

**SPOUSES CRISOSTOMO MEDINA AND AURORA MEDINA,
PETITIONERS, VS. THE COURT OF APPEALS, MASANTOL RURAL
BANK, INC., THE SPOUSES REMIGIO LOBO AND AIDA LOBO,
RESPONDENTS.**

G.R. No. 82735. August 18, 1988

Ponente: GRIÑO-AQUINO. J.

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GRIÑO-AQUINO. J.

The lone issue posed in this case is whether, despite the expiration of the statutory redemption period, the petitioners-mortgagors may still redeem their foreclosed property from the respondent Rural Bank of Masantol, Inc. (Bank for brevity), or from the subsequent vendees, respondents Remigio and Aida Lobo, on the theory that the sale of the property to them by the Bank was void for lack of notice to the former owners, as provided in the Revised Rules and Regulations issued by the Central Bank. Both the trial court and the Court of Appeals denied the petitioners' complaint for redemption or repurchase of their property, hence this appeal by certiorari.

On October 10, 1974, Aurora Medina mortgaged her untitled lot of 412.70 square meters of the Rural Bank of Masantol to secure a loan of P5,000 (Exh. "1" and submarkings). As she failed to pay the loan when due, the Bank foreclosed its real estate mortgage on the property (Exhs. "2", "2-A")

The property was sold on October 6, 1978 for P8,120.74 to the Bank as the lone bidder at the foreclosure sale. The sheriff's Certificate of Sale which was issued on October 7, 1978 expressly provided that "the redemption period will expire after the lapse of one (1) year from the date of its registration in the Registry of Deeds, San Fernando, Pampanga" (Exh. "5"). It was registered eight (8) months later, on June 5, 1979, in the Registry of Deeds of Pampanga (Exh. "5-A").

At this point, the evidence of the parties vary.

Petitioner Aurora Medina alleged that on August 11, 1979, or within the one year redemption period, she offered to redeem the property and the bank manager computed her obligation "in the sum of P9,007.64 as of August 11, 1979" (Exh. "B"), but the bank president refused to allow the redemption "due to his ill-feeling" toward her (par. 10, Complaint).

On the other hand, the Bank denied that Medina made a tender of the redemption money. Precisely, according to the bank manager, because she failed to exercise her right of redemption on or before June 5, 1980 (Exh. "6-B"), he executed on August 19, 1980 an affidavit of consolidation of ownership. The tax declaration of the property was transferred in the name of the Bank (Exh. "7").

More than a year later, or on August 28, 1981, the Bank sold the property for P20,000.00 to the spouses Remigio and Aida Lobo (Exh. "11"). The tax declaration was transferred in the name of the vendees (Exh. "11-A") and the realty taxes for 1981 were paid by them (Exh. "10-C").

On September 10, 1981, the petitioners filed an action for "Annulment of Consolidation of Ownership, Redemption, and Damages" in the Regional Trial Court of Macabebe, Pampanga, Branch LIV. The complaint was dismissed by the trial court. On appeal, the Court of Appeals affirmed the judgment of dismissal.

Mrs. Medina alleged that she offered to redeem her property on August 11, 1979, but the trial court observed that:

"x x x there was no request in writing or a written offer to redeem the property and there was no approval of the offer to redeem or any extension by the defendant Rural Bank. On the contrary, defendant Rural Bank denied that such an offer to redeem made by the plaintiff was for the computation of the amount which was to be paid as of August 11, 1979 if the property shall be redeemed by the plaintiff." (pp. 158-160, Record.)

Both the trial court and the Court of Appeals believed the Bank's allegation that Mrs. Medina came to the Bank on August 11, 1979, not to redeem her property but only to ask for a computation of the amount she would have to pay if she should redeem it. We may not review that factual finding of the Court of Appeals. Indeed, if Mrs. Medina were then ready with the redemption money (P9,007.64 as computed by Ignacio) she should have tendered it, or she should have filed an action for its consignment when the Bank president refused to accept it.

Petitioners' other contention, that the redemption period was "extended" by the Bank, has no leg to stand on except Mrs. Medina's uncorroborated and self-serving statement that she was assured by the bank manager, Fortunato Ignacio, that she and her husband "can surely redeem the property" but that they had to wait for the President and the Cashier of the respondent Bank, "who have an ax to grind against her, to cool down." Ignacio allegedly advised them to "just wait" for his call as he would summon them when they could redeem the property (Petition, p. 12, Rollo). Those allegations were, however, denied by Ignacio, and it is only Mrs. Medina's word against his. The Statute of Frauds requires a written memorandum of such an agreement, if any, in order that it may be enforceable against the Bank, involving as it does immovable property [Art. 1403 (2) (e), New Civil Code].

Petitioners also contend that, as former owners of the property, they were entitled to notice of the Bank's intention to dispose of it, and that such sale should have been made at a public auction so that they could have taken part in the bidding. They anchor this argument on Section 222 of the Central Bank's Revised Rules and Regulations, as amended by CB Circular No. 502, dated February 2, 1976, which reads as follows:

"Sec. 222. Assets Acquired in Settlement of Loans. The amount of the claim against the borrower (which shall include the balance of loan in litigation, litigation expenses and interest due up to the date of foreclosure) shall be charged to this account when the property is acquired by the bank at auction sale, whether through judicial foreclosure or extrajudicial sale. The transfer in the bank's books shall be made when the award is given to the bank.

x x x

x x x

x x x

"If the acquired property is sold thereafter, any amount in excess of the redemption price is treated as income (Other Earnings); if below cost, as expense (Other Operating Expenses).

"All assets acquired in settlement of loans and should be sold to the highest bidder in an auction sale after the necessary publication of sale is undertaken. It shall be sufficient publication in such cases if notices of the sale are posted in at least three (3) of the most conspicuous public places in the municipality/city where the property to be sold is situated, in the municipality/city where the rural bank is located, and in adjoining

localities. The auction sale shall be held in the office of the rural bank not earlier than a period of thirty (30) days after the posting of notices in the aforementioned places. The department of the Central Bank charged with supervising and examining rural banks and the former owner/ mortgagor of the property shall likewise be notified of the projected sale at least thirty (30) days prior to the date of sale. However, with prior approval of the said department of the Central Bank, the rural bank may sell the property foreclosed to the former owner/ mortgagor by negotiated sale at its fair market value."

The above rule prescribes four (4) conditions or guidelines for the sale of property acquired by a rural bank through foreclosure proceedings. They are: (1) that it must be sold through a public auction; (2) that there should be prior publication of notice of the sale; (3) that there should be posting of said notices in designated places; and (4) the 30 days' notice be given to the former owner and to the Central Bank's Department of Rural Banks. The laudable purpose of the rule is to give the former owner of the foreclosed property a second chance to reacquire it, to enable the Bank to receive the best price the property will command in an open market, and, possibly, also to eliminate the manipulation of the sale for the private benefit of some officers of the bank. The formulation of the rule lies well within the Monetary Board's power of supervision over the operation of rural banks (Sec. 10, Rural Bank's Act), hence, it is a valid regulation.

The Bank's counsel, Fortunato Ignacio, admitted that no prior notice of the sale to the Lobo spouses was given to the petitioners. Was that omission fatal to the sale?

The subject of the sale being registered land, the answer is found in the Property Registration Law. The petitioners failed to annotate on the Bank's title an adverse claim or memorandum of their right under Section 222 of CB Circular No. 502 dated February 2, 1976, as former owners of the property, to notice of any intended disposition thereof by the Bank so that those who are about to deal with the property may be cautioned that the same is subject to their claim (*Ty Sin Tsi vs. Lee Dy Piao*, L-11371, May 28, 1958). As no such memorandum or claim was annotated on the Bank's title, the buyers Remigio and Aida Lobo acquired the property free from any, except statutory, claims (Sec. 44, P.D. No. 1529). They are purchasers in good faith and for value. The Bank's non-compliance with the Revised Rules and Regulations of the Central Bank does not invalidate the sale of the land to them nor affect the indefeasibility of the title which they acquired thereunder.

WHEREFORE, the petition for review is denied. No costs.

SO ORDERED.

Narvasa (Chairman), Cruz, and Medialdea, JJ., concur.

Gancayco, J., on leave.

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