PLANTERS DEVELOPMENT BANK, PETITIONER, VS. HON. COURT OF APPEALS, SPOUSES DOMINGO P. UY AND SY SIU KEN, RESPONDENTS.

G.R. No. 96357. May 29, 1991

Ponente: GANCAYCO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-96357/

GANCAYCO, J.:

This action involves the issue of whether or not the mortgagee is in good faith or not.

Domingo Uy and Manuel Uy are brothers of the full blood who together with their respective spouses are the registered co-owners in fee simple in equal shares pro indiviso, of two (2) parcels of land both situated in Barangay Lambakin, Marilao, Bulacan covered by Transfer Certificate of Title Nos. T-228169 and T-229353 issued by the Register of Deeds of Bulacan.

Manuel Uy and his spouse, Mely Tan were president and treasurer, respectively, of Sonice Enterprises, Inc., a family corporation.

On May 7,1983, Domingo Uy and his spouse went abroad and came back only on May 20,1983. Meanwhile, Manuel Uy applied for a loan with Planters Development Bank (the bank for short) offering as collateral the aforementioned properties. As the bank knew that these properties were owned in common by the two brothers, Manuel Uy was required lo execute a real estate mortgage in favor of the bank duly signed by Manuel and Domingo Uy.

However, on May 12, 1983 spouses Manuel Uy and Mely Tan caused the execution of a falsified deed of absolute sale of the share of Domingo Uy and his spouse over the property in their favor (Manuel Uy and his spouse) for a consideration in the amount of P50,000.00. On the basis of said falsified document, said properties were transferred and registered solely in the name of Manuel Uy under TCT Nos. T-52.257(M) and T-52.276(M) both issued on May 18, 1983 by the Register of Deeds of Bulacan.

Upon presentation of said titles, the bank granted a loan in the amount of P5 Million to Manuel Uy and Mely Tan in their capacity as president and treasurer of Sonice Enterprises, Inc., secured by a joint real estate and chattel mortgage executed by the spouses covering the two parcels of land together with the improvements thereon.

Upon failure of the spouses to pay their loan obligation to the bank, the latter instituted an extrajudicial foreclosure of said properties, and being the highest bidder in a public auction a certificate of sale in favor of the bank was issued by the sheriff. When the spouses Manuel Uy and Mely Tan failed to exercise their right of redemption within the reglementary period, the ownership of the properties was consolidated in the name of the bank and new certificates of title were issued to it.

Upon discovery of the fraud, the spouses Domingo Uy and Sy Siu Ken filed a complaint for annulment of the deed of sale and joint real estate and chattel mortgage against the spouses Manuel Uy and Mely Tan and the bank in the Regional Trial Court of Malolos, Bulacan. In due time, a decision was rendered by the court a quo on August 28, 1987, the dispositive part of which reads as follows:

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against defendants, ordering the following:

a. The deed of Absolute Sale purportedly executed by plaintiffs Domingo Uy and Sy Siu Ken in favor of defendants Manuel Uy and Mely Tan Uy dated May 12, 1983 and the consequent Transfer Certificates of Title Nos. T-52.275(M) and T-52.276(M) issued by virtue thereof insofar as it pertains to the one half (1/2) undivided share of plaintiff Domingo Uy are hereby declared null and void;

b. The Joint Real Estate and Chattel Mortgage dated May 19, 1983 executed by Sonice Enterprises, Inc. herein represented by defendant spouses Manuel Uy and Mely Tan Uy, in favor of defendant banks and the extrajudicial foreclosure proceeding insofar as it pertains to the one half (1/2) undivided share of plaintiff Domingo Uy are likewise declared null and void:

c. The Register of Deeds of Bulacan, Meycauayan Branch, is hereby ordered to issue new transfer certificates of title corresponding to the share of plaintiff Domingo Uy equivalent to one half (1/2) of the undivided portion of the property with all existing improvements thereon including the "Unchida" Corrugator Machine covered by TCT No. T-52.275(M) and T-52.276(M) Meycauayan Branch;

d. Defendant spouses Manuel Uy and Mely Tan Uy are hereby ordered to pay P50.000.00 moral damages and P50.000.00 as exemplary damages;

e. Defendant spouses Manuel Uy and Mely Tan Uy arc hereby ordered to pay P200.000.00 corresponding to plaintiffs' share in Sonice enterprises, Inc.

f. All defendants are hereby ordered to pay jointly and severally the amount of 25% of whatever amount due from defendants as attorney's fees.

On the counterclaims, the same are hereby DISMISSED for lack of legal and/or factual basis

With costs, against defendants.

SO ORDERED."[1]

Not satisfied therewith the bank interposed an appeal to the Court of Appeals the main thrust of which is that it is a mortgagee in good faith ol the properties in question.

On May 30,1990, a decision was rendered by the appellate court affirming the appealed decision of the lower court and dismissing the appeal for lack of merit. A motion for reconsideration filed by the bank was denied in a resolution of the appellate court dated December 4, 1990.

Hence, this petition for review on certiorari of said decision and resolution of the appellate court predicated on the following assumed errors:

"I.

THE COURT A QUO ERRED IN HOLDING THAT THE CONVEYANCE MADE BY PLAINTIFF-APPELLEE DOMINGO P. UY TO HIS BROTHER DEFENDANT MANUEL P. UY IS VOID AND OF NO LEGAL EFFECT

II.

THE COURT A QUO ERRED IN HOLDING THAT THE MORTGAGE AS REGARDS THAT PORTION OF THE SUBJECT PROPERTIES ALLEGEDLY PERTAINING TO PLAINTIFFS WAS VOID.

III.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

THE COURT A QUO ERRED IN HOLDING THAT DEFENDANT APPELLANT BANK WAS NOT A MORTGAGEE IN GOOD FAITH.

IV.

THE COURT A QUO FAILED TO CONSIDER THE POSSIBILITY OF COLLUSION BETWEEN THE UY BROTHERS TO PREJUDICE THE DEFENDANT- APPELLANT BANK."[2]

The petition is impressed with merit.

There is no question that the deed of absolute sale that was falsified by Manuel Uy and his spouse, allegedly signed by Domingo Uy and his spouse, conveyed to the former the share of Domingo Uy and his spouse in the subject properties. It was because of such falsified document that the sole title to the said properties were transferred and registered in the name of Manuel Uy and his spouse and new certificates of title were issued to them. Petitioner bank relied on the said certificates of title and thereby granted Manuel Uy and spouse the loan applied for after said spouses executed the real estate and chattel mortgage of the properties and its improvements to secure the loan of P5 Million.

No doubt petitioner bank is an innocent mortgagee for value who in good faith relied on the clean title of the mortgagors covering the properties in question. In accepting such a mortgage it is not required that such a mortgagee-bank should make a further investigation of the titles to the properties being given as security.[3]

While it is true that petitioner knew from the beginning that the properties were co-owned by the Uy brothers and their spouses, there is no evidence that petitioner knew that the subsequent sale of the share of Domingo Uy and his spouse in the property to Manuel Uy and his spouse was falsified, and that the transfer of the sole title of the properties in the name of Manuel Uy and his spouse was the result of such a forgery. There was no notice of any flaw in the title of Manuel Uy and his spouse when they presented them to petitioner as security for the loan.

The decision of the appellate court in that the bank should have inquired into the circumstances surrounding the transfer of the share of Domingo Uy and his spouse to Manuel Uy and his spouse is untenable. There was no reason for petitioner to suspect that fraud and forgery attended the issuance of the new titles in the name of the spouses Manuel Uy and his spouse.

Moreover, the appellate court should have taken note of the fact that after the judgment in favor of Domingo P. Uy and his spouse was promulgated by the lower court, only the petitioner appealed therefrom to the appellate court. Spouses Manuel Uy and Mely Tan did not appeal.

The possibility of a collusion between the Uy brothers in this case at the expense of the bank is not remote. The records show that the proceeds of the loan of P5 Million granted by petitioner was utilized in paying the previous joint obligation of the Uy brothers to the PISO bank to the tune of about P3 Million.[4] Obviously, Domingo Uy and his spouse benefited from the loan granted by petitioner. No wonder, Manuel Uy and spouse no longer appealed. As it is, the petitioner, the innocent mortgagee, is left holding the proverbial empty bag.

WHEREFORE, the decision appealed from is hereby REVERSED AND SET ASIDE and another judgment is hereby rendered DISMISSING the complaint with costs against private respondents.

SO ORDERED.

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

---

[1] Page 33 to 34. rollo.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

[2] Page 14, rollo.

[3] Philippine National Cooperative Bank v. Carandang-Villalon, 139 SCRA 570 (1985); Blondeau, et al. v. Nano. et al., 61 Phil. 625 (1935); De la Cruz vs. Fabie, 35 Phil. 144 (1916).

[4] TSN, November 14. 1986, pages 16 to 17: pages 18 to 19. rollo.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

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.