Corporation (PDIC). The first case, docketed as G.R. No. 231545, is a Petition for Certiorari[1] under Rule 65 of the Rules of Court, assailing the Resolutions dated August 5, 2016[2] and March 21, 2017[3] of the Court of Appeals (CA) which denied PDIC's application for Temporary Restraining Order (TRO) and Preliminary Injunction pending resolution of its appeal in CA-G.R. CV No. 106522. The second case, docketed as G.R. No. 242868, is a Petition for Review on Certiorari[4] under Rule 45 of the Rules of Court, seeking the reversal of the Decision[5] dated April 23, 2018 and the subsequent Resolution[6] dated October 25, 2018 of the CA in CA-G.R. CV No. 106522 which affirmed the Decision[7] dated June 30, 2015 of the Regional Trial Court (RTC) of Manila, Branch 36, in Civil Case No. 03-106886 dismissing PDIC's action for Annulment of Mortgage and Foreclosure Sale with Application for TRO and Preliminary Injunction against respondent Equitable PCI Bank (EPCIB).

The Factual Antecedents

PDIC is a domestic corporation organized and existing under and by virtue of the laws of the Philippines. On the other hand, EPCIB, now known as Banco De Oro Unibank, Inc., is a commercial banking corporation likewise organized and existing under Philippine laws.

In 1996, PDIC applied for and was granted a credit line by EPCIB, which consisted of a secured credit line and a clean credit line, each in the amount of P100,000,000.00.[8] This was intended to fund PDIC's Sta. Ana Villas Condominium Project (condominium project) in Sta. Ana, Manila to be constructed on a parcel of land owned by PDIC covered under Transfer Certificate of Title (TCT) No. 230861.[9] The credit line grant was embodied in a Letter of Approval[10] dated August 8, 1996. As security thereof, PDIC executed a Real Estate Mortgage[11] (REM) dated September 16, 1997 over the parcel of land covered by TCT No. 230861, the mother title of the condominium project. Thereafter, PDIC availed of the P100,000,000.00 clean credit line.[12]

In January 1997, since the clean credit line was already fully-utilized, PDIC requested EPCIB to release funds from the secured credit line. However, after evaluating PDIC's account and given the then market and economic condition, EPCIB decided to defer the granting of additional credit accommodation. EPCIB likewise refused to release the amount of P45,000,000.00 subsequently requested by PDIC, which it needed to complete the project. PDIC was thus constrained to resort to other sources of financing from other banks even with a higher interest

rate.[13]

In the meantime, the amounts previously drawn by PDIC had become past due and EPCIB had intended to take legal action against PDIC to enforce its rights. PDIC, however, requested EPCIB to defer legal action and allow it to make payments on the obligations under such terms and conditions acceptable to EPCIB.[14]

Thus, in June 2000, PDIC and EPCIB agreed to enter into a Repayment Agreement.[15] In the Repayment Agreement, PDIC acknowledged that it is indebted to EPCIB in the aggregate amount of P26,222,098.23 and \$2,777,686.69 as of November 30, 1999, and that the said obligations have become past due.[16]

On June 8, 2000, in accordance with the terms and conditions of the Repayment Agreement, PDIC executed REMs[17] over 29 condominium units of the condominium project and a parcel of land covered by TCT No. 283102 located in Meycauayan, Bulacan (Bulacan property). In turn, EPCIB released the REM dated September 16, 1997 covering the mother title.[18]

When PDIC defaulted in its loan obligations under the Repayment Agreement, EPCIB sent a letter[19] dated September 4, 2002 to PDIC demanding payment. In response to the demand letter, PDIC offered to settle its loan obligations by way of dacion en pago. However, the parties failed to agree on the terms therefor. Hence, EPCIB proceeded to initiate foreclosure proceedings pursuant to the Repayment Agreement and the subject REMs.[20]

The extrajudicial sale of the mortgaged properties was then scheduled on April 21, 2003, notice of which was received by PDIC on March 3, 2003.[21]

On April 11, 2003, PDIC filed a Complaint[22] for cancellation of mortgage, restitution of titles, and damages before the RTC of Makati City Branch 63 (RTC Makati) against EPCIB and M.N. Amor B. Dait (Sheriff Dait), Sheriff IV of the RTC Manila docketed as Civil Case No. 03-401. On the same day, PDIC filed an amended complaint, modifying its action into one for release of mortgage and damages.[23]

However, in an Order[24] dated April 15, 2003, the RTC Makati dismissed PDIC's complaint without prejudice for lack of jurisdiction. It found that the principal cause of action is for annulment of REM contracted in the City of Manila over a real property located in Sta. Ana, Manila.[25]

Meanwhile, on April 21, 2003, the mortgaged properties were sold to EPCIB, the sole bidder during the extrajudicial foreclosure sale. A Certificate of Sale[26] was accordingly issued by Sheriff Dait.[27]

Thereafter, manifesting that EPCIB had already foreclosed the mortgaged properties, PDIC moved to withdraw its amended complaint for release of mortgage and limited its cause of action to one for damages.[28]

On June 16, 2003, while the case for Damages was pending before the RTC Makati, PDIC filed before the RTC of City of Manila, Branch 36[29] (RTC Manila) a Complaint[30] for annulment of mortgage and foreclosure sale with application for TRO and preliminary injunction against EPCIB, the Register of Deeds of City of Manila, and Sheriff Dait. The case was docketed as Civil Case No. 03-106886.[31]

In its complaint, PDIC alleged that the subject REMs dated June 8, 2000 are void. These were allegedly executed against its will and were merely consummated on account of EPCIB's machinations by using its advantaged position as PDIC was then not in a position to refuse.[32] According to PDIC, EPCIB's unjustified refusal to release any amount from the secured credit line, coupled with the period of time it consumed in finding alternative financing sources, substantially delayed the construction of the project.[33] PDIC averred that since it was not able to avail of any amount from the secured credit line, it demanded for the release of the owner's duplicate title of TCT No. 230861, then in the possession of EPCIB. However, despite repeated requests, EPCIB refused to release the mother title to PDIC unless it executes a substitute REM covering the 29 units of the condominium

project and Bulacan property. Thus, owing to the need for the cancellation of the mortgage on TCT No. 230861 to complete the project and allow PDIC to sell the condominium units, and the fact that certain fully-paid buyers had threatened to file civil and criminal cases against PDIC and its officers, PDIC was constrained to accede to EPCIB's demand and executed the subject REMs.[34] PDIC contended that EPCIB used intimidation and undue influence in the execution of the new REMs, which thus, effectively vitiated its consent.[35]

PDIC then prayed that: (1) immediately upon filing the case, a TRO be issued, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the subject properties; (2) after due hearing, a writ of preliminary injunction (WPI) be issued, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the subject properties; (3) after due trial, judgment be rendered, declaring the REMs dated June 8, 2000 and the foreclosure of the subject properties on April 21, 2003 null and void, among others.[36]

Thereupon, the RTC Manila issued a 72-hour TRO, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the 29 condominium units and the Bulacan property, and from taking possession thereof. On June 20, 2003, after conducting a summary hearing, the RTC Manila issued an Order,[37] extending the 72-hour TRO for 17 days. Subsequently, on July 7, 2003, the RTC Manila issued an Order,[38] granting PDIC's application for the issuance of a WPI.[39]

On October 3, 2005, EPCIB filed its Answer with Counterclaims Ad Cautelam.[40] EPCIB alleged that the Letter of Approval dated August 8, 1996 expressly provides that the grant of the credit facilities is subject to the review of EPCIB at its discretion and convenience and that it may be modified and cancelled at the bank's option. Thus, when PDIC subsequently asked for an increase in the credit facilities after it had availed of the full proceeds of the clean credit line, it decided to defer the granting of additional credit accommodation after evaluating PDIC's account and given the then market and economic condition. EPCIB added that the collateral for the credit line grant, the REM dated September 16, 1997 over TCT No. 230861, clearly stated that the mortgage secured the credit adverted to therein, as well as any and all other obligations of PDIC in the records and book of EPCIB.[41]

EPCIB averred that when the amounts previously drawn by PDIC had become past due, it intended to take legal action against PDIC to enforce its rights. However, PDIC requested EPCIB to defer legal action and allow it to instead pay the obligations under such terms and conditions acceptable to the bank. Hence, PDIC and EPCIB agreed to enter into a Repayment Agreement. According to EPCIB, under the Repayment Agreement, it was clear that there was no longer a distinction between the clean credit line and secured credit line and that all the outstanding obligations of PDIC were considered secured obligations since the same had superseded prior contracts entered into by and between PDIC and EPCIB.[42]

EPCIB further alleged that as collateral for PDIC's obligations, it was agreed that PDIC would execute REMs over the 29 units of the condominium project and the Bulacan property, and that, subject to the due execution, completion, and registration of the new REMs, EPCIB would release the REM dated September 16, 1997 over the mother title. EPCIB asserted that both new REMs clearly gave it the right to foreclose the subject properties in the event that PDIC failed or refused to pay its obligations or comply with the terms and conditions of the REMs and of the Repayment Agreement. Thus, when PDIC failed to meet its obligations, and the parties failed to agree on the terms of the *dacion en pago* that PDIC initially offered to settle its loan obligations, EPCIB proceeded to foreclose the subject properties.[43]

After the issues were joined, the RTC Manila proceeded to hear the merits of the case.

The Ruling of the RTC

On June 30, 2015, after trial on the merits, the RTC Manila rendered a Decision,[44] the dispositive portion of which reads -

WHEREFORE, premises considered, judgment is hereby rendered:

- DISMISSING the instant case.
- DECLARING that the Foreclosure sale that took place on April 21, 2003 is regular and valid.
- DISMISSING defendant's counterclaim for lack of merit to support its award.

Accordingly, the writ of preliminary injunction issued as per Order dated July 7, 2003 is hereby lifted.

No pronouncement as to cost.

So ordered.[45]

The RTC Manila held that PDIC failed to convince the court that it was deceived through any act of machination or undue influence on the part of EPCIB into entering and signing the subject REMs. On the contrary, the RTC found that it was even PDIC that requested EPCIB to defer any legal action against it pertaining to its past due obligation and to instead allow it to pay under such terms and conditions acceptable to the bank. This thereby gave birth to the execution of the Repayment Agreement and the subject REMs as security thereof. According to the RTC Manila, the fact that PDIC may have felt compelled to execute and enter into the Repayment Agreement and the subject REMs will not negate the voluntariness of PDIC's act.[46]

The RTC Manila likewise sustained the validity of the extrajudicial foreclosure sale of the subject properties. This was notwithstanding the fact that there was only one (1) bidder at the auction sale, ruling that the law applicable in the case is Act No. 3135.[47] The RTC held that Supreme Court Circular A.M. No. 99-10-05-0,[48] which requires at least two (2) bidders in the auction sale, is not found in Act No. 3135, but in Presidential Decree No. 1594.[49] The said Decree is the law that prescribes policies, guidelines, rules, and regulations for government infrastructure contracts where there is public interest.[50]

The Motion for Reconsideration[51] consequently filed by PDIC was likewise denied by the RTC Manila in an Order[52] dated January 4, 2016. Hence, PDIC filed a notice of appeal to the CA.

On April 21, 2016, PDIC filed its Appellant's Brief with Urgent Motion/Application for Issuance of Temporary Restraining Order and Preliminary Injunction.[53] Subsequently, on April 29, 2016, PDIC filed a Motion to Admit Amended Appellant's Brief with Urgent Motion/Application for Issuance of Temporary Restraining Order/Application and Preliminary Injunction.[54]

The Ruling of the CA

On August 5, 2016, the CA issued a Resolution,[55] denying PDIC's application for the issuance of a TRO and/or preliminary injunction for its failure to discharge its burden of showing clear and unmistakable right for the issuance of the injunctive writ and that the issuance thereof was of extreme urgency. PDIC's Motion for Reconsideration[56] of the Resolution dated August 5, 2016 was likewise denied in the Resolution[57] dated March 21, 2017. Hence, PDIC filed a Petition for Certiorari[58] under Rule 65 before the Court, assailing the Resolutions dated August 5, 2016 and March 21, 2017 of the CA, the subject for resolution under G.R. No. 231545.

Thereafter, on April 23, 2018, the CA rendered a Decision,[59] denying PDIC's appeal and, accordingly, affirmed the Decision dated June 30, 2015 of the RTC Manila upholding the validity of the subject REMs and the foreclosure of the mortgaged properties. The CA did not find merit in PDIC's contention that its consent in

executing the REMs over the 29 units in the condominium project and the Bulacan property was vitiated by the undue influence exerted by EPCIB.[60]

PDIC filed a Motion for Reconsideration,[61] which was denied by the CA in its Resolution[62] dated October 25, 2018.

Aggrieved, PDIC filed before the Court a Petition for Review on Certiorari[63] under Rule 45 to assail the Decision dated April 23, 2018 and the Resolution dated October 25, 2018 of the CA, the subject for resolution under G.R. No. 242868.

The Issues

The issues for the Court's resolution are:

- Whether the CA committed grave abuse of discretion amounting to lack or excess of jurisdiction in denying PDIC's application for the issuance of a TRO to restrain EPCIB from consolidating its title over the subject properties.
- Whether the CA erred in sustaining the Decision dated June 30, 2015 of the RTC Manila finding that the REMs over PDIC's units in the condominium project and the Bulacan property and the subsequent extrajudicial foreclosure sale involving the said properties, are valid.

Arguments of petitioner PDIC

In assailing the denial of its application for issuance of TRO and/or WPI, PDIC insists that it has a clear legal right to retain title in its name over the subject properties until the final judgment on the case. It argued that: (1) the last, actual, peaceable, and uncontested situation in this case is PDIC's ownership and possession of the subject properties; (2) the validity of the REMs and the foreclosure over the subject properties remain contested since the appealed Decision dated June 30, 2015 of the RTC Manila has not yet attained finality; and (3) the CA has confirmed in an appeal from the Makati Case (CA-G.R. No. 95063) that PDIC's consent was vitiated in the execution of the Repayment Agreement.[64]

PDIC maintains that the subject REMs are void for having been executed against its will and were only consummated on account of the undue influence exerted by EPCIB against PDIC. PDIC insists that its financial distress was brought about by EPCIB's wanton breach of the credit line grant by unilaterally refusing to release the proceeds from the previously approved secured credit line, coupled by its refusal to release the mother title. According to PDIC, EPCIB engineered a situation in bad faith to trap PDIC into having no recourse but to enter into a Repayment Agreement against its will. It adds that the mortgage over the condominium certificate of title of the 29 condominium units and the title of the Bulacan property is a product of EPCIB's taking hostage of the mother title to constrain PDIC into executing the mortgage under duress, brought about by EPCIB using undue influence and clearly vitiating PDIC's consent.[65]

PDIC surmises that having established the invalidity of the subject REMs, the subsequent foreclosure of the mortgaged properties must be declared null and void for having no basis in fact and in law. Consequently, the resulting consolidation effected by EPCIB of its title over the mortgaged properties and the implementation of the writ of possession have no basis.[66]

Arguments of respondent EPCIB

EPCIB avers that the CA's denial of PDIC's application for an injunctive writ was only proper since PDIC has no clear and unmistakable legal right to prevent it from consolidating title over the subject properties. It pointed out that in the decision assailed before the CA, the RTC Manila already sustained the validity of the subject

REMs.[67] According to EPCIB, its right to foreclose the mortgaged properties necessarily arose when PDIC failed to settle its loan obligations secured by the subject REMs. EPCIB added that PDIC did not exercise its right to redeem the subject properties, hence, it has no right to enjoin the bank from consolidating title over the subject properties in its name.[68] EPCIB further contends that PDIC failed to show that it would suffer grave and irreparable damage if EPCIB is not restrained from consolidating title in its name - echoing the CA's pronouncement that PDIC's claim of unnecessary inconvenience, expense, and loss of reputation and credibility in the industry is merely speculative.[69] EPCIB asseverates that on the contrary, it is the bank that stood to suffer grave and irreparable damage or injury if the injunctive relief is granted in favor of PDIC as it would be continuously deprived of its ownership rights to enjoy and dispose of the subject properties.[70]

The Court finds no merit in the petitions.

There was no grave abuse of discretion in the denial of PDIC's application for issuance of TRO and/or WPI.

Section 3, Rule 58 of the Rules of Court enumerates the grounds for the issuance of a WPI, to wit:

SECTION 3. Grounds for issuance of preliminary injunction. - A preliminary injunction may be granted when it is established:

- (a) That the applicant is entitled to the relief demanded, and the whole or part of such relief consists in restraining the commission or continuance of the act or acts complained of, or in requiring performance of an act or acts, either for a limited period or perpetually;
- (b) That the commission, continuance or non-performance of the act or acts complained of during the litigation would probably work injustice to the applicant; or
- (c) That a party, court, agency or a person is doing, threatening, or is attempting to do, or is procuring or suffering to be done, some act or acts probably in violation of the rights of the applicant respecting the subject of the action or proceeding, and tending to render the judgment ineffectual.

In *Sps. Lim v. Court of Appeals*,^[71] the Court held that:

[I]t is clear that to be entitled to an injunctive writ, the applicant must show that there exists a right to be protected which is directly threatened by an act sought to be enjoined. Furthermore, there must be a showing that the invasion of the right is material and substantial, and that there is an urgent and paramount necessity for the writ to prevent serious damage.^[72]

The Court further held in *Evy Construction and Development Corp. v. Valiant Roll Forming Sales Corp.*:^[73]

An injunctive writ is granted only to applicants with "actual and existing substantial rights" or rights in esse. Further, the applicant must show "that the invasion of the right is material and substantial and that there is an urgent and paramount necessity for the writ to prevent serious damage." Thus, the writ will not issue to applicants whose rights are merely contingent or to compel or restrain acts that do not give rise to a cause of action.^[74] (Citations omitted)

Moreover, *Cortez-Estrada v. Heirs of Samut*^[75] discussed:

Sine dubio the grant or denial of a writ of preliminary injunction in a pending case rests in the sound discretion of the court taking cognizance of the case since the assessment and evaluation of evidence towards that end involve findings of facts left to the said court for its conclusive determination. Hence, the exercise of judicial discretion by a court in injunctive matters must not be interfered with except when there is grave abuse of

discretion.[76] (Citations omitted)

The Court elucidated in *Sps. Dulnuan v. Metropolitan Bank & Trust Co.*:^[77]

Grave abuse of discretion in the issuance of writs of preliminary injunction implies a capricious and whimsical exercise of judgment equivalent to lack of jurisdiction; or the exercise of power in an arbitrary despotic manner by reason of passion, prejudice or personal aversion amounting to an evasion of a positive duty or to a virtual refusal to perform a duty enjoined or to act at all in contemplation of law.^[78] (Citations omitted)

The burden is therefore on PDIC to show in its application that there is meritorious ground for the issuance of an injunctive writ in its favor. Where the plaintiff's right is doubtful or disputed, such as in this case, a preliminary injunction is not proper. The possibility of irreparable damage without proof of an actual existing right is not a ground for a preliminary injunction.^[79]

In this case, the CA did not act with grave abuse of discretion when it denied PDIC's prayer for the issuance of an injunctive writ for failure of PDIC to show any clear legal right to be entitled to the protection of the ancillary relief of TRO, or that there is extreme urgency for the issuance thereof. PDIC's contention that it has a clear legal right to retain title in its name over the mortgaged properties until the final judgment on the case because the last, actual, peaceable, and uncontested situation in this case is its ownership and possession of the subject properties is completely unwarranted.

In a REM, "when the principal obligation is not paid when due, the mortgagee has the right to foreclose the mortgage and have the property seized and sold with the view of applying the proceeds to the payment of the obligation."^[80] The mortgage directly and immediately subjects the property upon which it is imposed, whoever the possessor may be, to the fulfillment of the obligation for whose security it was constituted.^[81] "[T]he purchaser in an extrajudicial foreclosure sale is entitled to the possession of the property and can demand that [they] be placed in possession of the same either during (with bond) or after the expiration (without bond) of the redemption period therefor."^[82] The pendency of the action for annulment of mortgage and foreclosure sale does not stay the issuance of a writ of possession and "the purchaser remains entitled to a writ of possession, without prejudice, of course, to the eventual outcome of the pending annulment case."^[83] In this case, as the sole bidder in the foreclosure sale upon whom a certificate of sale was issued by the sheriff, EPCIB obtained a better right to the possession of the subject properties.

More importantly, it bears emphasizing that PDIC never exercised its right to redeem the mortgaged properties within the redemption period, or even attempted to do so. It merely persisted in its theory that the subject REMs are null and void. It must be pointed out that the period of redemption is not interrupted by the filing of an action assailing the validity of the mortgage, so that at the expiration thereof, the mortgagee who acquires the property at the foreclosure sale can proceed to have the title consolidated in their name and a writ of possession issued in their favor.^[84] Hence, the consolidation of ownership over the mortgaged properties in favor of EPCIB and the issuance of a new title in its name during the pendency of the appeal of the decision dismissing its action for the annulment of mortgage and foreclosure sale will not cause irreparable injury to PDIC that warrants the protection of an injunctive writ. PDIC's failure to redeem the mortgaged properties within the period of redemption had lost for it any right in the properties.

Indeed, in an attempt to mislead the Court, PDIC claims that the CA has confirmed the decision of the RTC Makati in CA-G.R. No. 95063 that its consent was vitiated in the execution of the Repayment Agreement. The decision of the RTC Makati in Civil Case No. 03-401, in the action for Damages filed by PDIC against EPCIB based on the alleged malicious refusal of the bank to release funds under the previously approved Secured Credit Line, has no bearing in this case. As aptly raised by EPCIB, the decision of the RTC Makati in the action for

Damages could not have annulled the Repayment Agreement since the validity of the Repayment Agreement was not one of the issues resolved by the RTC Makati.

At any rate, the validity of the Repayment Agreement and the corresponding subject REMs has been unanimously upheld by both the RTC and the CA.

At this juncture, the Court would like to stress that in a petition for review under Rule 45, only questions of law may be raised, as explained in *Sps. Binua v. Ong*:^[85]

[I]n a Rule 45 petition for review, only questions of law may be raised because the Court is not a trier of facts and is not to review or calibrate the evidence on record; and when supported by substantial evidence, the findings of fact by the CA are conclusive and binding on the parties and are not reviewable by this Court, unless the case falls under any of the exceptions.^[86]

In this case, the Court finds no persuasive reason to depart from the findings of the RTC and the CA considering these are supported by the facts and applicable laws.

The subject REMs entered into by PDIC and EPCIB contain all the elements of a valid contract of mortgage. PDIC's consent is not vitiated by undue influence.

"When the terms of a contract are clear and unambiguous, they are to be read in their literal sense. When there is no ambiguity in the language of a contract, there is no room for construction, only compliance."^[87] In this case, the terms of the subject REMs are clear and leave no doubt on the true intentions of the parties. They were executed to secure all amounts payable by PDIC to EPCIB under the Repayment Agreement upon maturity.

Under the Repayment Agreement, PDIC expressly undertook to execute and deliver a REM as security for its existing loan obligations to EPCIB. This can be gleaned in the provisions of the Agreement, thus -

REPAYMENT AGREEMENT

x x x x

WHEREAS, the BORROWER is indebted to the BANK in the aggregate principal amount of PHILIPPINE PESOS: TWENTY SIX MILLION TWO HUNDRED TWENTY TWO THOUSAND NINETY EIGHT PESOS and 23/100 (P26,222,098.23) (the "Peso Loan") and U.S. DOLLARS: TWO MILLION SEVEN HUNDRED SEVENTY SEVEN THOUSAND SIX HUNDRED EIGHTY SIX and SIXTY NINE CENTAVOS (US\$2,777,686.69) (the "Dollar Loan") as of November 30, 1999, exclusive of interest, penalties and other charges, as per Statement of Account x x x.

WHEREAS, the Obligations have become past due and the BANK had intended to take legal action against the BORROWER and the SURETIES to enforce its rights;

WHEREAS, the BORROWER and the SURETIES requested the BANK to defer legal action and allow them instead to make payments on the Obligations under such terms and conditions acceptable to the BANK, and the BANK has agreed thereto under the terms thereof;

NOW THEREFORE, for and in consideration of the foregoing premises and other good and valuable consideration, the parties hereto hereby agree and stipulate as follows:

x x x x

B. COLLATERALS

- As security for the prompt and full payment by the BORROWER when due (whether at stated maturity, by acceleration or otherwise) of all amounts payable to the BANK under this Agreement, whether of principal, interest or otherwise, as well as for the faithful performance of all other terms and conditions of this Agreement, the BORROWER agrees to execute and deliver, or cause to be executed and delivered, to the BANK a duly executed and registered real estate mortgage (the "Collateral") in the form and substance acceptable to the BANK not later than May 31, 2000 over the following properties:

x x x x

- The BANK agrees to release the Real Estate Mortgage dated September 16, 1997, executed by the BORROWER in favor of the BANK over that parcel of land covered by Transfer Certificate of Title No. 230861 of the Register of Deeds of Manila upon the due execution, completion and registration of the mortgages x x x[88] (Emphases supplied)

Verily, the execution of the Repayment Agreement was entered into for the purpose of accommodating the request for a restructuring of payment by PDIC. Restructuring, as applied to a debt, implies a postponement of the maturity, modification of the essential terms of the debt (e.g., conversion of debt into bonds or into equity, or a change in or amendment of collateral security) in order to make the account of the debtor current.[89] With the execution of the Repayment Agreement wherein PDIC undertook to execute a REM to secure all amounts payable to EPCIB, any distinctions in the loan facilities pursuant to the Letter of Approval dated August 8, 1996 previously granted by EPCIB have necessarily been superseded. Accordingly, considering that PDIC requested for the release of the mother title, it is but reasonable that EPCIB would ask for a substitute property in its stead. Certainly, EPCIB had a legitimate reason for refusing to return TCT No. 230861 and cancel the mortgage annotated thereon before the execution by PDIC of the new subject REMs. Thus, while it may be said that EPCIB's refusal to release the mother title had compelled PDIC to execute the subject REMs and mortgage the 29 units of the condominium project and the Bulacan property, the same cannot be equated with undue influence that could have vitiated PDIC's consent.

There is undue influence when a person takes improper advantage of their power over the will of another, depriving the latter of a reasonable freedom of choice.[90] "In other words, for undue influence to be present, the influence exerted must have so overpowered or subjugated the mind of a contracting party as to destroy [their] free agency, making [them] express the will of another rather than [their] own." [91]

In this case, contrary to what PDIC would like to impose, its acknowledgment in the Repayment Agreement of its due and demandable obligations, its request to defer EPCIB's legal action against it, and its voluntary execution of the subject REMs completely negate its claim that its consent was vitiated. As rightly observed by the RTC Manila, PDIC was actually negotiating and bargaining with EPCIB on the terms and conditions of the Repayment Agreement, thereby indicating that it was in a fairly equal position to deal with the bank. In fact, PDIC even benefitted from the execution of the Repayment Agreement since it was able to convince EPCIB to agree to a more manageable schedule of payment and was able to delay the bank from pursuing legal action against it. Indeed, with the execution of the Repayment Agreement and the corresponding REMs, PDIC was not only able to cause the cancellation of the mortgage annotated on the mother title, it also obtained a reprieve from the payment of its existing loan obligations.

To be sure, PDIC's execution of the subject REMs pursuant to the terms of the Repayment Agreement and its acceptance of the release of the original REM constituted on the mother title indicate PDIC's adoption and approval of the Repayment Agreement. Moreover, as correctly pointed out by EPCIB, PDIC's offer to settle its loan obligations by way of dacion en pago when it failed to comply with its obligations under the Repayment Agreement is an affirmation of its commitments specified in the Repayment Agreement.

The Court finds PDIC's imputation that it was EPCIB's breach of the credit line grant coupled by its refusal to release the mother title that brought about its financial distress and vitiated its consent into executing the Repayment Agreement and the subject REMs as a futile subterfuge to avoid the inevitable implication of a legal and binding contract. The Court simply cannot allow PDIC to feign ignorance of its contractual obligations under the Repayment Agreement and the subject REMs.

"Parties who have validly executed a contract and have availed themselves of its benefits may not, to escape their contractual obligations, invoke irregularities in its execution to seek its invalidation." [92] It must be stressed that "a party to a contract cannot deny its validity after enjoying its benefits without outrage to one's sense of justice and fairness." [93] Where parties have entered into a well-defined contractual relationship, it is imperative that they should honor and adhere to their rights and obligations as stated in their contracts because obligations arising from them have the force of law between the contracting parties and should be complied with in good faith. [94]

In any case, as correctly held by the CA, even assuming *arguendo* that PDIC was forced into executing the Repayment Agreement and the subject REMs, such would only make the contract voidable, in which case, the proper remedy would have been to annul the contract. Significantly, PDIC never questioned the validity of the Repayment Agreement from which the subject REMs arose. As emphasized by the Court in *Development Bank of the Philippines v. Court of Appeals*: [95]

A mortgage is a mere accessory contract and its validity would depend on the validity of the loan secured by it. Hence, the consideration of the mortgage contract is the same as that of the principal contract from which it receives life, and without which it cannot exist as an independent contract. The debtor cannot escape the consequences of the mortgage contract once the validity of the loan is upheld. [96]

EPCIB's right to foreclose the mortgaged properties in case of default in the payment of the principal obligation under the Repayment Agreement is clearly stated in the subject REMs.

In unmistakable terms under the subject REMs, in the event that the mortgagor/borrower defaults in the obligations secured, breaches or fails to comply with any of the terms and conditions stipulated in the mortgage or in the separate instruments evidencing the obligations secured, among others, the mortgagee may foreclose the mortgage extrajudicially in accordance with Act No. 3135, as amended, or judicially in accordance with the Rules of Court.

Verily, EPCIB merely exercised its right when it foreclosed the mortgaged properties when PDIC defaulted in the payment of its principal obligations under the Repayment Agreement. Foreclosure is but a necessary consequence of non-payment of mortgage indebtedness. It is of the essence of the contract of mortgage that when the principal obligation becomes due, the things in which the mortgage consists may be alienated for the payment to the creditor. [97] Necessarily, due to PDIC's failure to redeem the foreclosed properties, consolidation of the properties in EPCIB's name follows as natural legal consequence. To impede EPCIB's right to foreclose the mortgaged properties and to consolidate title in its name would be to frustrate the interest of justice.

WHEREFORE, the Petition for Certiorari in G.R. No. 231545 is DISMISSED and the Petition for Review on Certiorari in G.R. No. 242868 is DENIED. Accordingly, the Decision dated April 23, 2018 and the Resolutions dated October 25, 2018, August 5, 2016 and March 21, 2017 of the Court of Appeals in CA-G.R. CV No. 106522 are hereby AFFIRMED.

SO ORDERED.

Leonen, (Chairperson), Hernando, Inting, and J. Lopez, JJ., concur.

[1] Rollo (G.R. No. 231545), Vol. I, pp. 3-32.

[2] Penned by Associate Justice Romeo F. Barza, with Presiding Justice Andres B. Reyes, Jr. and Associate Justice Agues Reyes-Carpio, concurring; id. at 40-44.

[3] Penned by Associate Justice Romeo F. Barza, with Associate Justices Socorro B. Inting and Maria Filomena D. Singh, concurring; id. at 46-48.

[4] Rollo (G.R. No. 242868), pp. 81-109.

[5] Penned by Presiding Justice Romeo F. Barza, with Associate Justices Stephen C. Cruz and Carmelita Salandanan Manahan, concurring; id. at 14-34.

[6] Id. at 42-44.

[7] Penned by Presiding Judge Emma S. Young; rollo (G.R. No. 231545), Vol. I, pp. 141-150.

[8] Id. at 321.

[9] Id. at 358-363.

[10] Id. at 352-354.

[11] Id. at 355-357.

[12] Id. at 323.

[13] Id. at 9-10, 323.

[14] Id. at 323.

[15] Id. at 367-371.

[16] Id. at 367.

[17] Id. at 372-374, 385-387.

[18] Id. at 325-326.

[19] Not attached to the rollo.

[20] Rollo (G.R. No. 231545), Vol. I, p. 12.

[21] Id.

[22] Not attached to the rollo.

[23] Rollo (G.R. No. 231545), Vol. I, p. 12.

[24] Not attached to the rollo.

[25] Rollo (G.R. No. 231545), Vol. I, p. 13.

[26] Not attached to the rollo.

[27] Rollo (G.R. No. 231545), Vol. I, p. 13.

[28] Id.

[29] Originally raffled to RTC Manila, Branch 19, and subsequently re-raffled to RTC Manila, Branch 36.

[30] Rollo (G.R. No. 231545), Vol. I, pp. 402-418.

[31] Id. at 14.

[32] Id. at 412.

[33] Id. at 408.

[34] Id. at 409-410.

[35] Id. at 412-413.

[36] Id. at 416-417.

[37] Not attached to the rollo.

[38] Not attached to the rollo.

[39] Rollo (G.R. No. 231545), Vol. I, pp. 15-16.

[40] Id. at 419-439.

[41] Id. at 434-435.

[42] Id. at 434.

[43] Id. at 434-437.

[44] Id. at 141-150.

[45] Id. at 150.

[46] Id. at 147.

[47] An Act to Regulate the Sale of Property under Special Powers Inserted in or Annexed to Real-Estate Mortgages; approved on March 6, 1924.

[48] Procedure in Extra-judicial Foreclosure of Mortgage; took effect on January 15, 2000, further amended on September 1, 2000.

[49] Prescribing Policies, Guidelines, Rules and Regulations for Government Infrastructure Contracts; approved on June 11, 1978.

[50] Rollo (G.R. No. 231545), Vol. I, p. 148.

[51] Id., Vol. II, at 535-556.

[52] Id., Vol. I, at 151-155; penned by Presiding Judge Emma S. Young.

[53] Id. at 94-139.

[54] Id. at 187-191.

[55] Id. at 40-44.

- [56] Id. at 49-56.
- [57] Id. at 46-48.
- [58] I d. at 3-32.
- [59] Rollo (G.R. No. 242868), pp. 14-34.
- [60] Id. at 26-30.
- [61] Id. at 135-145.
- [62] Id. at 42-44.
- [63] Id. at 81-109.
- [64] Rollo (G.R. No. 231545), Vol. I, pp. 25-26.
- [65] Rollo (G.R. No. 242868), pp. 97-103.
- [66] Id. at 106-107.
- [67] Rollo (G.R. No. 231545), Vol. I, pp. 333-338.
- [68] Id. at 339.
- [69] Id. at 344.
- [70] Id. at 347.
- [71] 763 Phil. 328 (2015).
- [72] Id. at 336.
- [73] 820 Phil. 123 (2017).
- [74] Id. at 136.
- [75] 491 Phil. 458 (2005).
- [76] Id. at 473-474.
- [77] 763 Phil. 398 (2015).
- [78] Id. at 409-410.
- [79] Sps. Nisce Equitable PCI Bank, 545 Phil. 138, 160-161 (2007). (Citations omitted)
- [80] Unionbank of the Philippines v. Court of Appeals, 370 Phil. 837, 846-847 (1999).
- [81] CIVIL CODE, Article 2126.
- [82] Sps. Marquez v. Sps. Alindog, 725 Phil. 237, 246 (2014).
- [83] Sps. Tolosa v. United Coconut Planters Bank, 708 Phil. 134, 144 (2013).
- [84] See Sps. Vaca v. Court of Appeals, 304 Phil. 313 (1994) (Resolution).
- [85] 736 Phil. 698 (2014).
- [86] Id. at 705.

- [87] Rizal Commercial Banking Corp. v. Bernardino, 795 Phil. 666, 684 (2016).
- [88] Rollo (G.R. No. 231545), Vol. I, pp. 367-369.
- [89] Development Bank of the Philippines v. Court of Appeals, 526 Phil. 525, 540 (2006). (Citations omitted)
- [90] CIVIL CODE, Article 1337.
- [91] Sps. Carpo v. Chua, 508 Phil. 462, 474 (2005).
- [92] Vitug v. Abuda, 776 Phil. 540, 544 (2016).
- [93] Toledo v. Hyden, 652 Phil. 70, 83 (2010).
- [94] CIVIL CODE, Article 1159.
- [95] 526 Phil. 525 (2006).
- [96] Id. at 544.
- [97] CIVIL CODE, Article 2087.

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