

PHILIPPINE NATIONAL BANK, PETITIONER, VS. THE HONORABLE INTERMEDIATE APPELLATE COURT (FIRST CIVIL CASES DIVISION) AND ROMEO ALCEDO, RESPONDENTS.

G.R. No. 66715. September 18, 1990

Ponente: GRINO-AQUINO, J.

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GRINO-AQUINO, J.:

This is a petition for certiorari which seeks to set aside: (a) the decision dated November 29, 1983 of the Intermediate Appellate Court (now Court of Appeals) in CA-G.R. CV No. 68021 which affirmed the decision of the Court of First Instance of Negros Occidental (now Regional Trial Court), Branch IV, Bacolod City, in Civil Case No. 11393; and (b) respondent court's resolution dated February 29, 1984 denying petitioner Philippine National Bank's (PNB for short) motion for reconsideration.

The facts of the case are the following:

On March 20, 1968, Leticia de la Vina-Sepe executed a real estate mortgage in favor of PNB, San Carlos Branch, over a lot registered in her name under TCT No. T-31913 to secure the payment of a sugar crop loan of P3,400. Later, Leticia Sepe, acting as attorney-in-fact for her brother-in-law, private respondent Romeo Alcedo, executed an amended real estate mortgage to include his (Alcedo's) Lot No. 1626 (being a portion of Lot No. 1402, covered by TCT 52705 of the Isabela Cadastre) as additional collateral for Sepe's increased loan of P16,500 (pp. 5-6, PNB's Brief, p. 74, Rollo). Leticia Sepe and private respondent Alcedo verbally agreed to split fifty-fifty (50-50) the proceeds of the loan (p. 94, Rollo) but failing to receive his one-half share from her. Alcedo wrote a letter on May 12, 1970 to the PNB, San Carlos Branch, revoking the Special Power of Attorney which he had given to Leticia Sepe to mortgage his Lot No. 1626 (p. 95, Rollo).

Replying on May 22, 1970, the PNB Branch Manager, Jose T. Gellegani, advised Alcedo that his land had already been included as collateral for Sepe's 1970-71 sugar crop loan, which the latter had already availed of, nevertheless, he assured Alcedo that the bank would exclude his lot as collateral for Sepe's forthcoming (1971-72) sugar crop loan (p. 95, Rollo). The letter reads:

"May 22, 1970

"Mr. Romeo Alcedo

Mamballo, M. Padilla

Negros Occidental

"Dear Mr. Alcedo:

"This is to acknowledge receipt of your letter dated May 12, 1970, requesting us to revoke the 'Special Power of Attorney' you have executed in favor of Mrs. Leticia de la Vina-Sepe, on February 18, 1969, on Lot No. 1402, Isabela Cadastre, covered by Transfer Certificate of Title No. 52705, with an area of 20,9200 hectares.

"In this connection, we wish to advise you that the aforementioned parcel of land had been included as collateral to secure the 1970-71 sugar crop loan of Mrs. Leticia de la Vina-Sepe, which she had already availed of. In view of your late request, please be advised and assured that we shall exclude the aforementioned lot as a collateral of Leticia de la Vina--Sepe in our recommendation for her 1971-72 sugar crop loan.

"For your information, we enclose a copy of our letter to Mrs. Sepe, which is self-explanatory.

"Thank you.

"Very truly yours,

"(Sgd.) JOSE T. GELLEGANI

"Manager"

(pp. 6-7, Record on Appeal, p. 75, Rollo.)

On the same day, May 22, 1970, PNB advised Sepe in writing to replace Lot No. 1402 with another collateral of equal or higher value.

"May 22, 1970

"Mrs. Leticia de la Vina-Sepe

Canla-on City

"Dear Mrs. Sepe:

"We wish to advice you that Mr. Romeo Alcedo, in a letter written to us, has plans to revoke the 'Special Power of Attorney' he executed in 1969 in your favor, affecting Lot No. 1402, Isabela Cadastre, covered by Transfer Certificate of Title No. 52705 with an area of 20,9200 Hectares. Our record shows that this parcel of land is mortgaged to us to secure the agricultural sugar crop loans we have granted you.

"Mr. Alcedo made us understand that this said property shall serve as security for your 1969/70 sugar crop loan only. As it already secures your 1970-71 crop loan, which you have already availed, the same may be excluded as security for future crop loans. In the meantime, it is requested that you replace Lot No. 1402, above-mentioned, with the same or more appraised value.

"Kindly call on us regarding this matter at your earliest convenience.

"Thank you.

"Very truly yours,

"(Sgd.) JOSE T. GELLEGANI

"Manager"

(pp. 7-8, Record on Appeal, p. 75, Rollo.)

Despite the above advice from PNB, Sepe was still able to obtain an additional loan from PNB increasing her debt of P16,500 to P56,638.69 on the security of Alcedo's property as collateral. On January 15, 1974, Alcedo received two (2) letters from PNB: (1) informing him of Sepe's failure to pay her loan in the total amount of P56,638.69; and (2) giving him six (6) days to settle Sepe's outstanding obligation, as otherwise, foreclosure proceedings would be commenced against his property (p. 33, Rollo). Alcedo requested Sepe to pay her accounts to forestall foreclosure proceedings against his property, but to no avail (p. 15, Rollo).

On April 17, 1974, Alcedo sued Sepe and PNB in the Court of First Instance of Negros Occidental for collection and injunction with damages (p. 33, Rollo).

During the pendency of the case, PNB filed in the Office of the Sheriff at Pasig, Metro Manila, a petition for extrajudicial foreclosure of its real estate mortgage on Alcedo's land. On November 19, 1974, the property was sold to PNB as the highest bidder in the sale. The corresponding Sheriff's Certificate of Sale was issued to the Bank (p. 33, Rollo).

On October 18, 1975, Alcedo filed an amended complaint against Leticia and her husband Elias Sepe, and the Provincial Sheriff of Negros Occidental praying additionally for annulment of the extrajudicial foreclosure sale and reconveyance of the land to him free from liens and encumbrances, with damages.

With leave of court, Alcedo filed a second amended complaint withdrawing his action to collect his one-half share (amounting to P28,319.34) out of the proceeds of the sugar crop loans obtained by Sepe (p. 34, Rollo).

In its answer, PNB alleged that it had no knowledge of the agreement between Mrs. Sepe and Alcedo to split the crop loan proceeds between them. It required Sepe to put up other collaterals when it granted her an additional loan because Alcedo informed the Bank that he was revoking the Special Power of Attorney he gave Sepe; that the revocation was not formalized in accordance with law; and that in any event, the revocation of the Special Power of Attorney on May 12, 1970 by Alcedo did not impair the real estate mortgage earlier executed on April 28, 1969 by Sepe in favor of the Bank (p. 36, Rollo).

On March 14, 1980, the trial court rendered judgment in favor of Alcedo –

"1. Declaring the public auction sale and the certificate of sale executed by the Provincial Sheriff of Negros Occidental relative to Lot No. 1626, Isabela Cadastre (TCT No. T? 52705), as null and void;

"2. Ordering the defendant Philippine National Bank to reconvey to plaintiff the title to aforesaid Lot No. 1626 free from all liens and encumbrances relative to the loans obtained by defendant Leticia de la Vina-Sepe;

"3. Ordering defendant spouses Leticia de la Vina-Sepe and Elias Sepe and the Philippine National Bank, in solidum, to pay to the plaintiff moral damages in the sum of P10,000.00, and another sum of P5,000.00 as attorney's fees and expenses of litigation;

"4. On the cross-claim of defendant PNB against Leticia de la Vina-Sepe, considering that no evidence has been adduced regarding the updated actual accountability of the latter with the former, it is hereby directed that PNB proceed to collect against the cross-defendant whatever outstanding obligation the latter owes the former arising from transactions in connection with the instant case.

"No pronouncement as to costs." (pp. 10-11, Rollo.)

The bank appealed but to no avail for on November 29, 1983, the Intermediate Appellate Court affirmed in toto the judgment of the trial court (p. 54, Rollo). The appellate court reasoned out that the Bank was estopped from foreclosing the mortgage on Alcedo's lot to pay Sepe's 1971-72 sugar crop loan, after having assured Alcedo on May 22, 1970 "that we shall exclude the aforementioned lot as a collateral of Leticia de la Vina-Sepe in our recommendation for her 1971-72 sugar crop loan" (p. 37, Rollo). The Court of Appeals held:

"x x x Plaintiff-appellee's letter was unequivocal and clear to the effect that defendant Leticia de la Vina Sepe was no longer empowered to bind, encumber or mortgage his property. Although We may not hold this revocation to retroact to April 28, 1969 which was the date of the original mortgage. We can neither interpret it in any other way than that from the moment of notice to the PNB, it was the absolute intention of the owner to withdraw all authority from said defendant to further bind or encumber his property. This was clearly understood by the defendant?appellant PNB. There was no question on its part that Leticia de la Vina Sepe was

no longer authorized to offer plaintiff-appellee's property as collateral for her contract of mortgage with the PNB. Defendant-appellant, therefore, acknowledged this revocation of the agency and in no uncertain terms assured the plaintiff-appellee that indeed, the latter's property will no longer be accepted by it as collateral for the sugar crop loan of the aforementioned defendant for the year 1971 to 1972. This meeting of the minds between the plaintiff-appellee and defendant-appellant took place not through verbal communications only, but in writing, as shown by their letters dated May 12, 1970 and May 22, 1970, respectively. x x x.

“xxx xxx xxx

"x x x To Our minds, the aforementioned act and declaration of defendant-appellant PNB as embodied in said letter binds said bank under the principle of estoppel by deed and defined as follows:

“A doctrine in American jurisprudence whereby a party creating an appearance of fact which is not true is held bound by that appearance as against another person who has acted on the faith of it. (Strong v. Gutierrez Repide, 6 Phil. 685).’

which is provided in Articles 1431 and 1433 of the New Civil Code in conjunction with Section 3, paragraph (a), Rule 131 of the Rules of Court, all of which provide:

“Art. 1431. Through estoppel an admission or representation is rendered conclusive upon the person making it, and cannot be denied or disproved as against the person relying thereon.’

“Art. 1433. Estoppel may be in pais or by deed.’

“Sec. 3. Conclusive presumptions. - The following are instances of conclusive presumptions:

“(a) Whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act, or omission, be permitted to falsify it.’

and which was enunciated in the following decisions of the Supreme Court:

“Whenever a party has, by his own declaration, act or omission intentionally and deliberately led another to believe a particular thing true and to act upon such belief, he cannot, in any litigation arising out of such declaration, act, or omission, be permitted to falsify it.

“Estoppel arises when one, by his acts, representations, or admissions, or by his silence when he ought to speak out, intentionally or through culpable negligence induces another to believe certain facts to exist and such other rightfully relies and acts on such belief, so that he will be prejudiced if the former is permitted to deny the existence of such facts (Huyatid v. Huyatid, 47265-R, Jan. 4, 1978).

“The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon. Said doctrine springs from equitable principles and the equities of the case. It is designed to aid the law in the administration of justice where without its aid injustice might result.’ (Philippine National Bank v. Court of Appeals, L-3083]. November 21, 1979: 94 SCRA 368)

"By its letter dated May 22, 1970, defendant-appellant PNB led plaintiff-appellee to believe that his property covered by TCT T-52705 would no longer be included as collateral in the sugar crop loan of defendant Leticia de la Vina Sepe for the year 1971-72. It led said plaintiff-appellee to believe that his property as of said year will no longer be encumbered and will be free from any lien or mortgage. Plaintiff-appellee had the right to rely on said belief, because of the aforementioned act and declaration of defendant-appellant bank. Under the laws and jurisprudence aforequoted, defendant-appellant bank can no longer be allowed to deny or falsify its

act or declaration, or to renege from it. This is one of the conclusive presumptions provided for by the Rules of Court." (pp. 37, 38-39, Rollo.)

PNB seeks a review of that decision on the grounds that:

1. The doctrine of promissory estoppel does not apply to this case;
2. PNB was a mortgagee in good faith and for value: and
3. PNB adduced substantial evidence in support of its cross-claim against defendant Leticia Sepe (p. 15, Rollo).

These issues boil down to whether or not PNB validly foreclosed the real estate mortgage on Alcedo's property despite notice of Alcedo's revocation of the Special Power of Attorney authorizing Leticia Sepe to mortgage his property as security for her sugar crop loans and despite the Bank's written assurance to Alcedo that it would exclude his property as collateral for Sepe's future loan obligations.

After careful deliberation, the Court is not persuaded to disturb the decisions of the trial court and the Court of Appeals in this case.

We agree with the opinion of the appellate court that under the doctrine of promissory estoppel enunciated in the case of Republic Flour Mills, Inc. vs. Central Bank, L-23542, August 11, 1979, the act and assurance given by the PNB to Alcedo "that we shall exclude the aforementioned lot [Lot No. 1402] as a collateral of Leticia de la Vina-Sepe in our recommendation for her 1971-72 sugar crop loan" (p. 37, Rollo) is binding on the bank. Having given that assurance the bank may not turn around and do the exact opposite of what it said it would not do. One may not take inconsistent positions (Republic vs. Court of Appeals, 133 SCRA 505). A party may not go back on his own acts and representations to the prejudice of the other party who relied upon them (Lazo vs. Republic Surety & Insurance Co., Inc., 31 SCRA 329.)

In the case of Philippine National Bank vs. Court of Appeals (94 SCRA 357), where the bank manager assured the heirs of the debtor-mortgagor that they would be allowed to pay the remaining obligation of their deceased parents, the Supreme Court held that the bank must abide by its representations.

"On equitable principles, particularly on the ground of estoppel, we must rule against petitioner Bank. The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against its own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon. The doctrine of estoppel springs from equitable principles and the equities in the case. It is designed to aid the law in the administration of justice where without its aid injustice might result. It has been applied by this Court wherever and whenever the special circumstances of a case so demands."

In the case at bar, since PNB had promised to exclude Alcedo's property as collateral for Sepe's 1971-72 sugar crop loan, it should have released the property to Alcedo. The mortgage which Sepe gave to the bank on Alcedo's lot as collateral for her 1971-72 sugar crop loan was null and void for having been already disauthorized by Alcedo. Since Alcedo's property secured only P13,100.00 of Sepe's 1970-71 sugar crop loan of P16,500.00 (because P3,400 was secured by Sepe's own property), Alcedo's property may be held to answer for only the unpaid balance, if any, of Sepe's 1970-71 loan, but not the 1971-72 crop loan.

While Article 1358 of the New Civil Code requires that the revocation of Alcedo's Special Power of Attorney to mortgage his property should appear in a public instrument:

"Art. 1358. The following must appear in a public document:

- (1) Acts or contracts which have for their object the creation, transmission, modification or extinguishment of

real rights over immovable property; sales of real property or of an interest therein are governed by Articles 1403, No. 2 and 1405."

nevertheless, a revocation embodied in a private writing is valid and binding between the parties (*Doliendo v. Depino*, 12 Phil 758; *Hawaiian-Philippines Co. vs. Hernaez*, 45 Phil. 746) for -

"The legalization by a public writing and the recording of the same in the registry are not essential requisites of a contract entered into, as between the parties, but mere conditions of form solemnities which the law imposes in order that such contract may be valid as against third persons, and to insure that a publicly executed and recorded agreement shall be respected by the latter." (*Alano, et al. vs. Babasa*, 10 Phil. 511.)

The PNB acted with bad faith in proceeding against Alcedo's property to satisfy Sepe's unpaid 1971-72 sugar crop loan. The extrajudicial foreclosure being null and void ab initio, the certificate of sale which the Sheriff delivered to PNB as the highest bidder at the sale is also null and void.

WHEREFORE, finding no reversible error in the decision of the Court of Appeals, the petition for review is denied for lack of merit.

SO ORDERED.

Narvasa, (Acting Chief Justice), Cruz, Gancayco, and Medialdea, JJ., concur.

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