

**PEDRO LONZAME, PETITIONER, VS. HON. AUGUSTO M. AMORES,
JUDGE OF THE COURT OF FIRST INSTANCE OF MANILA, BRANCH
XXIV, MELANIO FLORES AND SEGUNDA MANUEL, RESPONDENTS.**

G.R. No. 53620. January 31, 1985

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

In this petition for review on certiorari, petitioner seeks to annul the order of the respondent Court of First Instance of Manila, Branch XXIV, which required him to accept the tender of payment made by the private respondents for the lot known as Lot No. 19-A, after herein petitioner had already acquired the same through a sale by public auction.

The following facts are either undisputed or established.

Eufemia Corporal Blones was the registered owner of a parcel of land, denominated as Lot No. 19, containing an area of 276.80 square meters more or less, situated at Tondo, Manila and covered by Transfer Certificate of Title No. 98530 of the Registry of Deeds for Manila.

On February 16, 1969, Blones and the spouses Segunda Manuel and Melanio Flores entered into a "Kasunduan ng Pagbibilihan" whereby Blones sold and spouses Flores bought a portion of Lot No. 19, denominated under the subdivision plan, as Lot No. 19-A and containing an area of 131.76 square meters, in consideration of the price of P200.00 per square meter, payable as follows: P10,000.00 upon signing of the contract, P5,000.00 on February 6, 1970, and the balance on February 6, 1975. Said contract also contained stipulations which provided that upon full payment of the purchase price, the vendor would segregate the area sold to the vendees and cause to be issued another title thereon in the name of said vendees. The contract further stipulated that possession of Lot No. 19-A passes to the vendees upon the signing of the agreement. However, the "Kasunduan ng Pagbibilihan" was not registered with the Registry of Deeds for the City of Manila.

The stipulated payments were duly complied with by the Floreses.

In the meantime, on August 12, 1970, for value received, Blones executed and delivered to Conchita Trinidad and Patrocinio Trinidad, a promissory note in the sum of P24,000.00, payable twelve months after date, with interest thereon at the rate of 12% per annum. Under the terms of the promissory note, if any interest is not paid when due, then the principal, together with all unpaid interests, shall at once become due and demandable. As security for the payment of the promissory note, Blones likewise executed a real estate mortgage on August 12, 1970, over Lot No. 19. The real estate mortgage was duly registered with the Registry of Deeds for Manila.

Before the first week of February, 1974, the Floreses offered to pay the sum of P12,000.00 to cover the unpaid balance on the purchase price but Blones and her son refused to accept the same. Instead, the two proposed to return the spouses' payments but the latter rejected the proposal. At this point in time, the Flores spouses discovered that Lot No. 19 had been mortgaged to Conchita and Patrocinio, both surnamed Trinidad and married

to Tito Tatoy and Fernando M. Marquez respectively. As a consequence, the spouses executed an affidavit of adverse claim and registered the same in the Register of Deeds for Manila. Thereafter, they filed an action against Blones and the mortgagees to declare null and void the mortgage executed by Blones in favor of her co-defendants-mortgagees and to compel Blones to accept P12,000.00 as purchase price for Lot No. 19-A.

Blones failed to pay the principal and interest on the promissory note when they fell due. The defendants-mortgagees, therefore, filed a cross-claim against Blones in the action instituted by the spouses Flores.

After hearing on November 11, 1977, the respondent court rendered a decision which partly provides the following:

xxx xxx xxx

"(2) Ordering defendant Eufemia Corporal Blones to accept the sum of P12,000.00 from plaintiffs Melanio Flores and Segunda Manuel as full payment of the purchase price of said Lot No. 19-A;

"(3) Ordering defendant Eufemia Corporal Blones to register said Lot No. 19-A with the Land Registration Commission in the names of said plaintiffs spouses, subject, however to the real estate mortgage, Exhibit 2, until the obligation secured thereby shall have been extinguished;

xxx xxx xxx

"(5) Under the cross-claim, ordering cross-defendant Eufemia Corporal Blones to pay cross-plaintiffs Conchita Trinidad and Patrocinio Trinidad the sum of P24,000.00 with interest at the rate of 12% per annum from August 6, 1974, which is the date of the demand, until the same is fully paid, plus an additional sum of P2,500.00 as attorney's fees, within a period of not less than ninety (90) days from the date of the service of this decision, and in default of such payment, Lot No. 19 shall be sold to realize the afore-mentioned sum; x x x"

xxx xxx xxx

On November 6, 1978, the defendants-mortgagees filed a motion for execution for failure of Blones to pay them the sum of P24,000.00 within the period fixed by the court.

On November 23, 1978, the court granted the motion and ordered that a writ of execution be issued foreclosing the mortgage over Lot No. 19-A and that said property be sold according to the provisions of Sections 3 and 4 of Rule 68 of the Rules of Court.

On December 12, 1978, the spouses Flores filed a motion for modification praying that the order of November 23, 1978 be modified to make it appear that the coverage of the sale should be Lot No. 19, as distinguished from Lot No. 19-A.

On December 15, the court granted the motion. However, during the sale at public auction, the whole of Lot No. 19, including Lot No. 19-A, was sold since the latter had no separate title yet and under Transfer Certificate of Title No. 985, it was still part of Lot No. 19.

The highest bidder was petitioner Pedro Lonzame. On the same day that the public auction was held, petitioner as the highest bidder executed an "Option to Buy" in favor of the spouses Flores which partly provided -

"x x x In fairness to Mr. Melanio Flores, as plaintiff in said case, of 1102 T. Bugallon St., Tondo, Manila, he has the option to buy a portion of the parcel of land, particularly known as Lot No. 19-A, containing an area of ONE HUNDRED THIRTY ONE & 75/100 (131.75) SQUARE METERS more or less, in the amount of (P8,000.00) Pesos (sic), Philippine Currency, within fifteen (15) days from notice hereof, after date of confirmation of the sale by the Court of First Instance of Manila, Br. XXIV."

On May 28, 1979, the petitioner filed a "Motion for Confirmation of Sheriff's Sale which was granted by the court on July 26, 1979. On September 12, 1979, the "Sheriff's Final Deed" was issued.

On September 27, 1979, the spouses Flores, through a letter, tendered a check dated September 25, 1979 in the amount of P8,000.00 in favor of the petitioner pursuant to the "Option to Buy" which the latter had executed in their favor. The petitioner, however, refused the payment, alleging that the option to buy was no longer effective and binding because the fifteen (15) day period had already expired.

On November 19, 1979, the spouses Flores filed an "Amended Motion for Execution and/or for Contempt of Court", stating among other things that since the decision of November 11, 1977 recognized that Lot No. 19-A was sold to them although "subject, however, to the real estate mortgage Exhibit 2 until the obligation secured thereby shall have been extinguished" and since herein petitioner has apparently succeeded to the rights and interests of Blones, petitioner should now be directed to accept the amount of P8,000.00 arrived at as follows:

P12,000.00

- amount to be paid to Blones as balance

- 4,000.00

- P2,000.00 to be paid by Blones as moral damages

2,000.00 to be paid by Blones as attorney's fees.

P 8,000.00

The spouses also prayed that the petitioner be directed to execute a final deed of sale over Lot No. 19-A and/or that petitioner and the Register of Deeds and the Sheriff of Manila and Rufino Mallorca be directed to show cause why the new title issued to petitioner does not carry the adverse claim of the spouses and the dispositive part of the judgment in the case.

After both parties submitted their respective pleadings, the court, on January 10, 1980, issued an order directing the petitioner to accept the payment in the amount of P8,000.00 tendered by the spouses Flores after which he must execute a deed of sale over Lot No. 19-A in favor of said spouses and register the same with the Land Registration Commission.

On January 28, 1980, petitioner filed a motion for reconsideration but the same was denied. Hence this petition.

Petitioner contends that as the purchaser at a sale by public auction, he is not bound by the decision of the lower court in Civil Case No. 95042, nor can he be considered as a successor-in-interest of defendant Blones. Therefore, he cannot be compelled to accept the sum of P8,000.00 from the spouses Flores as payment for Lot No. 19-A. He further contends that the respondent court lost the jurisdiction to modify or amend its decision after the same had become final and executory so as to affect the petitioner as highest bidder. Lastly, with regard to the "Option to Buy" he executed in favor of the spouses, petitioner maintains that the period with-in which to exercise said option had already expired since the 15-day period should be counted from the date of the confirmation of the sale.

We find the petition impressed with merit.

In the case of Villar v. Javier de Paderanga (97 Phil. 604, 608), we held that in foreclosure of mortgages under

Rule 70 (now Rule 68 of the Rules of Court), there is no right of redemption after the judicial sale is confirmed; and when the foreclosure sale is validly confirmed by the court, title vests upon the purchaser in the foreclosure sale and the confirmation retroacts to the date of the sale. Thus, the rights of the mortgagee and persons holding under him are cut off by the sale upon confirmation, and with them the equity of redemption. (See also *Benedicto v. Yulo*, 26 Phil. 160, 166). The above ruling is expressly sanctioned by Section 3, Rule 68 of the Rules of Court which provides:

SEC. 3. Sale of mortgaged property; effect. - When the defendant, after being directed to do so as provided in the last preceding section, fails to pay the principal, interest, and costs at the time directed in the order, the court shall order the property to be sold in the manner and under the regulations that govern sales of real estate under execution. Such sale shall not affect the rights of persons holding prior incumbrances upon the property or a part thereof, and when confirmed by an order of the court, it shall operate to divest the rights of all the parties to the action and to vest their rights in the purchaser, subject to such rights of redemption as may be allowed by law."

The disputed property in this case was purchased in a judicially ordered sale of mortgaged property. Clearly, under the aforequoted provision, the confirmation by the lower court of the Sheriff's sale had divested the parties including the spouses of whatever rights they had to the property and vested said rights on the purchaser, herein petitioner.

Moreover, Mr. Flores appears to have been aware of the tenuous nature of his claim to the property because he was offered the option and he tried to exercise it but the offeror refused on the ground that it was too late. It was error, therefore, for the respondent court to compel herein petitioner to accept the tender of payment made by the spouses Flores on the basis of the latter's computation in their amended motion of November 19, 1979 and on their premise that the petitioner had apparently succeeded to the rights and interests of the original vendor, Blones, when said petitioner was not a party to the civil case between Blones and the spouses and also especially since the deed of sale executed between the aforementioned parties was never registered nor annotated in the certificate of title of Lot No. 19 which also covered Lot No. 19-A. Herein petitioner, therefore, can in no way be considered a successor-in-interest of Blones nor can he be bound by the deed of sale which was not annotated in the title of the lot he purchased at the sale by public auction by virtue of a judicial foreclosure of mortgage.

It was likewise a grave error to issue the questioned order, amending or modifying the decision in said civil case for the latter had long become final and executory.

The decision did not require the acceptance of any P8,000.00 from the respondent spouses because the option to buy was a separate transaction or offer made after the rendition of the decision. The court had no more jurisdiction to amend its decision to incorporate a later agreement of the Flores spouses and the petitioner. In the case of *Nieva v. Manila Banking Corporation* (124 SCRA 453) we had the occasion to reiterate this doctrine when we ruled:

"It is hornbook doctrine that 'a decision which has become final and executory can no longer be amended or corrected by the court except for clerical errors or mistakes and however erroneous it may be, cannot be disobeyed, otherwise litigations would be endless and no questions could be considered settled.' (*Maramba v. Lozano*, 20 SCRA 474).

"In the instant case, the clarification granted by the lower court clearly altered substantially the terms of the decision. The clarificatory order introduced new matters which were never touched upon in the decision. In short, the challenged order modified the original decision and in so doing, the respondent court exceeded its jurisdiction. (*Vda. de Alcantara v. Somera*, 106 SCRA 200)."

The third contention, therefore, regarding the interpretation of the "Option to Buy" executed by herein petitioner

in favor of the private respondents has no merit. The rights of the parties under the option to buy cannot be litigated and passed upon by the court a quo in a decision already long final. If the private respondents intended to enforce the "Option to Buy" against the petitioner, they should have filed a sepa-rate action for that purpose.

WHEREFORE, the petition is GRANTED and the orders of the respondent court dated January 10, 1980 and March 19, 1980 are hereby ANNULLED and SET ASIDE. No pronouncement as to costs.

SO ORDERED.

Melencio-Herrera, Plana, Relova, and De la Fuente, concur.

Teehankee, Acting C.J., no part.

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