

STA. IGNACIA RURAL BANK, INC., PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND SPS. CONRADO PABLO AND JUANITA GONZALES, RESPONDENTS.

G.R. No. 97872. March 01, 1994

Ponente: MELO, J.

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MELO, J.:

Aired in the petition for certiorari before us is the propriety of sustaining the decretal portion of the decision in CA-G.R. CV No. 25653 rendered on February 1, 1991 by the Court of Appeals (Mendoza V., Chua, Victor [P], JJ.) which authorized private respondents to repurchase the subject realty from petitioner in this manner:

WHEREFORE, the decision appealed from is hereby REVERSED, and in its stead judgment is rendered as follows:

1. Annulling and cancelling the sale made by the appellee Sta. Ignacia Rural Bank, Inc. of the subject house and lots to and in favor of appellee-spouses Alberto Lucas and Nelia Rico as well as Transfer Certificates of Title Nos. 184687 and 184688 issued by the Register of Deeds of Tarlac;
2. Ordering said appellee Sta. Ignacia Rural Bank, Inc. to allow the appellants to repurchase the subject house and lots for such amount as may correspond to the principal obligation and the accumulated interests up to and including the time of actual repurchase;
3. Ordering the appellee Sta. Ignacia Rural Bank, Inc. to return to the appellee-spouses the purchase price of said house and lots which is P47,500.00 including all the expenses incident thereto.
4. No costs.

SO ORDERED.

(pp. 27-28, Rollo.)

The generative facts of the legal controversy, as synthesized by respondent court, are acceptable to herein petitioner, and are accordingly adopted thusly:

On January 14, 1980, the defendant Sta. Ignacia Rural Bank, Inc. extended to the plaintiff-spouses Conrado Pablo and Juanita Gonzales a loan totalling P12,109.75. As a security, the plaintiff-spouses executed in favor of the defendant bank a Real Estate Mortgage (Exh. "A") over their residential house and two (2) lots covered by Free Patent Title, OCT No. P-7941 (Exh. "E") located at Poblacion Norte, Mayantoc, Tarlac. The plaintiff-spouses defaulted in the payment of their obligation, as a result of which, the defendant bank filed with the Provincial Sheriff of Tarlac a petition for extra-judicial foreclosure of their real estate mortgage under Act 3135. On July 28, 1981, the aforesaid house and lots of the plaintiff-spouses were sold at public auction with the defendant bank as the highest bidder for P13,168.35 (Exhs. "B"-"D", inclusive).

Thereafter, the Certificate of Sale (Exh. "D") was executed in favor of the defendant bank on September 29, 1981 and the same was registered with the Register of Deeds of Tarlac on November 5, 1981 (Exh. "E-2"). The

ownership of the subject house and lots was consolidated in favor of the defendant bank by virtue of the final deed of sale executed on November 5, 1983 (Exh. "I"). On December 19, 1984, the defendant bank sold the aforementioned real estates to defendant-spouses Alberto Lucas and Nelia Rico for P47,500.00 (Exh. "K"), and Transfer Certificates of Title Nos. 184687 and 184688 (Exhs. "L" and "M") over the house and lots were subsequently issued in the name of said defendant-spouses.

Hence, the complaint for the repurchase of the subject house and lots, annulment of title and damages filed on March 20, 1986 by the plaintiff-spouses. After trial, the lower court rendered the appealed decision, the decretal portion of which states:

WHEREFORE, this case is hereby DISMISSED without pronouncement as to costs.

SO ORDERED.

(pp. 21-22, Rollo.)

With respect to the principal question of redemption, the court of origin expressed the view that private respondents' cause of action could no longer prosper because:

While Section 119, C.A. 141 provides for a five-year period of redemption involving homestead and free patent lands, Section 5, R.A. No. 720, as amended, provides for a two-year redemption period in mortgage loans with rural banks. R.A. 720, as amended, being a special law and of later enactment prevails over C.A. 141 which is a general law.

The Certificate of Sale was registered on November 5, 1981. The redemption period is counted from the registration of the certificate of foreclosure sale (*Gorospe vs. Santos*, 69 SCRA 191). Pursuant to Section 5, R.A. 720, therefore, plaintiffs' right to redeem within the two-year period has already expired.

(pp. 9-10, Rollo.)

When the same issue was ventilated by private respondents on appeal, respondent Court of Appeals saw no conflict between the pertinent provisions of the Public Land Act and the Rural Banks Act. In consequence, reversal followed upon the following apt observations:

. . . The lower court failed to consider that the subject parcels of residential lots were acquired by the appellants under the provisions of the Public Land Law (C.A. 141). Section 119 thereof provides, inter alia:

Every conveyance of land acquired under the Free Patent provisions, when proper, shall be subject to repurchase by the applicants, his widow, or legal heirs within a period of five years from date of the conveyance.

Accordingly, we do not sustain the trial court's above pronouncement. We base our finding on the case of *Oliva vs. Lamadrid*, 21 SCRA 737, a case in point, in which the High Tribunal ruled that there is no conflict between Section 119 of C.A. 141 and Section 5, R.A. 720, as amended, thus:

"It should be noted that the period of two (2) years granted for the redemption of property foreclosed under Section 5 of Republic Act No. 720, as amended by Republic Act No. 2670, refers to lands 'not covered by a Torrens Title, a homestead or free patent', or to owners of lands 'without torrens title', who can 'show five years or more of peaceful, continuous and uninterrupted possession thereof in the concept of an owner, or of homesteads or free patent lands pending the issuance of titles but already approved', or 'of lands pending homestead or free patent titles'. Plaintiff, however, had, on the land in question, a free patent and a Torrens title, which were issued over 26 years prior to the mortgage constituted in favor of the Bank. Accordingly, there is no conflict between Section 119 of Commonwealth Act No. 141 and Section 5 of Republic Act No. 720, as amended, and the period of two (2) years prescribed in the latter is not applicable to him".

The case before us indubitably shows that the disputed house and lots were covered by a Free Patent Title, Original Certificate of Title No. P-7941 (Exh. "E"). Thus, Section 5 of R.A. 720, as amended, which provides for two (2) years from the date of foreclosure within which to redeem, is clearly not applicable as said section refers to lands "not covered by a torrens title, a homestead or free patent", or to owners of land "without torrens titles" who can "show five years or more of peaceful, continuous, and uninterrupted possession in the concept of an owner, or of homesteads or free patent lands pending the issuance of titles but already approved", or "lands pending homestead or free patent titles". The applicable law, therefore, is Section 119 of the Public Land Law (C.A. 141), and not Section 5 of R.A. 720, as amended.

Now, as to whether the appellants had exercised their right to redeem within the redemption period or whether such right had already prescribed, We again cite the ruling of the Supreme Court in the recent case of *Belisario vs. Intermediate Appellate Court*, 165 SCRA 101, in which it was held, *inter alia*:

"The subject piece of land was sold at public auction to respondent PNB on January 31, 1963. However, the Sheriff's Certificate of Sale was registered only on July 22, 1971. The redemption period, for purposes of determining the time when a final Deed of Sale may be executed or issued and the ownership of the registered land consolidated in the purchaser at an extrajudicial foreclosure sale under Act 3135, should be reckoned from the date of the registration of the Certificate of Sale in the Office of the Register of Deeds concerned and not from the date of public auction (*PNB vs. CA, et. al.*, G.R. L-30831 and L--31176, Nov. 21, 1979, 94 SCRA 357, 371). In this case, under Act 3135, petitioners may redeem the property until July 22, 1972. In addition, Section 119 of Commonwealth Act 141 provides that every conveyance of land acquired under the free patent or homestead patent provisions of the Public Land Act, when proper, shall be subject to repurchase by the applicant, his widow or legal heirs, within the period of five years from the date of conveyance. The five-year period of redemption fixed in Section 119 of the Public Land Law of homestead sold at extrajudicial foreclosure begins to run from the day after the expiration of the one-year period of repurchase allowed in an extrajudicial foreclosure. (*Manuel vs. PNB, et al.*, 101 Phil. 968). Hence, petitioners still had five (5) years from July 22, 1972 (the expiration of the redemption period under Act 3135) within which to exercise their right to repurchase under the Public Land Act".

In this case, it will be recalled that the mortgaged house and lots were sold at public auction to the appellee bank on July 28, 1981. However, the Sheriff's Certificate of Sale was registered only on November 5, 1981. Under Act 3135, the appellants may redeem the subject house and lots until November 5, 1982 being the last day of the one-year period of repurchase allowed by said law. Following, then, the ruling of the Supreme Court in the case of *Belisario vs. Intermediate Appellate Court*, *supra*, the appellants still had five (5) years from November 5, 1982 (the expiration of the redemption period under Act 3135), or until November 5, 1987, within which to exercise their right to repurchase under the Public Land Act.

Moreover, for purposes of ascertaining whether appellants exercised their right to repurchase effectively, we have only to consider their filing of the action for the "repurchase of the subject house and lots, annulment of title and damages" on March 20, 1986 against the appellee bank and the appellee-spouses, which was filed within the five-year period to repurchase. The question now of whether the appellants had actually tendered, deposited or consigned in court the redemption price for the subject house and lots becomes immaterial in view of the filing of said action to repurchase which has been equivalent to an offer to redeem and has the effect *per se* of preserving their right of recovering the disputed house and lots. (*Tolentino vs. Court of Appeals*, 106 SCRA 513; *Tioseco vs. Court of Appeals*, 143 SCRA 705).

Foregoing considered, the issue of whether or not the appellants are still entitled to redeem the subject house and lots is already settled in their favor. The question to be determined now at this juncture is whether the appellants should repurchase the property from the appellee bank or from the appellee-spouses because the amount to be paid by the appellants as consideration for the repurchase would depend upon whether the appellants should repurchase from the former or from the latter. In the case of *Philippine National Bank vs.*

Landeta, 18 SCRA 272, the Supreme Court concurring with this Court held, *inter alia*, that the mortgagor is entitled to repurchase the mortgaged property from the mortgagee bank and the amount to be paid therefor should be only "such amount as may correspond to the principal obligation and the accumulated interest up to and including the time of actual repurchase". The High Tribunal rationalized that a different ruling would render it easy for the buyer at the foreclosure sale to render nugatory the right of repurchase granted by law to the owner who acquired the property under the Public Land Act, by making conveyance of the property for amounts beyond the capacity of said owner to pay. The High Court further stated that this right of repurchase, as long as within the redemption period, may be exercised irrespective of whether or not the mortgagee bank had subsequently conveyed the property to some other party. (*Villaflor vs. Barreto*, 92 Phil. 297).

Following the above pronouncement, it is correct to state that herein appellants may redeem the subject house and lots from the appellee bank despite the conveyance thereof to and in favor of the appellee-spouses. Anent the redemption price, as held in *PNB vs. Landeta*, *supra*, it should be only such amount as may correspond to the principal obligation and the accumulated interest thereon up to and including the time of actual repurchase. Hence, the appellants should pay as redemption price, the amount of the principal obligation which is P10,000.00 plus 12% interest per annum thereon, in addition, up to and including the time of actual repurchase.

(pp. 23-26, Rollo.)

Petitioner's motion for reconsideration did not merit favorable action (p. 30, Rollo), hence the petition at bench which practically reiterates the similar disquisition below towards upholding the supremacy of the 2-year period under the Rural Banks Act over the 5-year limit for repurchase fixed by the Public Land Act (pp. 66-67, Rollo).

The query raised by petitioner is far from novel or unsettled, since the matter of whether the time frame under the Rural Bank Act had superseded the repurchase period prescribed by the Public Land Act involving the foreclosure sale of property acquired via a homestead patent was again recently resolved in the negative by this Division (*Gutierrez, Bidin, Davide [P], Romero, Melo, JJ.*) in *Rural Bank of Davao City, Inc. vs. Court of Appeals* (217 SCRA 554 [1993]) in this fashion:

The policy of homestead laws and the reason behind the foregoing provision are expressed by this Court in *Pascua vs. Talens* in this wise:

"It is well-known that the homestead laws were designed to distribute disposable agricultural lots of the State to land-destitute citizens for their home and cultivation. Pursuant to such benevolent intention the State prohibits the sale or encumbrance of the homestead (Section 116) within five years after the grant of the patent. After that five-year period the law impliedly permits alienation of the homestead; but in line with the primordial purpose to favor the homesteader and his family the statute provides that such alienation or conveyance (Section 117) shall be subject to the right of repurchase by the homesteader, his widow or heirs within five years. This Section 117 is undoubtedly a complement of Section 116. It aims to preserve and keep in the family of the homesteader that portion of public land which the State had gratuitously given to him. It would, therefore, be in keeping with this fundamental idea to hold, as we hold, that the right to repurchase exists not only when the original homesteader makes the conveyance, but also when it is made by his widows or heirs. This construction is clearly deducible from the terms of the statute."

As pointedly stated earlier in *Jocson vs. Soriano*, in connection with homestead statutes:

"Acts Nos. 1120 and 926 were patterned after the laws granting homestead rights and special privileges under the laws of the United States and the various states of the Union. The statutes of the United States as well as of the various states of the Union contain provisions for the granting and protection of homesteads. Their object is to provide a home for each citizen of the Government, where his family may shelter and live beyond the reach of financial misfortune, and to inculcate in individuals those feelings of independence which are essential to the

maintenance of free institutions. Furthermore, the state itself is concerned that the citizens shall not be divested of a means of support, and reduced to pauperism. (Cook and Burgwall vs. McChristian, 4 Ca., 24; Franklin vs. Coffee, 70 Am. Dec., 292; Richardson vs. Woodward, 104 Fed. Rep., 873; 21 Cyc., 459).

The conservation of a family home is the purpose of homestead laws. The policy of the state is to foster families as the factors of society, and thus promote general welfare. The sentiment of patriotism and independence, the spirit of free citizenship, the feeling of interest in public affairs, are cultivated and fostered more readily when the citizen lives permanently in his own home, with a sense of its protection and durability. (Waples on Homestead and Exemptions, p. 3)"

Because of such underlying policy and reason, the right to repurchase under Section 119 cannot be waived by the party entitled thereto, and applies with equal force to both voluntary and involuntary conveyances. And, as early as 1951, in *Cassion vs. Banco Nacional Filipino*, this Court declared that such right is available in foreclosure sales of lands covered by homestead or free patent. Consistently therewith, We have ruled in a number of cases that said Section 119 prevails over statutes which provide for a shorter period of redemption in extrajudicial foreclosure sales. We thus have consistent pronouncements in *Paras vs. Court of Appeals*, *Oliva vs. Lamadrid*, *Belisario vs. Intermediate Appellate Court* and *Philippine National Bank vs. De los Reyes*. These cases, with the exception of *Oliva*, involved the question of which between the five (5) year repurchase period provided in Section 119 of C.A. No. 141 or the one (1) year redemption period under Act No. 3135 should prevail. While *Oliva* is the only case, among those cited, that involves the Rural Banks' Act, the other cases reveal the clear intent of the law on redemption in foreclosure sales of properties acquired under the free patent or homestead statutes which have been mortgaged to banks or banking institutions – i.e., to resolutely and unqualifiedly apply the 5-year period provided for in Section 119 of C.A. No. 141 and, as categorically stated in *Paras* and *Belisario*, to reckon the commencement of the said period from the expiration of the one-year period of redemption allowed in extrajudicial foreclosure. If such be the case in foreclosure sales of lands mortgaged to banks other than rural banks, then, by reason of the express policy behind the Rural Banks' Act, and following the rationale of Our ruling in *Oliva*, it is with greater reason that the 2-year redemption period in Section 5 of the Rural Banks' Act should yield to the period prescribed in Section 119 of C.A. No. 141. Moreover, if this Court is to be consistent with *Paras* and *Belisario*, the 5-year repurchase period under C.A. No. 141 should begin to run only from the expiration of the 2-year period under the Rural Banks' Act. It may be observed in this connection that *Oliva* was decided in 31 October 1967, before the Rural Banks' Act, as amended by R.A. No. 2670, the pertinent portion of Section 5 only reads as follows:

Sec. 5. x x x Provided, That when a land not covered by a Torrens Title, a homestead or free patent land is foreclosed, the homesteader or free patent holder, as well as their heirs shall have the right to redeem the same within two years from the date of foreclosure: x x x"

As amended later by R.A. No. 5939, it reads:

"Sec. 5. x x x Provided, That when a homestead or free patent land is foreclosed, the homesteader or free patent holder, as well as their heirs shall have the right to redeem the same within two years from the date of foreclosure in case of a land not covered by a Torrens title or two years from the date of the registration of the foreclosure in the case of a land covered by a Torrens title: x x x."

The amendment clarifies the rather vague language of Section 5 as amended by R.A. No. 2670. The ambiguity lies in the fact that although the latter seems to speak of three (3) classes of lands, namely (a) those not covered by a Torrens title, (b) homesteads lands and (c) free patent lands, the two-year redemption period may only be enjoyed by the homesteader, the free patent holder or their heirs. Moreover, the clause does not clarify whether the land not covered by a Torrens title refers to unregistered land merely, or includes land acquired by a homestead or free patent not yet issued certificates of title under the Torrens system. As amended, however, by R.A. No. 5939, land acquired under the free patent or homestead patent statutes may be redeemed within a

two-year period; however, the commencement of said period is reckoned from the date of foreclosure, if such land is not yet covered by the Torrens title, or from the registration of the foreclosure – meaning, the certificate of sale – if it is already covered by Torrens title.

Thus, following the clear intent of Oliva, since private respondents' foreclosed property was acquired under the homestead laws, they had two (2) years from 7 December 1979 – when the certificate of sale was registered – or until 7 December 1981, within which to redeem the land. And, pursuant to Section 119 of C.A. No. 141, they had five (5) years from 7 December 1981, within which to repurchase it. Since the private respondents offer to repurchase was made well within the said 5-year period, the two (2) courts below correctly ruled in their favor.

Furthermore, We wish to stress here that We are unable to read in Section 5 of R.A. No. 720, as amended, any legislative intent to modify or repeal Section 199 of the Public Land Act. Each speaks of and deals with a different right. Specifically, the former merely liberalized the duration of an existing right of redemption in extrajudicial foreclosure sales by extending the period of one (1) year fixed in Act No. 3135, as amended by Act No. 4118, to two (2) years insofar as lands acquired under free patent and homestead statutes are concerned. The second speaks of the right to repurchase and prescribes the period within which it may be exercised. These two (2) rights are by no means synonymous. Under Act No. 3135, the purchaser in a foreclosure sale has, during the redemption period, only an inchoate right and not the absolute right to the property with all the accompanying incidents. He only becomes an absolute owner of the property if it is not redeemed during the redemption period. Upon the other hand, the right to repurchase is based on the assumption that the person under obligation to reconvey the property has the full title to the property because it was voluntarily conveyed to him or that he had consolidated his title thereto by reason of a redemptioner's failure to exercise his right of redemption. Thus, in *Paras vs. Court of Appeals*, this Court, advertent to *Gonzalez vs. Calimbas*, stated:

"After a careful study of the point raised in the present appeal by certiorari, we agree with the Court of Appeals that the five-year period within which a homesteader or his widow or heirs may repurchase a homestead sold at public auction or foreclosure sale under Act 3135 as amended, begins not at the date of the sale when merely a certificate is issued by the Sheriff or other official, but rather on the day after the expiration of the period of repurchase, when deed of absolute sale is executed and the property formally transferred to the purchaser. As this Court said in the case of *Gonzales (sic) vs. Calimbas and Poblete*, 51 Phil. 355, the certificate of sale issued to the purchaser at an auction sale is intended to be a mere memorandum of the purchase. It does not transfer the property but merely identifies the purchaser and the property, states the price paid and the date when the right of redemption expires. The effective conveyance is made by the deed of absolute sale executed after the expiration of the period of redemption".

As a consequence of the inchoate character of the right during the redemption period, Act No. 3135 allows the purchaser at the foreclosure sale to take possession of the property only upon the filing of a bond in an amount equivalent to the use of the property for a period of twelve (12) months, to indemnify the mortgagor in case it be shown that the sale was made without violating the mortgage or without complying with the requirements of the Act. That bond is not required after the purchaser has consolidated his title to the property following the mortgagor's failure to exercise his right of redemption for in such a case, the former has become the absolute owner thereof.

Thus, the rules on redemption in the case of an extrajudicial foreclosure of land acquired under free patent or homestead statutes may be summarized as follows: If the land is mortgaged to a rural bank under R.A. No. 720, as amended, the mortgagor may redeem the property within two (2) years from the date of foreclosure or from the registration of the sheriff's certificate of sale at such foreclosure if the property is not covered or is covered, respectively, by a Torrens title. If the mortgagor fails to exercise such right, he or his heirs may still repurchase the property within five (5) years from the expiration of the two (2) year redemption period

pursuant to Section 119 of the Public Land Act (C.A. No. 141). If the land is mortgaged to parties other than rural banks, the mortgagor may redeem the property within one (1) year from the registration of the certificate of sale pursuant to Act No. 3135. If he fails to do so, he or his heirs may repurchase the property within five (5) years from the expiration of the redemption period also pursuant to Section 119 of the Public Land Act.

(pp. 563 - 569.)

Following the doctrine enunciated in the Rural Bank of Davao City case, it is clear from a perusal of the factual antecedents at bar that the plea for repurchase was not time-barred at the time it was made. When the certificate of sale in favor of petitioner was registered with the Register of Deeds on November 5, 1981, private respondents had two years, reckoned from said date, within which to redeem the property from petitioner, and another five years, under Commonwealth Act No. 141, counted from the expiration of the redemption period, to effect repurchase which private respondents precisely did when the suit below was initiated on March 20, 1986.

Neither can petitioner's invocation of Presidential Decree No. 1403 dated June 6, 1978, which amended the relevant proviso on redemption under the Rural Banks Act, be of significant relevance to the resolution of the perceived predicament at hand in default of any repealing clause therein. Withal, it is axiomatic in statutory construction that repeals of statute by implication are not favored (*Valdez vs. Tuazon*, 40 Phil 943 [1920]); *Philippine American Management Co., Inc. vs. Philippine American Management Employees Association*, 49 SCRA 194 [1973]; *Agpalo*, Statutory Construction, 1986 ed., p. 295).

WHEREFORE, the petition is hereby DISMISSED and the decision of the Court of Appeals AFFIRMED, with costs against petitioner.

SO ORDERED.

Feliciano, (Chairman), Bidin, Romero, and Vitug, JJ., concur.

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