

PRUDENCIO S. PENTICOSTES, SR. AND PRUDENCIO S. PENTICOSTES, JR., PETITIONERS, VS. DEVELOPMENT BANK OF THE PHILIPPINES, SPOUSES ALEXANDER DE GUZMAN AND NATIVIDAD MABALOT AND REGI...

G.R. No. 89620. July 13, 1990

Ponente: GANCAYCO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-89620/>

GANCAYCO, J.:

In this case the singular issue is whether or not a bank mortgagor may be compelled to surrender the duplicate title of the property mortgaged for registration pursuant to the Comprehensive Agrarian Reform Program (CARP) of the government when the mortgage obligation has not been paid for.

The facts are undisputed. Respondents spouses Alexander de Guzman and Natividad Mabalot obtained a mortgage loan from the Development Bank of the Philippines (DBP for short), whereby Transfer Certificates of Title Nos. 77533 and 76343 were offered as collateral.

Thereafter, the land described under Transfer Certificate of Title No. 76343 was leased by said respondents-spouses to petitioner Prudencio S. Penticostes on February 4, 1982. The other lot covered by Transfer Certificate of Title No. 77533 was sold to the other petitioner Prudencio Penticostes, Jr. on February 26, 1987.

Meanwhile, R.A. No. 6657, otherwise known as the CARP Law was passed. Considering Section 6 thereof relative to the registration of deeds or any transactions involving agricultural lands, petitioners, in compliance therewith, went to the Register of Deeds of Tarlac to register their deeds of sale and lease contract. The Register of Deeds, however, refused to annotate the two (2) deeds in the original file kept in his Office without the owner's duplicate copies of said titles. With this requirement, petitioners went to the DBP to borrow the titles but the latter contended that the registered owners-spouses thereof still have an unpaid balance on their mortgage contract. Petitioners expressed their willingness to assume the same but did not actually assume nor pay the unpaid obligation so the DBP stood firm in its refusal.

Thus, petitioners filed a complaint in the Regional Trial Court of Tarlac seeking to compel the surrender of the said titles for purposes of registration, its registration and damages. A motion to dismiss the complaint dated September 16, 1988 was filed by the respondent Register of Deeds for lack of cause of action and for failure to exhaust administrative remedies. The De Guzman spouses filed a motion for issuance of a complete set of a copy of the complaint with motion for extension of time to file the answer on September 19, 1988, having been served on September 9, 1989 a copy of the complaint attached to the summons which is supposed to consist of six pages, but it actually consisted of five pages only with page 4 missing so that said respondents cannot possibly file their answer until after a complete set of the complaint is served to them. The DBP, which was served a copy of the summons on September 9, 1988, filed a motion to dismiss on September 22, 1988 on the ground that the claim is unenforceable under the statute of frauds and that the complaint states no cause of action.

On October 4, 1988 Prudencio Penticostes filed a motion to declare respondents in default for failure to file the responsive pleadings under the rules.

On October 6, 1988 the De Guzman spouses filed their answer with compulsory counter-claim.

On October 11, 1988, the trial court directed the petitioners to comment on the preliminary issues raised by the respondents in their special affirmative defenses within five (5) days from notice.

On October 11, 1988 petitioners filed their memorandum with a prayer that the presiding judge inhibit himself inasmuch as the counsel of petitioners filed an administrative case against him. An opposition to the motion to dismiss filed by the DBP was filed by petitioners on October 26, 1988.

On November 8, 1988 the trial court denied the motion for inhibition for lack of legal ground and considering that there are issues of facts rendering the ground for dismissal not indubitable, action on the motion to dismiss was deferred until after the evidence warrants the same.

On November 16, 1988, plaintiffs filed a motion to declare respondents-spouses in default.

On November 24, 1988, the trial court issued an order denying plaintiffs' motion to declare respondents-spouses in default, considering the provision of Section 4, Rule 18 of the Rules of Court and considering further that respondents-spouses' counterclaim is compulsory in nature. A motion for reconsideration thereof was filed by the petitioners and the De Guzman spouses were given five (5) days to file their comment.

In the meanwhile, on December 8, 1988, petitioners also filed a motion to declare the DBP in default. The respondents-spouses filed their comment on December 14, 1988 stating that they filed a motion to require the petitioner to furnish a complete copy of the complaint to be able to file an answer and that they filed the same before their motion was resolved by the trial court and even as petitioner failed to furnish them a complete copy of the complaint. On December 14, 1988, the DBP filed an answer with compulsory counterclaim and alternative compulsory counterclaim. On December 22, 1988, the DBP also filed an opposition to declare the adverse parties in default.

In its order dated February 14, 1989, the trial court denied petitioners' motion to declare the DBP in default inasmuch as the latter filed a motion to dismiss on September 22, 1988 before the expiry date to file the answer so that the motion to dismiss is considered an answer.[1] It ruled that as the case states a common allegation against the respondents, the court shall try the case against all upon the considered answer thus seasonably filed. It also held that the filing of the DBP's answer after the deferment of the motion to dismiss did not prejudice the petitioners as the answer is a reiteration of the issues raised in the motion to dismiss which was treated as an answer. The pre-trial was thus set on March 14, 1989.

On said date, a pre-trial conference was held after which the trial court rendered a pre-trial order as follows:

"During the pre-trial conference of this case, parties stipulated and agreed on the following facts:

1. The existence of the deed of sale and lease of the property;
2. That at the time of the execution of the deed of sale, this land was mortgaged to the Development Bank of the Philippines, Tarlac Branch, Tarlac, Tarlac; and
3. That at the time the plaintiffs demanded from the Development Bank of the Philippines the surrender of the title, they were duly informed that the loan of defendants-spouses Alexander de Guzman and Natividad Mabalot was still outstanding and only partially paid, to which Atty. Prudencio Penticostes expressed his willingness to assume the same.

The only factual matters to be resolved pertain to damages, the admission of its proof being dependent on the resolution of the legal issues raised in the pleadings of the parties.

Parties, through counsel, are hereby directed to submit their respective memoranda to resolve the legal issues in their pleadings not later than April 14, 1989.

Without prejudice to the resolution of the legal issues, set the hearing on May 10, 11 and 12, 1989, at 8:30 in the morning (sic)."[2]

The parties filed their memoranda.

On April 28, 1989, a decision was rendered by the trial court dismissing the complaint for lack of merit.

Hence, this petition.

Petitioners assailed the trial court for rendering a decision when there was allegedly no answer filed by the respondents and that they should have been declared in default.

This allegation is without cogent basis. The court has taken pains to relate the antecedent incidents in the court in order to determine the merit of this representation. In the case of respondent Register of Deeds, he filed a timely motion to dismiss within the reglementary period to answer. Similarly, the respondent DBP filed a timely motion to dismiss. And before its motion to dismiss was resolved by the court the DBP filed its answer and compulsory counterclaim on December 14, 1988. Upon the filing of the motion to dismiss by the DBP the period to file an answer is deemed interrupted until said motion to dismiss is resolved.

By the same token, the De Guzman spouses filed, within the reglementary period to answer, a motion to require the petitioners to furnish them a complete set of the complaint and for an extension of time to file the answer. Nevertheless, even before the resolution of their motion, they filed on October 6, 1988 their answer with counter-claim. No doubt their motion for the issuance of the complete set of a copy of the complaint with motion for extension of time to file answer interrupted the running of the period within which to file the answer.

None of the respondents, therefore, was in default as their answers were timely filed.

Moreover, assuming that any of the respondents failed to file the answer on time, under Section 4, Rule 18 of the Rules of Court, "when a complaint states a common cause of action against several defendants, some of whom answer, and the others fail to do so, the court shall try the case against all upon the answers thus filed and render judgment upon the evidence presented."

As to the merit of the case, it appears that at the pre-trial, the parties agreed and entered into a stipulation of facts on the basis of which the trial court required the parties to file their memoranda. Because of the stipulation of facts of the parties at the pre-trial, as indeed the facts appear to be undisputed, the Court can very well resolve the case without need of a trial on the merits.

In resolving the issue as to whether or not the respondents may be compelled to surrender the title of the properties in the possession of the DBP for registration by the petitioners pursuant to the CARP Law, the trial court made the following disquisition:

"Considering the admission of the parties that the loan of defendants-spouses de Guzman is still outstanding and only partially paid, defendants-spouses' obligation therefore to deliver said titles is thus unavailing as the titles were in the possession of the DBP as security of the loan obtained by said spouses.

The provision of the mortgage contract executed by the mortgagor-spouses states that they could not convey or in any manner encumber the mortgage property without the written consent of the mortgagor-bank (p. 11,

Answer). It is therefore legally and physically impossible for defendants-spouses to surrender something which is not in their possession.

With respect to defendant DBP, plaintiffs failed to show any legal basis upon which this Court will use its coercive power. On the other hand, defendant DBP stands firm on its contractual right pursuant to the mortgage contract with the other defendants-spouses. Plaintiffs, not being privies to the aforementioned contract, can not invoke their obligation under the CARP Law to obtain the copies of Transfer Certificates of Title Nos. 77533 and 76343 for the registration of their right without disturbing defendant DBP's secured rights.

Plaintiffs' right cannot rise higher than its source, i.e., defendant de Guzman spouses. Nowhere in plaintiffs' complaint and other pleadings could be found a legal basis for the surrender of the aforementioned copies of Transfer Certificates of Title Nos. 77533 and 76343 which it holds as collateral for the mortgage loan to defendants-spouses de Guzman.

Even the compulsory registration of rights under par. 4, Sec. 6, of the CARP Law will not justify disturbance of DBP's prior and superior right. What plaintiffs cannot do by way of voluntary registration could be obtained by some other means, as what plaintiff Prudencio S. Penticostes did when he served a notice of lis pendens to the office of defendant Register of Deeds (p. 10, Record). The CARP Law or any other law, does not require from any party compliance under impossible conditions.

There being no legal ground for the plaintiffs to compel the defendants-spouses de Guzman and the DBP to surrender the titles, refusal of the Register of Deeds to annotate plaintiffs' Deed of Sale and Lease Contract without presentation of the owners' duplicate copies of said titles is in order (Sec. 53, P.D. 1529)."[3]

We agree.

Under Section 6 of R.A. No. 6657 popularly known as the CARP Law it is provided as follows:

"x x x.

"Upon the effectivity of this Act, any sale, disposition, lease, management contract or transfer of possession of private lands executed by the original landowner in violation of this Act shall be null and void: Provided, however, That those executed prior to this Act shall be valid only when registered with the Register of Deeds within a period of three (3) months after the effectivity of this Act. Thereafter, all Registers of Deeds shall inform the Department of Agrarian Reform (DAR) within thirty (30) days of any transaction involving agricultural lands in excess of five (5) hectares."

The foregoing provision simply means that any sale, disposition, lease management contract or transfer of possession of private lands executed by the original land owners in violation of the act shall be null and void unless it is registered with the Register of Deeds within a period of three (3) months after the effectivity of said act.

The documents of sale and lease in favor of petitioners may be registered only by the Register of Deeds upon their compliance with the requirement of the law with respect to the submission of the duplicate copy of the owners certificate of title.[4]

Since in this case the said duplicate titles are in the possession of the DBP as mortgagor thereof and since it appears that the mortgage loan covering the properties have not been fully paid for, the DBP had the right to refuse to release the duplicate titles to the petitioners for purposes of registration. The petitioners, therefore, may not compel the DBP through court action to surrender the owners duplicate title of the property in question for purposes of registration of the documents of petitioners under the CARP Law.

WHEREFORE, the petition is DISMISSED for lack of merit, with costs against petitioners.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] Citing *Epang vs. Ortin De Leyco*, 97 Phil. 24 (1955).

[2] Page 147, Original Record.

[3] Pages 164-165, Rollo.

[4] Section 53, P.D. No. 1529.

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.