

DIONISIO MOJICA, IN BEHALF OF SPOUSES LEONARDO MOJICA (NOW DECEASED) AND MARINA RUFIDO, PETITIONER, VS. HON. COURT OF APPEALS, AND RURAL BANK OF KAWIT, INC., RESPONDENTS.

G.R. No. 94247. September 11, 1991

Ponente: PARAS, J.

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PARAS, J.:

This is a petition for review on certiorari which seeks to reverse and set aside: the decision[*] of the Court of Appeals dated February 15, 1990 in AC-G.R. CV No. 05987 entitled "Dionisio Mojica, in behalf of spouses Leonardo Mojica (now deceased) and Marina Rufido v. Rural Bank of Kawit, Inc.", which affirmed in toto the decision of the trial court and (2) the resolution dated June 4, 1990 denying the motion for reconsideration.

The facts of the case as gathered from the records are as follows:

On February 1, 1971, plaintiff Leonardo Mojica (now deceased) contracted a loan of P20,000.00 from defendant Rural Bank of Kawit, Inc. (now respondent). This loan was secured by a real estate mortgage executed on the same date by the plaintiffs spouses Leonardo Mojica and Marina Rufido (Rollo, Annex "C", p. 40).

The real estate mortgage contract states among others:

"x x x agreement for the payment of the loan of P20,000.00 and such other loans or other advances already obtained or still to be obtained by the mortgagors x x x.

"2. x x x but if the mortgagors shall well and truly fulfill the obligation above stated according to the terms thereof then this mortgage shall become null and void." (Rollo, Petitioner's Memorandum, pp. 86-87)

The spouses mortgaged to the Rural Bank of Kawit, a parcel of land consisting of 218,794 square meters, located in Naic, Cavite, covered by Transfer Certificate of Title No. RT-155 (Rollo, Annex "A", p. 31). The real estate mortgage was duly registered under Entry No. 74661 of the Registry of Deeds of Cavite (Rollo, Annex "C", p. 41).

The loan of P20,000.00 by the plaintiffs spouses was fully and completely paid (Ibid.).

On March 5, 1974, a new loan in the amount of P18,000.00 was obtained by plaintiffs spouses from the defendant Rural Bank which loan matured on March 5, 1975 (Rollo, pp. 32; 41).

No formal deed of real mortgage was constituted over any property of the borrowers, although the top of the promissory note dated March 5, 1974, contained the following notation.

"This promissory note is secured by a Real Estate Mortgage executed before the Notary Public of the Municipality of Kawit, Mrs. Felisa Senti under Doc. No. 62, Page No. 86, Book No.____, Series of 1971."

The Real Estate Mortgage mentioned above is the registered mortgage which guaranteed the already paid loan of P20,000.00 granted on February 1, 1971 (Rollo, p. 87).

The spouses Leonardo Mojica and Marina Rufido failed to pay their obligation after its maturity on March 5, 1975. Respondent rural bank extrajudicially foreclosed the real estate mortgage on the justification that it was adopted as a mortgage for the new loan of P18,000.00 (Rollo, pp. 32; 41).

The subject property was set for auction sale by the Provincial Sheriff of Cavite for June 27, 1979. In that auction sale, defendant rural bank was the highest bidder, and its bid corresponded to the total outstanding obligation of plaintiffs spouses Mojica and Rufido (Rollo, p. 32).

The proceeds from the sale of the piece of land of plaintiffs spouses were applied to their outstanding obligation with defendant bank (Ibid.).

The corresponding certificate of sale in favor of defendant bank was executed by the Provincial Sheriff also on June 27, 1979, and the instrument was recorded in the Office of the Register of Deeds of Cavite on June 29, 1979. The one year period for redemption elapsed after June 1980 without plaintiffs spouses having redeemed the foreclosed property (Ibid.).

Meanwhile, on July 19, 1980, Dionisio Mojica, the son of petitioners-spouses, in an apparent attempt to pay the debt of P18,000.00 made a partial payment in the amount of P24,658.00 (P19,958.00 of this amount in check bounced) which the defendant rural bank received and accepted with the issuance of the defendant's official receipt No. 101269, acknowledging the payment as partial payment of "past due loan", together with the "interest on past due loan" (Rollo, p. 33).

On August 11, 1980, another partial payment was made by Dionisio Mojica in the amount of P9,958.00 in payment also of "past due loan" plus "interest on past due loan" which payment was received by the defendant rural bank and acknowledged with the issuance of official receipt No. 101844. These payments were, however, considered by the bank as deposit for the repurchase of the foreclosed property (Ibid. p. 33).

On August 14, 1981, upon inquiry by Dionisio Mojica on the unpaid balance of the loan, the respondent rural bank issued a "Computation Slip" indicating therein, that as of August 14, 1981, the outstanding balance plus interest computed from March 5, 1975 was P21,272.50 (Ibid.).

On November 10, 1981, said bank executed an affidavit of consolidation of ownership, which it subsequently filed with the Register of Deeds of Cavite. As a result, Transfer Certificate of Title No. T-123964, covering the foreclosed piece of land, was issued in its favor by the Register of Deeds on January 19, 1982. After having consolidated its ownership over the foreclosed property, defendant bank scheduled the parcel of land to be sold at public auction on February 26, 1982, pursuant to the requirement of the law regarding the disposal by a bank of its acquired assets. Dionisio Mojica and one Teodorico Rufido, brother-in-law of plaintiff Leonardo Mojica, were notified of such auction sale. However, no sale was consummated during that scheduled sale and the property concerned up to now still remains in the possession of respondent bank (Ibid.).

The refusal of the same bank to allow Dionisio Mojica to pay the unpaid balance of the loan as per the "Computation Slip" amounting to P21,272.50, resulted in the filing of a complaint. (Rollo, p. 42).

On September 3, 1984, the trial court rendered judgment dismissing the complaint. On November 5, 1984, petitioner filed a motion for reconsideration of the decision, which motion was denied in the order dated November 17, 1984. On January 2, 1985, a notice of appeal was filed in the Intermediate Appellate Court (Rollo, p. 42).

On February 15, 1990, the Appellate Court, rendered its decision, affirming in toto the decision of the trial court. The dispositive portion of the decision of the appellate court reads:

"WHEREFORE, finding no reversible error in the decision appealed from, the same is hereby AFFIRMED in toto. With costs against plaintiffs-appellants."

The motion for reconsideration of said decision was denied in a resolution dated June 4, 1990 (Rollo, Annex "B", p. 39).

Hence, this petition.

This Court in its resolution dated September 3, 1990 dismissed the petition for non-compliance with certain requisites but later in its resolution dated November 5, 1990, it reinstated the petition (Rollo, Petition, pp. 9-28; Resolutions, pp. 52-53; 61).

The petition is devoid of merit.

The pivotal issue in this case is whether or not the foreclosure sale by the Sheriff on June 27, 1979, had for its basis, a valid and subsisting mortgage contract. Otherwise stated, there is a need to ascertain the intention of the parties as to the coverage of the mortgage in question with respect to future advancements.

Contracts which are not ambiguous are to be interpreted according to their literal meaning and should not be interpreted beyond their obvious intentment (*Plastic Town Center Corp. v. NLRC*, 172 SCRA 580 [1989]). Thus, where the intent of the parties has been shown unmistakably with clarity by the language used, the literal meaning shall control (*Paramount Surety & Ins. Co., Inc. v. Ago*, 171 SCRA 481 [1989]). Correspondingly, stipulations in the mortgage document constitute the law between the parties, which must be complied with faithfully (*Community and Loan Assn., Inc. v. Court of Appeals*, 153 SCRA 564 [1987]).

As earlier stated, the Real Estate Mortgage in the case at bar expressly stipulates that it serves as guaranty —

"x x x for the payment of the loan x x x of P20,000.00 and such other loans or other advances already obtained or still to be obtained by the mortgagors as makers x x x." (Rollo, p. 14).

It has long been settled by a long line of decisions that mortgages given to secure future advancements are valid and legal contracts; that the amounts named as consideration in said contract do not limit the amount for which the mortgage may stand as security if from the four corners of the instrument the intent to secure future and other indebtedness can be gathered. A mortgage given to secure advancements is a continuing security and is not discharged by repayment of the amount named in the mortgage, until the full amount of the advancements are paid (*Lim Julian v. Lutero*, 49 Phil. 704-705 [1926]). In fact, it has also been held that where the annotation on the back of a certificate of title about a first mortgage states "that the mortgage secured the payment of a certain sum of money plus interest plus other obligations arising thereunder" there was no necessity for any notation of the later loans on the mortgagors' title. It was incumbent upon any subsequent mortgagee or encumbrancee of the property in question to examine the books and records of the bank, as first mortgagee, regarding the credit standing of the debtors (*Tady-Y v. PNB*, 12 SCRA 19-20 [1964]).

The evidence on record shows that the amounts of P4,700.00 and P9,958.00 were accepted by the bank on July 19 and August 11, 1980 as deposits for conventional redemption after the property covered by real estate mortgage became the acquired asset of the bank and priced at P85,000.00 and after petitioner had lost all rights of legal redemption because more than one year had already elapsed from June 29, 1979, the date the certificate of sale was registered in the office of the Registry of Deeds of Cavite. Indeed, the conventional redemption was subject to be exercised up to March 3, 1982 and was extended up to April 19, 1982 for a fixed amount of P85,000.00. The respondent bank even favored the petitioner by giving them the first preference to repurchase the property but they failed to avail of this opportunity, although the bank "is certainly disposed to release at anytime" the deposits.

Further, the evidence on record also shows that the mortgage property was auctioned on June 27, 1979. The only bidder was the respondent bank which bid for P26,387.04. As the highest bidder, the respondent bank can rightfully consolidate its title over the property. As aptly stated by respondent Court:

"It would then be unfair to impute that the trial court allowed defendant bank to appropriate the mortgage property, because after the plaintiffs-appellants failed to repurchase the property and filed this action with 'lis pendens', the actions prevented the bank from negotiating for the sale of the property to other buyers." (p. 36, Rollo)

PREMISES CONSIDERED, the petition is DISMISSED and the assailed decision and resolution of the Intermediate Appellate Court (Court of Appeals) are AFFIRMED.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.
Sarmiento, J., on leave.

[*] Penned by Associate Justice Artemon D. Luna and concurred in by Associate Justices Reynato S. Puno and Jorge S. Imperial.

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