

RODRIGO GARCIA MATTA AND SOLEDAD LAGO, PLAINTIFFS AND APPELLANTS, VS. THE PHILIPPINE NATIONAL BANK AND EMILIO RODRIGUEZ, DEFENDANTS AND APPELLANTS.

G.R. No. 45919, October 24, 1938

Ponente: VILLA-REAL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-45919/>

VILLA-REAL, J.:

This case is before this court by virtue of three appeals taken, the first one by the plaintiffs Rodrigo Garcia Matta and Soledad Lago, the second by the defendant Philippine National Bank and the third by the other defendant Emilio Rodriguez, from the judgment rendered by the Court of First Instance of Tayabas, the dispositive part of which reads as follows:

"By virtue of all these considerations, the court is of the opinion that it should decide and it hereby decides in relation to the complaint: (a) as to the first alternative remedy, it does not lie to recognize in the plaintiffs any right to be subrogated in place of the defendant Emilio Rodriguez in the contract of promise to sell or any other contract entered into between him and the defendant Bank relative to the properties in question.

"(b) As to the second alternative remedy, the defendants Philippine National Bank and Emilio Rodriguez are ordered each to render within a period of five days a detailed account under oath of all the fruits and products received by each of them from the properties in question, and upon the rendition of such account, to make a liquidation of the amount due from the plaintiffs to said Philippine National Bank, with an express declaration that in said liquidation the interest on the plaintiffs' indebtedness to the bank from April 21, 1935, on which they should have rendered such accounts upon demand of the plaintiffs, should not be charged against said plaintiffs, and once the liquidation is made, the plaintiffs are authorized, upon payment of the net amount resulting to be their lawful indebtedness to the defendant bank under the judgment in civil case No. 3399, to redeem from said bank, within the period of fifteen days, the fifteen parcels of land, that is, the real properties in question which are the subject matter of this action.

"As to the petition for compensatory and punitive indemnity; the same is denied for lack of evidence, without special pronouncement as to costs."

In support of their appeal, the plaintiffs Rodrigo Garcia Matta and Soledad Lago assign the following alleged errors as committed by the court a quo in its judgment in question, to wit:

"1. The court erred in holding that the plaintiffs have no right to be subrogated in place of the third party purchaser, the defendant Emilio Rodriguez.

"2. The court erred in denying the right of the plaintiffs to choose either one of the two remedies applied for in their amended complaint."

The defendant Philippine National Bank assigns in support of its appeal the following alleged errors as committed by the same court in its above-stated decision, to wit:

"1. In declaring that plaintiffs-appellants Rodrigo Garcia Matta and Soledad Lago have the right to redeem the

fifteen (15) parcels of land here in question from the defendant-appellant Philippine National Bank, under section 32, Act No. 2938, after the rendition of an accounting, when from the facts and circumstances established in this case, such right plainly does not exist.

"2. In holding that section 469 of the Code of Civil Procedure is applicable to the instant case.

"3. In denying the motion for new trial and in not dismissing the complaint, with costs against the plaintiffs-appellants."

The defendant Emilio Rodriguez, in turn, assigns in support of his appeal the following alleged errors as committed by said court in its above-mentioned decision, to wit:

"1. In applying the provisions of section 469 of the Code of Civil Procedure to the present case.

"2. In considering the fruits and products of the lands in litigation, after the sale of the latter at public auction for the foreclosure of the mortgage to which they were subject and during the period of redemption, as belonging to the plaintiffs-appellees.

"3. In not applying to the case of the herein plaintiffs the provisions of section 32 of Act No. 2938 relative to redemption of lands mortgaged to the Philippine National Bank.

"4. In not holding that the period of one year for the redemption of the lands in question had expired on March 23, 1935, without the plaintiffs having complied with" the condition precedent imposed by said legal provision for the redemption of the lands in question.

"5. In not making any finding relative to the final sale of said lands made by the defendant bank in favor of its codefendant Emilio Rodriguez after the expiration of the redemption period (Exhibit 3-Rodriguez).

"6. In denying the motion for new trial of the defendant Emilio Rodriguez."

The three groups of assignments of error above-quoted may be reduced to the following alleged errors as committed by said court a quo in its decision in question, to wit: The court a quo erred: (1) in holding that said plaintiffs Rodrigo Garcia Matta and Soledad Lago are entitled to redeem the 15 parcels of land here under consideration from the defendant Philippine National Bank under section 32 of Act No. 2938, after the latter has rendered an accounting of the income and products of said properties; (2) in applying the provisions of section 469 of the Code of Civil Procedure to this case, and (3) in holding that the plaintiffs Rodrigo Garcia Matta and Soledad Lago are not entitled to be subrogated in place of the defendant Emilio Rodriguez in the contract of promise to sell or any other contract entered into between him and the Philippine National Bank in relation to the properties in question.

The pertinent facts necessary for the resolution of the questions of law raised in the present appeal are as follows:

The plaintiffs spouses Rodrigo Garcia Matta and Soledad Lago were the owners of the 15 parcels of land which are the subject matter of this controversy. On December 28, 1929, they obtained from the Philippine National Bank an agricultural loan in the sum of P8,000. To secure the payment of the loan in question, said spouses constituted in favor of said bank a mortgage on two-of the above-mentioned 15 parcels of land, known as lots Nos. 8 and 596 of the cadastral survey of Guinayangan, and described in the original certificates of title Nos. 3030 and 15860, respectively, of the registry of deeds of Tayabas (Exhibits A and Annex A-1 of the complaint).

On April 15, 1930, said spouses obtained from said Philippine National Bank another agricultural loan in the sum of P45,000. To secure the payment of said new loan, they constituted in favor of said bank a mortgage on the remaining 13 parcels of land, of which two, that is, Nos. 27 and 28, are described in original certificate of title No. 1414, five in transfer certificate of title No. 1161, three in transfer certificate of title No. 1164, one in transfer

certificate of title No. 1610, one in transfer certificate of title No. 1775, and one in transfer certificate of title No. 1777, all of the registry of deeds of Tayabas (Exhibits A-1 and Annex A of the complaint).

The plaintiffs having violated some of the conditions set forth in both mortgages, particularly by having failed to pay the second annual amortization of both loans, said bank instituted an action against them for the foreclosure of both mortgages. Said action is civil case No. 3399 of the Court of First Instance of Tayabas, entitled "Philippine National Bank vs. Rodrigo Garcia Matta and Soledad Lago." (Exhibit B-1.)

On December 31, 1932, the court, upon petition of said bank, appointed the latter as receiver of the mortgaged properties upon filing a bond in the sum of P10,000 (Exhibit B-3); but as the plaintiffs, on January 14, 1933, had executed a deed entitled "Deed of delivery of mortgaged properties" stating that they were turning over each and every one of the mortgaged real properties to said mortgagee Philippine National Bank, pursuant to the stipulations contained in paragraph 7 of both instruments of mortgage, in order that said bank could exercise all the powers set forth in said paragraph 7 as well as others necessary for the security and payment of its credit, the court, upon petition of the plaintiffs, by order of January 17, 1933, set aside the above-mentioned appointment of a receiver and authorized said bank to take possession of the properties in question, in accordance with the deed of delivery of mortgaged properties attached to the motion, executed by the plaintiffs on January 14, 1933. (Exhibit B-7).

In its judgment of March 30, 1933, rendered in civil case No. 3399, which was modified by a subsequent order of June 7, 1933, the court directed the plaintiffs to pay to the Philippine National Bank the sum of P8,656.54 with interest thereon compounded semiannually at 8 per cent per annum from March 31, 1933, until fully paid, plus P200 as attorney's fees, and the sum of P48,881.61 with interest thereon also compounded semiannually at the same rate from March 31, 1933, until fully paid, plus another sum of P200 as attorney's fees, giving said plaintiffs a period of three months within which to pay the amount thereof, to be counted from the date said judgment became final, with the warning that if payment were not made within the above-stated period of time, the mortgaged properties would be sold at public auction and the proceeds thereof applied to the satisfaction of the sums which the plaintiffs in question were ordered to pay.

The total amount which the plaintiffs owed the Philippine National Bank at the time of the trial of the case, after deducting the net income of P4,800 received by Godofredo Reyes, who had administered the properties in the name of said bank from January 21, 1933, to January 21, 1934, was P66,469.42 plus the interest thereafter accruing thereon at 8 per cent per annum. The plaintiffs have admitted that at the time of the sale at public auction, they owed the bank approximately P61,518.

Pursuant to the writ of execution issued by the court in said civil case No. 3399, the provincial sheriff of Tayabas, on December 21, 1933, sold the 15 parcels of land in question at public auction, the Philippine National Bank, as mortgagee, having bought them for the total amount of P12,000. On January 10, 1934, said provincial sheriff of Tayabas executed the deed of sale of said properties and the sale was confirmed by the court on March 23, 1934. (Exhibits C and C-1.)

Inasmuch as the Philippine National Bank rejected the propositions made by Godofredo Reyes to purchase said properties, the plaintiffs, on March 20, 1935, wrote to said bank the letter Exhibit H, which reads as follows:

"I acknowledge receipt of your letter of the 19th instant.

"It seems to me that my statement in my former letter is misunderstood. I have stated that I desired to redeem from Mr. Emilio Rodriguez the properties sold to him by the bank under the same terms and conditions of the sale thereof to him, and to this effect I asked the bank to give its consent to said redemption in order that I may be subrogated in place of the purchaser. Therefore, I reiterate this petition and I hope the bank will give its consent before the 23d instant.

"As to the redemption for the entire amount owed, mentioned in the last part of the letter which I am answering, I wish to invite the bank's attention to the fact that the properties were turned over by me from the time the action was instituted and to date the bank has not rendered either to me or to the court an accounting of the fruits and products received by it. "Without prejudice; therefore, to my right to be subrogated in place of the purchaser Mr. Emilio Rodriguez, which I believe is just, and to show that I have no intention to defraud anybody, I take the liberty of asking the bank to render to the court an accounting of said fruits and products, and to permit me in such case to pay what I may owe after the approval of the accounts by the court."

After the offer of Godofredo Reyes had been rejected, the Philippine National Bank, by resolution of its board of directors dated January 21, 1935 (Exhibit L-9), accepted the offer of Emilio Rodriguez for the sum of P40,000, as a result of which the deed of absolute sale for said sum was executed in favor of said Emilio Rodriguez, who was to pay P5,000 upon the execution of the contract and the balance thereof in regular amortizations within the period of ten years, secured by a mortgage on said properties sold (Exhibit D). As soon as the sale had been perfected, the purchaser Emilio Rodriguez entered upon the possession and enjoyment of the properties sold, having thereafter availed himself of the fruits and products thereof.

Having been informed of said sale, the herein plaintiffs, as mortgagors, addressed a communication to the Philippine National Bank and to the purchaser Emilio Rodriguez, asking for permission to be subrogated in place of the latter by reimbursing him the sum of P5,000 paid by him in cash and assuming the mortgage obligation contracted in favor of said bank for the balance of the purchase price. Both the letter addressed to the Philippine National Bank and that addressed to Emilio Rodriguez were received by the addressees on the same date March 11, 1936 (Exhibits E and F, copies of the letters, and E-1 and F-1, receipt cards of the letters sent by registered mail). The purchaser Emilio Rodriguez did not answer the letter addressed to him, but the Philippine National Bank did so in a communication of March 19, 1935, which was received by the plaintiffs on the following day, stating that the question depended absolutely upon the will of the purchaser Emilio Rodriguez and inviting attention to the prerequisite that if the plaintiffs wished to repurchase the properties, they should pay the entire amount of the judgment totalling about P70,000 (Exhibit G).

On March 20, 1935, the plaintiffs addressed a letter (Exhibit H) to the Philippine National Bank asking for an accounting of the fruits and products of the mortgaged properties and offering to pay the balance of the indebtedness resulting from the liquidation to be made. The Philippine National Bank received this letter on the 21st of said month and year (Exhibit H-1), the purchaser Emilio Rodriguez having received a copy thereof on the same date (Exhibits I and I-1).

On March 22, 1935, said Philippine National Bank answered the letter, alleging that as to the products harvested from the mortgaged properties, it will submit the corresponding report to the court in due time, and notifying them at the same time that the contract of sale entered into between it and Emilio Rodriguez on January 21, 1935, had been cancelled and substituted by another of promise to sell.

Said contract of promise to sell (Exhibit K) was executed by the Philippine National Bank on March 20, 1935, that is, three days before the expiration of the redemption period.

Upon being informed that the true intention of the parties in the first contract entered into between the Philippine National Bank and Emilio Rodriguez was a promise to sell with delivery of the properties to the future purchaser for his enjoyment, Godofredo Reyes addressed a communication to said bank inviting its attention to the fact that the invitations to bid for said properties sent to him by the Philippine National Bank and, consequently, the bids made by him, were on the basis of an absolute sale and not of a promise to sell with delivery of the properties. He offered the sum of P41,000 therefor under a similar contract of promise to sell, alleging in support of the preference asked for by him the fact that he was an unsecured creditor of the same debtors for the sum of P17,000

(Exhibit L-11).

Upon the expiration of one year from the date of the confirmation of the sale, the Philippine National Bank and Emilio Rodriguez cancelled the contract of promise to sell and restored the first contract of absolute sale under the same conditions for the same sum of P40,000 (Exhibit 3-Rodriguez).

The Philippine National Bank answered Godofredo Reyes in a letter of April 22, 1935, stating that its contract with the defendant Emilio Rodriguez was already consummated and, therefore, could not be cancelled at the will of said bank (Exhibit L-12).

The redemption period of one year provided for in section 32 of Act No. 2938 should expire on March 23, 1935 (Exhibits C, D and H).

The main question to be decided in the present appeal is whether or not under section 32 of Act No. 2938 the mortgagor is entitled, for the purposes of the redemption, to require the Philippine National Bank, as mortgagee, to render an accounting of the products of the mortgaged properties purchased by it at public auction.

Section 32 of Act No. 2938 provides as follows:

"Sec. 32. The mortgagor shall have the right, within one year after the sale of real estate as a result of the foreclosure of a mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the bank by reason of the execution and sale and for the custody of said property."

According to the above-quoted legal provision, in order that a mortgagor may redeem from the Philippine National Bank the mortgaged property purchased by the latter at public auction, it is necessary for him (1) to exercise the right of redemption granted him by law within one year after the confirmation of such sale by the court, and (2) to pay the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by said bank by reason of the execution and sale and for the custody of the mortgaged properties.

The law, in imposing upon the mortgagor the obligation to pay the expenses incurred by the Philippine National Bank, as mortgagee, for the custody of the mortgaged properties purchased by it at public auction, makes it understood that by its purchase, of the mortgaged properties at public auction, the mortgagee, that is, the Philippine National Bank, does not acquire any right of ownership thereof but merely the right to have them in its custody for the purpose of protecting its credit, inasmuch as the owner charges nothing for the custody of his property. Therefore, while the redemption period lasts, the Philippine National Bank, as mortgagee and purchaser at public auction, has no more right than to take care of or administer the real property purchased, and it does not become the owner thereof until the period of redemption has expired and the mortgagor has failed to avail himself of his right of redemption. As such administrator or guardian, the Philippine National Bank is obliged to render accounts of its administration upon being required to do so by the mortgagor for the purposes of the redemption. It is unnecessary, therefore, to resort to section 469 of the Code of Civil Procedure in order to determine whether or not the Philippine National Bank, as mortgagee, is obliged to render an accounting of the income and expenses of its administration of the mortgaged properties purchased by it at public auction.

Furthermore, reasons of equity and justice counsel such solution, if the mortgagor is obliged by law to pay the amount fixed in the order of execution together with the accrued interest thereon and the expenses of the auction sale and custody of the mortgaged properties sold before he can redeem them, and if the Philippine National Bank, as mortgagee having the properties in question in its possession, were not obliged to render an accounting of the fruits thereof, said mortgagor would suffer double loss, to wit: the former would gain not only the interest

on its capital but also the fruits of the mortgagor's properties, and the latter would lose, not only the interest in question but also the fruits of his properties. If the purpose of Act No. 2938, in authorizing the Philippine National Bank to grant agricultural loans as stated in section 9 thereof, is to promote agriculture by extending financial facilities to the farmer, such purpose would be frustrated if the above-quoted section 32 were construed in the sense that the Philippine National Bank, as mortgagee, is not obliged to render an accounting of the fruits of the mortgaged properties purchased by it, and the mortgage debtor of the Philippine National Bank would be in worse conditions than an ordinary execution debtor, because the latter is granted not only the right of redemption, which may be exercised within one year, but also the right to be credited, upon making the redemption, with the income realized by the purchaser from the properties sold at public auction.

Section 9 of Act No. 4118, which amends and amplifies Act No. 3135, provides that "When the property is redeemed after the purchaser has been given possession, the redeemer shall be entitled to deduct from the price of redemption any rentals that said purchaser may have collected in case the property or any part thereof was rented; if the purchaser occupied the property as his own dwelling, it being town property, or used it gainfully, it being rural property, the redeemer may deduct from the price the interest of one per centum per month provided for in section four hundred and sixty-five of the Code of Civil Procedure." It is clear, therefore, that even in extra judicial foreclosures of mortgage stipulated by the parties, the fruits which the purchaser may have realized from the mortgaged properties are credited to the mortgagor in case of redemption.

If the above-stated section 32 of Act No. 2938 were interpreted in the sense the Philippine National Bank wishes it to be interpreted, its mortgage debtors would be the only ones who, besides having to pay the interest and expenses for the execution and custody of the mortgaged properties purchased by it, would lose the fruits which said properties might have produced during the time they were in its custody.

Therefore, by law as well as by equity and justice, the Philippine National Bank, as mortgagee, is obliged to render an accounting of the products of the mortgaged properties purchased by it at public auction, so that they may be credited to the price-of the redemption.

The first question whether or not, for the purposes of the redemption, the Philippine National Bank, as mortgagee, is obliged to render to the mortgagor an accounting of the fruits of the mortgaged properties which passed to its possession, having been decided in the affirmative, we shall now pass upon the second question whether or not the personal demand made by the mortgagor on the Philippine National Bank, as mortgagee, is sufficient to compel the latter to render such accounting, or whether or not it is necessary for the court to order such rendition. This latter view is held by the Philippine National Bank because it claims that the law does not impose such obligation upon it. If, as already stated, the Philippine National Bank is obliged to render an accounting of the fruits of the mortgaged properties, it is not necessary for the court to order such rendition of accounts so that the appellee, the Philippine National Bank, as mortgagee, may be compelled to do so, the personal demand made by the mortgagor being sufficient.

The plaintiffs demanded of the Philippine National Bank to render an accounting of the products of the lands in its custody in order to know how much they had to pay to redeem said properties. The demand made by the mortgagors took place within the redemption period. The Philippine National Bank, in refusing to accede to the demand, prevented the realization of the redemption within said period, and it can not justly alleged now that the mortgagors are no longer entitled to make the redemption on the ground that their right has expired. The running of the redemption period should be considered suspended until the Philippine National Bank has made the rendition of accounts demanded.

As to the right of subrogation claimed by the mortgagors, it being an indispensable requisite for the redemption of

the properties mortgaged to the Philippine National Bank and sold at public auction that the amount fixed in the order of execution, together with the interest thereon at the rate specified in the mortgage and all the costs and other judicial expenses incurred by the bank by reason of the execution and sale and for the custody of said property, be paid first, and the mortgagors Rodrigo Garcia Matta and Soledad Lago having offered to pay only the amount offered by the defendant Emilio Rodriguez, that is, P40,000, paying P5,000 upon the execution, of the deed of sale and the balance thereof in regular amortizations within the period of ten years, secured by a mortgage on said properties, they cannot be subrogated in place of the defendant Emilio Rodriguez, by redeeming in the manner they desire the real properties mortgaged to said Philippine National Bank and sold at public auction.

For the foregoing considerations, this court is of the opinion and so holds: (1) that the Philippine National Bank, as mortgagee, is obliged in case of redemption, to render an accounting of the products of the mortgaged properties purchased by it at public auction; (2) that it is not necessary for the court to order such rendition of accounts, the personal demand made by the mortgagor on the Philippine National Bank, as mortgagee, being sufficient, and (3) that in order that a mortgage debtor of the Philippine National Bank may be subrogated in place of a purchaser of the properties mortgaged to said bank and purchased by the latter at public auction, before the expiration of the redemption period of one year, it is not sufficient for him to offer to pay the amount said purchaser has paid to said bank, but he "must offer to pay also the unpaid balance of the amount fixed in the order of execution of the judgment, plus the interest thereon, expenses of the execution, sale and custody of the real properties mortgaged and sold.

Wherefore, the appealed judgment is modified and the mortgagee Philippine National Bank is ordered to render an accounting of the products of the mortgaged properties purchased by it at public auction, and to proceed to liquidate the debt of the plaintiffs, as mortgagors, crediting them with the proceeds of said products, and, upon the determination of the net balance of the debt, said mortgagors shall be entitled to redeem the mortgaged properties in the manner prescribed by section 32 of Act No. 2938, within the period of 15 days. The appeals interposed by the defendants Philippine National Bank, as mortgagee, and Emilio Rodriguez, as holder of the option to purchase, are hereby dismissed, without special pronouncement as to costs. So ordered.

Avanceña, C. J., Abad Santos, Imperial, Diaz, Laurel, and Concepcion, JJ., 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.