

PHILIPPINE NATIONAL BANK, PETITIONER, VS. INTERNATIONAL CORPORATE BANK AND COURT OF APPEALS, RESPONDENTS.

G.R. No. 86679. July 23, 1991

Ponente: REGALADO, J.

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REGALADO, J.:

Challenged in this petition for review on certiorari is the decision of the Court of Appeals, dated January 31, 1989, in CA-G.R. CV No. 12342 affirming the decision of the Regional Trial Court of Alaminos, Pangasinan, acting as a land registration court, which dismissed petitioner's application for the cancellation of annotations of an encumbrance on its transfer certificates of title.[1]

As found by respondent court and sustained by the record, on May 7, 1985, petitioner filed with the Regional Trial Court of Alaminos, Pangasinan and docketed therein as LRC No. A-229, Record No. N-33399, a petition for the cancellation of a memorandum of encumbrance annotated upon its sixteen (16) transfer certificates of title. As a backdrop, petitioner alleged that spouses Archimedes J. Balingit and Ely Suntay executed in its favor the following real estate mortgages, to wit:

"2. On December 16, 1966, a real estate mort-gage was executed and registered on December 19, 1966 with the Register of Deeds of Alaminos, Pangasinan. The corresponding annotations were made on Transfer Certificates of Title Nos. 49020 and 49021 covering the mortgaged parcels of land as entry no. 264514 therein.

"3. On September 14, 1967, an amendment of mortgage was executed in favor of the petitioner and registered on September 15, 1967 with the Register of Deeds of Alaminos, Pangasinan. The corresponding annotations were made on the aforesaid Transfer Certificates of Title Nos. 49020 and 49021 as entry no. 282423 therein.

"4. On August 1, 1968, another real estate mortgage was executed and registered on August 2, 1968 with the Register of Deeds of Alaminos, Pangasinan. The corresponding annotations were made on Original Certificates of Title Nos. 18988, 18987, 19020, 19021, 19017, 19015, 18989, 19018, 19019, 19016, 18983, 18984, 18985 and 18986 covering the mortgaged parcels of land as entry no. 302341 therein.

"5. On October 31, 1968, a real estate mort-gage was executed in favor of the petitioner and registered on November 4, 1968 with the Register of Deeds of Alaminos, Pangasinan. The corresponding annotations were made on the Original Certificates of Title with numbers as enumerated in the immediately preceding paragraph as entry no. 306445 therein."[2]

Annotated subsequent to the foregoing memoranda of the mortgage lien of petitioner on the above-mentioned properties is a "Notice of Levy re Civil Case No. 69035, CFI-Manila, Continental Bank vs. Archimedes J. Balingit and Ely Suntay Balingit" for a total sum of P96,636.10, as entry No. 285511 at the back of the titles enumerated in paragraph 2 and as entry No. 308262 in the titles enumerated in paragraph 4 of said petition.[3]

For failure of the Balingit spouses to settle their loan obligation with petitioner, the latter extrajudicially foreclosed under Act 3135, as amended, the sixteen (16) parcels of land covered by the real estate mortgages executed by the said spouses in favor of petitioner. The sheriff's certificate of sale was registered on April 3, 1972

with the Register of Deeds, with a memorandum thereof duly annotated at the back of the aforesaid certificates of title of the foreclosed properties.

Upon the expiration of the one-year legal redemption period, petitioner consolidated in its name the ownership of all the foregoing mortgaged properties for which new transfer certificates of title were issued in its name. However, the annotation of the notice of levy in favor of private respondent was carried over to and now appears as the sole annotated encumbrance in the new titles of petitioner, that is, Transfer Certificates of Title Nos. 1228, 1229, 1230, 1231, 1232, 1236, 1237, 1238, 1239, 1240, 1242, 1243, 1244, 1216, 1217 and 1218.[4]

On May 28, 1986, private respondent International Corporate Bank, as successor in interest of the defunct Continental Bank, filed an opposition to the petition contending that, since it was not informed of the extrajudicial foreclosure proceedings, the new and consolidated titles over the foreclosed properties issued in favor of herein petitioner are null and void.[5]

On August 28, 1986, the lower court rendered a decision, denying the petition for lack of jurisdiction, the pertinent part whereof reads:

"Section 108 of Presidential Decree No. 1529 (Section 112 of Act 496) under which the petitioner seeks remedy has been interpreted by the Supreme Court that the relief therein can only be granted if there is no adverse claim or serious objection on the part of any party in interest otherwise the case becomes controversial and should be threshed out in an ordinary case or in the case where the incident properly belongs. Accordingly, an annotation of an adverse claim may be ordered cancelled only where the issue involved is not controversial or so disputed as to warrant that it be litigated in an ordinary action. (Tanganan and Tanganan vs. Republic of the Philippines, 94 Phil. 171; Asturias Sugar Central vs. Segovia, 190 Phil. 383; RP vs. Laperal, 108 Phil. 860; Abustan vs. Ferrer and Golez, 63 O.G. 34, August 21, 1967 and Cheng vs. Lim (Second Division), L-27614 jointly decided with L-27148, June 29, 1977).

"Considering that the issue of whether the notice of levy should be cancelled as sought by the petitioner becomes controversial in view of the opposition and adverse claim of the oppositor Interbank, this Court, as land registration court and in accordance with the jurisprudence above cited, has no jurisdiction to entertain and act on the contested petition. The cancellation prayed for should be threshed out in an ordinary case.

"WHEREFORE, the petition is hereby DENIED, without prejudice to the filing of an ordinary case by the petitioner.

"SO ORDERED."[6]

Not satisfied therewith, petitioner appealed to respondent Court of Appeals, asserting that the lower court erred in ruling that (1) there is an adverse claim or serious objection on the part of oppositor rendering the case controversial and therefore should be threshed out in an ordinary case; and (2) it has no jurisdiction to entertain and act on the contested petition.[7]

On January 13, 1989, respondent court rendered judgment affirming the appealed decision,[8] as a consequence of which petitioner is now before us contending that:

“I

REGIONAL TRIAL COURTS (RTCs) HAVE JURISDICTION TO ACT UPON PETITIONS FILED UNDER SEC. 108 OF ‘THE PROPERTY REGISTRATION DECREE’ (P.D. 1529), WHETHER THEY ARE ACTING AS A LAND REGISTRATION COURT OR A COURT OF GENERAL JURISDICTION.

“II

PURCHASER OF REAL PROPERTY AT AN EXTRAJUDICIAL FORECLOSURE SALE ACQUIRES SUCH PROPERTY FREE FROM ALL LIENS AND ENCUMBRANCES. THE ACTION OF REGISTER OF DEEDS IN CARRYING THE ANNOTATION OF THE NOTICES OF LEVY OVER TO THE NEW TITLE CERTIFICATES ISSUED IN PURCHASER'S FAVOR IS VOID AND ILLEGAL.

"III

SECTION 108 OF 'PROPERTY REGISTRATION DECREE' EXPRESSLY ALLOWS THE SUMMARY AMENDMENT OF CERTIFICATES OF TITLE WHENEVER INTEREST ANNOTATED THEREIN HAS 'TERMINATED AND CEASED.'

"IV

REMAND OF PROCEEDINGS TO TRIAL COURT TO DETERMINE PRIORITY OF LIENS BETWEEN PETITIONER AND RESPONDENT MAY BE UNNECESSARY AS FACTUAL BASIS OF PNB'S SUPERIOR LIEN IS BORNE OUT AND DISCLOSED BY THE RECORDS OF CASE BEFORE THIS TRIBUNAL"[9]

We find the foregoing contentions meritorious.

The rule that was adopted by respondent Court of Appeals in its decision to the effect that a regional trial court sitting as a land registration court has limited jurisdiction and has no authority to resolve controversial issues, which should accordingly be litigated in a court of general jurisdiction, no longer holds.

We have held that under Section 2 of Presidential Decree No.1529 (The Property Registration Decree) which took effect on June 11, 1979, regional trial courts acting as land registration courts now have exclusive jurisdiction not only over applications for original registration of title to lands, including improvements and interests therein, but also over petitions filed after original registration of title, with power to hear and determine all questions arising upon such applications or petitions.[10] That definitive ruling was precisely to correct the position taken therein by the Court of Appeals that the court a quo has limited jurisdiction and has no authority to resolve controversial issues which should be litigated before a court of general jurisdiction.

In the same case, the Court further noted that even under Act 496 (Land Registration Act), specifically Section 110 thereof, the court of first instance, sitting as a land registration court, has the authority to conduct a hearing, receive evidence, and decide controversial matters with a view to determining whether or not the filed notice of adverse claim is valid.

The said doctrine was a reiteration of our earlier ruling in *Averia, Jr. vs. Caguioa, etc., et al.*, [11] as follows:

"In Section 2 of the said P.D. No. 1529, it is clearly provided that:

'SEC. 2. Nature of registration proceedings; jurisdiction of courts. - Judicial proceedings for the registration of lands throughout the Philippines shall be in rem and shall be based on the generally accepted principles underlying the Torrens system.

'Courts of First Instance shall have exclusive jurisdiction over all applications for original registration of titles to lands, including improvements and interest therein, and over all petitions filed after original registration of title, with power to hear and determine all questions arising upon such applications or petitions. x x x.'

"The above provision has eliminated the distinction between the general jurisdiction vested in the regional trial court and the limited jurisdiction conferred upon it by the former law when acting merely as a cadastral court.

Aimed at avoiding multiplicity of suits, the change has simplified registration proceedings by conferring upon the regional trial courts the authority to act not only on applications for 'original registration' but also 'over all petitions filed after original registration of title, with power to hear and determine all questions arising upon such applications or petitions.'

"Consequently, and specifically with reference to Section 112 of the Land Registration Act (now Section 108 of P.D. No. 1529), the court is no longer fettered by its former limited jurisdiction which enabled it to grant relief only in cases where there was 'unanimity among the parties' or none of them raised any 'adverse claim or serious objection.' Under the amended law, the court is now authorized to hear and decide not only such non-controversial case but even the contentious and substantial issues, such as the question at bar, which were beyond its competence before."

It is now beyond cavil, therefore, that the court below has ample jurisdiction to decide the controversy raised by the petition in LRC No. A-229, Record No. N-33399 initiated therein by petitioner.

However, considering that the issue of whether the adverse claim of private respondent should be cancelled or allowed to remain as annotations on the certificates of title involved can be resolved by us in the present recourse, we agree that the remand of the case to the court of origin is no longer necessary.

We have time and again laid down the rule that the remand of the case to the lower court for further reception of evidence is no longer necessary where this Court is in a position to resolve the dispute based on the records before it. In a number of cases, the Court, in the public interest and for the expeditious administration of justice, has resolved actions on the merits instead of remanding them to the trial court for further proceedings, such as where the ends of justice would not be subserved by the remand of the case.[12]

In the case at bar, the right of petitioner to the relief prayed for is clear. The facts before us sufficiently show that the cancellation of the disputed annotation from the certificates of title of petitioner is justified in law.

It is undisputed that private respondent is a subsequent lien holder whose rights over the mortgaged property are inferior to that of petitioner as a mortgagee. Being a subsequent lien holder, private respondent acquires only the right of redemption vested in the mortgagor, and his rights are strictly subordinate to the superior lien of the anterior mortgagee.[13] After the foreclosure sale, the remedy of the second mortgagee is limited to the right to redeem by paying off the debt secured by the first mortgage.[14]

The rule is that upon a proper foreclosure of a prior mortgage, all liens subordinate to the mortgage are likewise foreclosed, and the purchaser at public auction held pursuant thereto acquires title free from the subordinate liens. Ordinarily, thereafter the Register of Deeds is authorized to issue the new titles without carrying over the annotation of subordinate liens.[15] In a case with similar features, we had earlier held that the failure of the subsequent attaching creditor to redeem, within the time allowed by Section 6 of Act 3135, the land which was sold extrajudicially to satisfy the first mortgage, gives the purchaser a perfect right to secure the cancellation of the annotation of said creditor's attachment lien on the certificates of title of said land.[16]

It had likewise been declared in *Bank of the Philippine Islands, etc., et al. vs. Noblejas, etc., et al.*, [17] that "(a)ny subsequent lien or encumbrance annotated at the back of the certificates of title cannot in any way prejudice the mortgage previously registered, and the lots subject thereto pass to the purchaser at the public auction sale free from any lien or encumbrance. Otherwise, the value of the mortgage could be easily destroyed by a subsequent record of an adverse claim, for no one would purchase at a foreclosure sale if bound by the posterior claim. x x x This alone is sufficient justification for the dropping of the adverse claim from the new certificates of title to be issued to her, as directed by respondent Commissioner in his opinion subject of this appeal."

The contention of private respondent in its opposition that the extrajudicial foreclosure is null and void for failure

of petitioner to inform them of the said foreclosure and the pertinent dates of redemption so that it can exercise its prerogatives under the law[18] is untenable. There being obviously no contractual stipulation therefor, personal notice is not necessary and what governs is the general rule in Section 3 of Act 3135, as amended, which directs the posting of notices of the sale in at least three (3) public places of the municipality where the property is situated, and the publication thereof in a newspaper of general circulation in said municipality.

Finally, the levy in favor of private respondent's predecessor in interest arising from the judgment in Civil Case No. 69035 of the Court of First Instance of Manila, appearing at the back of petitioner's certificates of titles, is already without force and effect considering that the same has been annotated in the certificates of title for more than ten (10) years without being duly implemented. Properties levied upon by execution must be sold at public auction within the period of ten (10) years during which the judgment can be enforced by action.[19]

WHEREFORE, the judgment of respondent Court of Appeals is hereby SET ASIDE. Instead, another judgment is hereby rendered ordering that the annotations of the notice of levy in favor of Continental Bank, now substituted by private respondent, on petitioner's Transfer Certificates of Title Nos. 1216, 1217, 1218, 1228, 1229, 1230, 1231, 1232, 1236, 1237, 1238, 1239, 1240, 1242, 1243 and 1244 should be, as they are hereby, CANCELLED.

SO ORDERED.

Melencio-Herrera, (Chairman), Paras, Padilla, and Sarmiento, JJ., concur.

* Deemed impleaded as the public respondent in this case.

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