

FIRST DIVISION

[G.R. No. 171805, May 30, 2011]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. MERELO B. AZNAR; MATIAS B. AZNAR III; JOSE L. AZNAR (DECEASED), REPRESENTED BY HIS HEIRS; RAMON A. BARCENILLA; ROSARIO T. BARCENILLA; JOSE B. ENAD (DECEASED), REPRESENTED BY HIS HEIRS; AND RICARDO GABUYA (DECEASED), REPRESENTED BY HIS HEIRS, RESPONDENTS.

[G.R. NO. 172021]

MERELO B. AZNAR AND MATIAS B. AZNAR III, PETITIONERS, VS. PHILIPPINE NATIONAL BANK, RESPONDENT.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

Before the Court are two petitions for review on *certiorari* under Rule 45 of the Rules of Court both seeking to annul and set aside the Decision^[1] dated September 29, 2005 as well as the Resolution^[2] dated March 6, 2006 of the Court of Appeals in CA-G.R. CV No. 75744, entitled "*Merelo B. Aznar, Matias B. Aznar III, Jose L. Aznar (deceased) represented by his heirs, Ramon A. Barcenilla (deceased) represented by his heirs, Rosario T. Barcenilla, Jose B. Enad (deceased) represented by his heirs, and Ricardo Gabuya (deceased) represented by his heirs v. Philippine National Bank, Jose Garrido and Register of Deeds of Cebu City.*" The September 29, 2005 Decision of the Court of Appeals set aside the Decision^[3] dated November 18, 1998 of the Regional Trial Court (RTC) of Cebu City, Branch 17, in Civil Case No. CEB-21511. Furthermore, it ordered the Philippine National Bank (PNB) to pay Merelo B. Aznar; Matias B. Aznar III; Jose L. Aznar (deceased), represented by his heirs; Ramon A. Barcenilla (deceased), represented by his heirs; Rosario T. Barcenilla; Jose B. Enad (deceased), represented by his heirs; and Ricardo Gabuya (deceased), represented by his heirs (Aznar, *et al.*), the amount of their lien based on the Minutes of the Special Meeting of the Board of Directors^[4] (Minutes) of the defunct Rural Insurance and Surety Company, Inc. (RISCO) duly annotated on the titles of three parcels of land, plus legal interests from the time of PNB's acquisition of the subject properties until the finality of the judgment but dismissing all other claims of Aznar, *et al.* On the other hand, the March 6, 2006 Resolution of the Court of Appeals denied the Motion for Reconsideration subsequently filed by each party.

The facts of this case, as stated in the Decision dated September 29, 2005 of the Court of Appeals, are as follows:

In 1958, RISCO ceased operation due to business reverses. In plaintiffs' desire to rehabilitate RISCO, they contributed a total amount of

P212,720.00 which was used in the purchase of the three (3) parcels of land described as follows:

"A parcel of land (Lot No. 3597 of the Talisay-Minglanilla Estate, G.L.R.O. Record No. 3732) situated in the Municipality of Talisay, Province of Cebu, Island of Cebu. xxx containing an area of SEVENTY[-]EIGHT THOUSAND ONE HUNDRED EIGHTY[-]FIVE SQUARE METERS (78,185) more or less. x x x" covered by Transfer Certificate of Title No. 8921 in the name of Rural Insurance & Surety Co., Inc.";

"A parcel of land (Lot 7380 of the Talisay Minglanilla Estate, G.L.R.O. Record No. 3732), situated in the Municipality of Talisay, Province of Cebu, Island of Cebu. xxx containing an area of THREE HUNDRED TWENTY[-]NINE THOUSAND FIVE HUNDRED FORTY[-]SEVEN SQUARE METERS (329,547), more or less. xxx" covered by Transfer Certificate of Title No. 8922 in the name of Rural Insurance & Surety Co., Inc." and

"A parcel of land (Lot 1323 of the subdivision plan Psd-No. 5988), situated in the District of Lahug, City of Cebu, Island of Cebu. xxx containing an area of FIFTY[-]FIVE THOUSAND SIX HUNDRED FIFTY[-]THREE (55,653) SQUARE METERS, more or less." covered by Transfer Certificate of Title No. 24576 in the name of Rural Insurance & Surety Co., Inc."

After the purchase of the above lots, titles were issued in the name of RISCO. The amount contributed by plaintiffs constituted as liens and encumbrances on the aforementioned properties as annotated in the titles of said lots. Such annotation was made pursuant to the **Minutes of the Special Meeting of the Board of Directors of RISCO** (hereinafter referred to as the "Minutes") on March 14, 1961, pertinent portion of which states:

x x x x

3. The President then explained that in a special meeting of the stockholders previously called for the purpose of putting up certain amount of P212,720.00 for the rehabilitation of the Company, the following stockholders contributed the amounts indicated opposite their names:

CONTRIBUTED SURPLUS

MERELO B. AZNAR	P50,000.00
MATIAS B. AZNAR	50,000.00
JOSE L. AZNAR	27,720.00
RAMON A. BARCENILLA	25,000.00
ROSARIO T. BARCENILLA	25,000.00

JOSE B. ENAD	17,500.00
RICARDO GABUYA	<u>17,500.00</u>
	212,720.00

X X X X

And that the respective contributions above-mentioned shall constitute as their **lien or interest** on the property described above, if and when said property are titled in the name of RURAL INSURANCE & SURETY CO., INC., subject to registration as their adverse claim in pursuance of the Provisions of Land Registration Act, (Act No. 496, as amended) until such time their respective contributions are refunded to them completely.

X X X X"

Thereafter, various subsequent annotations were made on the same titles, including the Notice of Attachment and Writ of Execution both dated August 3, 1962 in favor of herein defendant PNB, to wit:

On TCT No. 8921 for Lot 3597:

Entry No. 7416-V-4-D.B. - Notice of Attachment - By the Provincial Sheriff of Cebu, Civil Case No. 47725, Court of First Instance of Manila, entitled "Philippine National Bank, Plaintiff, versus Iluminada Gonzales, et al., Defendants", attaching all rights, interest and participation of the defendant Iluminada Gonzales and Rural Insurance & Surety Co., Inc. of the two parcels of land covered by T.C.T. Nos. 8921, Attachment No. 330 and 185.

Date of Instrument - August 3, 1962.

Date of Inscription - August 3, 1962, 3:00 P.M.

Entry No. 7417-V-4-D.B. - Writ of Execution - By the Court of First Instance of Manila, commanding the Provincial Sheriff of Cebu, of the lands and buildings of the defendants, to make the sum of Seventy[-]One Thousand Three Hundred Pesos (P71,300.00) plus interest etc., in connection with Civil Case No. 47725, File No. T-8021.

Date of Instrument - July 21, 1962.

Date of Inscription - August 3, 1962, 3:00 P.M.

Entry No. 7512-V-4-D.B. - Notice of Attachment - By the Provincial Sheriff of Cebu, Civil Case Nos. IV-74065, 73929, 74129, 72818, in the Municipal Court of the City of Manila, entitled "Jose Garrido, Plaintiff, versus Rural Insurance & Surety Co., Inc., et als., Defendants", attaching all rights, interests and participation of the defendants, to the parcels of land covered by T.C.T. Nos. 8921 & 8922 Attachment No. 186,

File No. T-8921.

Date of the Instrument - August 16, 1962.

Date of Inscription - August 16, 1962, 2:50 P.M.

Entry No. 7513-V-4-D.B. - Writ of Execution - By the Municipal Court of the City of Manila, commanding the Provincial Sheriff of Cebu, of the lands and buildings of the defendants, to make the sum of Three Thousand Pesos (P3,000.00), with interest at 12% per annum from July 20, 1959, in connection with Civil Case Nos. IV-74065, 73929, 74613 annotated above.

File No. T-8921

Date of the Instrument - August 11, 1962.

Date of the Inscription - August 16, 1962, 2:50 P.M.

On TCT No. 8922 for Lot 7380:

(Same as the annotations on TCT 8921)

On TCT No. 24576 for Lot 1328 (Corrected to Lot 1323-c per court order):

Entry No. 1660-V-7-D.B. - Notice of Attachment - by the Provincial Sheriff of Cebu, Civil Case No. 47725, Court of First Instance of Manila, entitled "Philippine National Bank, Plaintiff, versus, Iluminada Gonzales, et al., Defendants", attaching all rights, interest, and participation of the defendants Iluminada Gonzales and Rural Insurance & Surety Co., Inc. of the parcel of land herein described.

Attachment No. 330 & 185.

Date of Instrument - August 3, 1962.

Date of Inscription - August 3, 1962, 3:00 P.M.

Entry No. 1661-V-7-D.B. - Writ of Execution by the Court of First Instance of Manila commanding the Provincial Sheriff of Cebu, of the lands and buildings of the defendants to make the sum of Seventy[-]One Thousand Three Hundred Pesos (P71,300.00), plus interest, etc., in connection with Civil Case No. 47725.

File No. T-8921.

Date of the Instrument - July 21, 1962.

Date of the Inscription - August 3, 1962 3:00 P.M.

Entry No. 1861-V-7-D.B. - Notice of Attachment - By the Provincial Sheriff of Cebu, Civil Case Nos. IV-74065, 73929, 74129, 72613 & 72871, in the Municipal Court of the City of Manila, entitled "Jose Garrido, Plaintiff, versus Rural Insurance & Surety Co., Inc., et als., Defendants", attaching all rights, interest and participation of the defendants, to the parcel of

land herein described.

Attachment No. 186.

File No. T-8921.

Date of the Instrument - August 16, 1962.

Date of the Instrition - August 16, 1962 2:50 P.M.

Entry No. 1862-V-7-D.B. - Writ of Execution - by the Municipal Court of Manila, commanding the Provincial Sheriff of Cebu, of the lands and buildings of the Defendants, to make the sum of Three Thousand Pesos (P3,000.00), with interest at 12% per annum from July 20, 1959, in connection with Civil Case Nos. IV-74065, 73929, 74129, 72613 & 72871 annotated above.

File No. T-8921.

Date of the Instrument - August 11, 1962.

Date of the Inscription - August 16, 1962 at 2:50 P.M.

As a result, a Certificate of Sale was issued in favor of Philippine National Bank, being the lone and highest bidder of the three (3) parcels of land known as Lot Nos. 3597 and 7380, covered by T.C.T. Nos. 8921 and 8922, respectively, both situated at Talisay, Cebu, and Lot No. 1328-C covered by T.C.T. No. 24576 situated at Cebu City, for the amount of Thirty-One Thousand Four Hundred Thirty Pesos (P31,430.00). Thereafter, a Final Deed of Sale dated May 27, 1991 in favor of the Philippine National Bank was also issued and Transfer Certificate of Title No. 24576 for Lot 1328-C (corrected to 1323-C) was cancelled and a new certificate of title, TCT 119848 was issued in the name of PNB on August 26, 1991.

This prompted plaintiffs-appellees to file the instant complaint seeking the quieting of their supposed title to the subject properties, declaratory relief, cancellation of TCT and reconveyance with temporary restraining order and preliminary injunction. Plaintiffs alleged that the subsequent annotations on the titles are subject to the prior annotation of their liens and encumbrances. Plaintiffs further contended that the subsequent writs and processes annotated on the titles are all null and void for want of valid service upon RISCO and on them, as stockholders. They argued that the Final Deed of Sale and TCT No. 119848 are null and void as these were issued only after 28 years and that any right which PNB may have over the properties had long become stale.

Defendant PNB on the other hand countered that plaintiffs have no right of action for quieting of title since the order of the court directing the issuance of titles to PNB had already become final and executory and their validity cannot be attacked except in a direct proceeding for their annulment. Defendant further asserted that plaintiffs, as mere stockholders of RISCO do not have any legal or equitable right over the properties of the corporation. PNB posited that even if plaintiff's