

THE PHILIPPINE NATIONAL BANK, PLAINTIFF AND APPELLEE, VS. GREGORIO NATIVIDAD, DEFENDANT. LUIS AKNALOT, PETITIONER AND APPELLANT.

G. R. No. 31456. January 21, 1930

Ponente: VILLAMOR, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-31456/>

VILLAMOR, J.:

body { font-family: Verdana, Geneva, Arial, helvetica, sans-serif; font-size:80%; background-color:#FFFFFF; margin:0 2% 0 2%; text-align: justify; } h1 { font-family:times; } h2 { background-color:#cccccc; padding:10px 0 10px 0; font-weight: bold; text-align: center; } h3 { font-weight: bold; text-transform: uppercase; text-align: center; } div#footer { font-size:9px; }

Judgment was rendered in favor of the plaintiff in a suit for the recovery of a mortgage credit in the amount of 151,307, as principal, and P62,217.58, as interest, brought in the Court of First Instance of Tarlac on August 19, 1925 by the Philippine National Bank against Gregorio Natividad. The judgment having become final, a writ of execution was issued, and the public auction sale of some of the debtor's property was announced, including the land described in the transfer certificate of title No 227, of the registry of deeds of Tarlac. The attorney for Luis Arnalot offered the sheriff the following bid:

"As attorney for Mr. Luis Arnalot, I offer for the land described in the transfer certificate of title No. 227 of the registry of Tarlac, for sale at public auction in civil case No. 2177 of the Court of First Instance of Manila, the sum of thirty-two thousand, two hundred and forty pesos (P32,240), Philippine currency, which, on this date, is the amount of said Mr. Arnalot's first mortgage upon said land, by virtue of a public instrument duly noted in the memorandum of liens and encumbrances of the aforementioned certificate of title.

"Tarlac, Tarlac, May 25, 1927.

“(Sgd.) Jose Galan Blanco”

The sheriff accepted the bid, but upon requesting payment of Arnalot, the latter refused to make it, alleging that the bid was made by the mortgagee, Luis Arnalot, who, as appears from the record, holds a first mortgage on the land, there being a second and special mortgage on the same land in favor of the bank.

The sheriff then prayed the court to confirm the sales made by him in the mortgage foreclosure, excluding the sale in favor of Arnalot, due to the non-payment of the P32,240.

Counsel for Arnalot objected to the sheriff's contention, but, after the trial court had considered the incident, it passed a resolution on September 16, 1927 overruling Arnalot's opposition and ordering him to pay the provincial sheriff the P32,240 offered by him at the auction sale of the land in question. On November 17, 1927, the plaintiff Philippine National Bank, invoking section 458 of the Code of Civil Procedure, petitioned the court to order the

resale of the property with the provision that any loss that might then be sustained by the plaintiff should be paid by Luis Arnalot or his attorney; the petition was granted by the court, and on December 6, 1927, the resale of the land in question was ordered. On January 16, 1928 the writ of execution for the resale was issued, but on the 30th of said month, the bank itself stayed the execution of said writ.

During the pendency of the instant case defendant Gregorio Natividad was declared insolvent, and on November 1, 1926 the Philippine National Bank entered an appearance in the proceedings of voluntary insolvency, and asked the court to enjoin the assignee to exclude definitely from the sale of Gregorio Natividad's property all the real and personal property described in the first paragraph of said motion, which may be found on page 207 of the record, and to make formal delivery thereof to the Philippine National Bank. On November 3, 1926, the bank acting through its attorney, addressed the letter Exhibit Q to Arnalot's attorney, which reads as follows:

"With reference to the parcel of land situated in the municipality of Capas, Province of Tarlac, and described in transfer certificate of title No. 227 of Tarlac, included in our petition dated November 1, 1926, filed in civil case No. 2213 of the Court of First Instance of Tarlac entitled 'Insolvencia Voluntaria de Gregorio Natividad,' asking that the properties described therein be delivered to the bank, mortgagee of the properties, we agree to your proposition that, provided you do not oppose our said petition for the delivery of the properties mentioned and provided you also signify in writing to the court that you agree to the said petition, we will deliver to you the said parcel of land described in transfer certificate of title No. 227 as soon as said property shall have been delivered to us by the assignee of the insolvency by order of the Court of First Instance of Tarlac granting our said petition."

And in accordance with this letter, the attorney for Arnalot, Galan Blanco, filed an appearance in the voluntary insolvency of Gregorio Natividad, in the following terms:

"Comes now Don Luis Arnalot y Carrera, through his undersigned counsel, and does hereby signify his conformity to the petition filed by the Philippine National Bank on November 1, 1926, the hearing of which has been set for next Saturday."

In view whereof, the court, on December 10, 1926, ordered the sheriff, as ex-officio assignee, to deliver to said Philippine National Bank all the property lawfully in his custody, clearly and especially mortgaged to said bank, upon payment or reimbursement to said sheriff of all the expenses incurred by the latter on account of said bank's petitions, for the publication of the sale of the property of the insolvent Natividad, and for the subsequent suspension of said sale upon motion of the judgment creditor and mortgagee the Philippine National Bank.

Arnalot, through another attorney, prayed the court to vacate its orders issued on September 16, and December 6, 1927, and that he be relieved from paying any amount upon the alleged bid at the auction sale or in consequence thereof, and that, in any event, if such be the proper legal procedure, that the order be directed to and executed against Attorney Jose Galan Blanco personally. This petition was denied by the court; Arnalot excepted, and the court having denied the motion for a new trial filed by him, he appealed to this court.

The appellant assigns ten errors, of which only the fourth and the seventh, referring to the effects of the bid made by Arnalot's attorney, and to the suspension of the resale asked by the plaintiff bank, shall be taken up, they being the decisive points in this case.

As the appellant Arnalot did not intervene in the action for the recovery of the mortgage credit brought by the Philippine National Bank, the result of said action could not affect his rights arising from the first mortgage he held on the land in litigation, and there was no necessity for him to bid at the auction sale for the purpose of

safeguarding his rights. At all events, his bid was disapproved by the court, and therefore, the sale made in his favor by the sheriff by virtue of said bid was ineffective. It is true that upon petition of the bank, the court ordered the resale of the land, with the provision that Arnalot would be liable for any damage to the bank arising from the re-sale; but, the bank having moved for the suspension of this resale, there is no legal ground for holding the appellant Arnalot liable.

On the other hand, it appears from the record that in the course of the insolvency proceedings the Philippine National Bank asked that delivery be made to said bank of all the real and personal property described in its petition, o£ November 1, 1936, being the same property described in the complaint for the recovery of the mortgage credit and that was granted by the court; that it signified to the appellant its willingness to deliver the land in question to Arnalot's lawyer, provided Arnalot did not oppose its petition in said insolvency proceedings for the delivery of the property mentioned in its petition of November 1, 1926; and Arnalot's attorney appeared in said proceedings, expressing his acquiescence in the bank's petition.

Briefly, the conclusions drawn from the record are as follows: At the public auction sale in question, Arnalot offered the sheriff for the land to be sold, the amount of his mortgage credit, which is prior to that of the bank, the judgment creditor. The sheriff accepted the bid and considered the land as sold to the highest bidder, but the price not being forthcoming, he moved the court to disapprove said sale, which was granted. Subsequently, the bank prayed the court to order a resale, which was suspended on motion of the bank itself. On the other hand, the court below ordered the delivery of the land, together with others pertaining to the mortgagor, to the bank upon petition of the latter, and with the consent of Arnalot. In view of these facts, it is evident that the sale at public auction made by the sheriff to Arnalot was quashed because it was not confirmed by the court in accordance with section 257 of the Code of Civil Procedure. And granting that the resale ordered by the trial court was suspended upon petition of the bank, the judgment creditor, we are of opinion that there are no legal grounds for holding Arnalot liable for any damage arising from his bid at the auction sale in question.

Wherefore, the orders appealed from are reversed, and it is held that appellant Luis Arnalot is relieved and absolved from all liability of paying any amount upon the alleged bid at the aforesaid public auction sale, without special pronouncement as to costs.

So ordered.

Johnson, Street, Malcolm, Ostrand, Johns, Romauldez and Villa-Real, concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.