

### Title:

**Conchita Gloria and Maria Lourdes Gloria-Payduan vs. Builders Savings and Loan Association, Inc.**

### Facts:

1. **Property Ownership and Initial Events:**

- Spouses Juan and Conchita Gloria owned land in Kamuning, Quezon City (TCT No. 35814). They had a daughter, Maria Lourdes Gloria-Payduan.
- Juan passed away on August 14, 1987.

2. **Filing of Complaint:**

- On December 7, 1993, Conchita and Lourdes filed a complaint asserting that Benildo Biag fraudulently obtained their property title and used it as collateral for a loan from Builders Savings and Loan Association, Inc. (Builders Savings) without Conchita's genuine consent.
- They sought the declaration of the mortgage and promissory note as null and void, cancellation of annotations in the title, and damages.

3. **Response of Builders Savings:**

- Builders Savings asserted that Conchita voluntarily executed the mortgage and promissory note.
- They questioned Maria Lourdes's legal standing, claiming she was not a legally adopted daughter and lacked authority to sue on behalf of Conchita.

4. **Trial Court Rulings:**

- On September 26, 2003, the Regional Trial Court (RTC) dismissed the complaint for lack of merit.
- Petitioners filed for reconsideration, which the RTC granted on March 12, 2004, overturning its initial decision by recognizing the fraudulent nature of the mortgage and promissory note.

5. **Appeal to the Court of Appeals:**

- Builders Savings appealed.
- On March 13, 2012, the Court of Appeals (CA) reversed the RTC's decision, dismissing petitioners' complaint due to procedural lapses, especially regarding verification and recognition of Maria Lourdes's interest in the property.
- Petitioners' motion for reconsideration was denied on June 18, 2012.

6. **Petition to the Supreme Court:**

- Petitioners elevated the matter to the Supreme Court, challenging the CA's decision and asserting Maria Lourdes's legal standing as a real party in interest.

### ### Issues:

#### 1. **Standing and Real Party in Interest:**

- Whether Maria Lourdes Gloria-Payduan, as a co-owner of the property, is a real party in interest.

#### 2. **Procedural Matters:**

- Whether it was appropriate for the CA to pass upon procedural issues not raised in the appellant's brief.

### ### Court's Decision:

#### 1. **Standing of Maria Lourdes:**

- The Supreme Court held that Maria Lourdes had the legal standing as a co-owner and heir to Juan Gloria, given the proof of her being the biological daughter.

- Under Article 777 of the Civil Code, successional rights are transmitted upon the decedent's death, thus legitimizing her interest in the subject property.

#### 2. **Procedural Matters:**

- The verification and certification against forum shopping signed only by one of the two complainants were deemed substantial compliance, especially since both shared a common interest in the property.

#### 3. **Validity of the Mortgage and Promissory Note:**

- The Supreme Court agreed with the trial court's findings that the mortgage and promissory note were void due to fraud and forgery, notably the use of a deceased person's signature.

- Builders Savings failed to exercise due diligence in verifying the authenticity of the documents and identities involved.

### ### Doctrine:

- **Real Party in Interest (Rule 3, Rules of Court):** Heirs can assert their rights to property upon the decedent's death without needing a prior judicial declaration. (Arts. 777 and 494, Civil Code)

- **Substantial Compliance Rule:** Verification/certification requirements in multi-party suits need only one party's compliance when interests are indivisible and common. (Iglesia ni Cristo v. Ponferrada)

- **Fraud and Forge in Contracts (Art. 1346 & Art. 1409, Civil Code):** A forged document is an absolute nullity and conveys no rights. (Spouses Solivel v. Judge Francisco)

**Class Notes:**

- **Real Party in Interest (Rule 3, Rules of Court):** Defined and crucial in establishing standing.
- **Succession (Art. 777, Civil Code):** Succession occurs instantly upon death.
- **Forged Instruments:** Render contracts void ab initio.
- **Substantial Compliance Doctrine:** Pertains to procedural requisites in shared interest cases.

**Verbatim citations:**

- “Art. 1346. An absolutely simulated or fictitious contract is void.”
- “Art. 1409. The following contracts are in existent and void from the beginning: (2) Those which are absolutely simulated or fictitious.”

**Historical Background:**

- This case reflects enhanced judicial scrutiny of fraud and forgery in property and loan transactions. It emphasizes due diligence obligations for financial institutions and legal recognition of heirs’ rights without requiring prior judicial declarations—crucial in property succession and co-ownership disputes in the Philippines’ legal jurisprudence.