

## SECOND DIVISION

[ G.R. No. 196476, September 28, 2020 ]

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF JULIETA L. DANICO, NAMELY, ROGELIO L. DANICO, CORAZON D. EMETERIO, NENITA D. YBAÑEZ, RODRIGO L. DANICO, DANILO L. DANICO, DANIEL L. DANICO, GLORIA ESCRUPULO, VILMA MOSQUEDA, AND NATIONAL POWER CORPORATION, RESPONDENTS.**

### DECISION

**HERNANDO, J.:**

Challenged in this Petition<sup>[1]</sup> is the December 2, 2010 Decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 78619 which affirmed *in toto* the Regional Trial Court's (RTC) January 2, 2003 Decision<sup>[3]</sup> which: (a) declared the extrajudicial foreclosure of the property covered by Transfer Certificate of Title (TCT) No. T-8127<sup>[4]</sup> and its subsequent consolidation under TCT No. T-19241 in the name of the Development Bank of the Philippines (DBP) as valid and legal; (b) directed the DBP to accept the total amount of P301,350.50 as full payment for Julieta and Daniel Danico's (Spouses Danico) loan obligation; and (c) declared the National Power Corporation (NPC) as without any liability.

#### The Antecedents

On April 22, 1977, the Spouses Danico obtained an agricultural loan from petitioner DBP in the total amount of P150,000.00 which was secured by: a) real estate mortgage (REM) over their four (4) real properties covered by Original Certificate of Title (OCT) No. P-1439, TCT No. T-8127, TCT No. T-3278 and OCT No. P-537;<sup>[5]</sup> and b) a chattel mortgage over one unit of Massey Ferguson tractor and accessories.<sup>[6]</sup>

On July 12, 1982, the Department of Agrarian Reform (DAR) issued a Certification seizing the mortgaged real properties covered by OCT No. P-1439, TCT No. T-3278 and OCT No. P-537 and placing them under the coverage of Presidential Decree No. 27, otherwise known as the Operation Land Transfer.<sup>[7]</sup>

On August 6, 1982, DBP extrajudicially foreclosed the real property covered by TCT No. T-8127 for failure of the Spouses Danico to pay their loan obligation. Upon the expiration of the redemption period on September 12, 1983, DBP consolidated the ownership of the real property covered by TCT No. T-8127 as per Sheriff Certificate of Sale and Affidavit of Consolidation of Ownership dated September 12, 1983.<sup>[8]</sup> As a result, TCT No. T-8127 was canceled and TCT No. T-19241 was issued in the name of DBP.<sup>[9]</sup>

On September 9, 1985, NPC bought from the Spouses Danico the following: (a) Lot

No. 861 which is covered by OCT No. P-1439; (b) Lot No. 857-B which is a portion of the land covered by TCT No. T-3278, as the two lots are part of the NPC's Reservoir Area. As per the Deed of Absolute Sale of Registered Land dated September 9, 1985,<sup>[10]</sup> Lot No. 861 covered by OCT No. P-1439 was sold by the Danicos to NPC in the total amount of P511,290.00 provided that:

I, DANIEL DANICO, x x x married to JULIETA LUBOS DANICO, x x x for and in consideration of the sum of FIVE HUNDRED ELEVEN THOUSAND TWO HUNDRED NINETY PESOS ONLY (P511,290.00), x x x, do hereby SELL, TRANSFER AND CONVEY unto the said NATIONAL POWER CORPORATION, x x x that certain parcel of land x x x with TCT No. T- P-1439 x x x

x x x x

That pursuant to the Statement of Account and Certification issued by the DEVELOPMENT BANK OF THE PHILIPPINES, x x x the herein aforementioned parcel of land is presently mortgaged at said bank at a total amount of P393,353.97, account as of December 31, 1985, that the consideration of the sale shall be that the remaining amount of the proceeds of the sale of the above-mentioned lot after paying the herein tenants and the Realty Tax[s] and Capital Gain[s] Tax to the concerned parties, whatever amount left be paid and issued in separate check to the herein DEVELOPMENT BANK. OF THE PHILIPPINES;<sup>[11]</sup>

On the other hand, the Deed of Absolute Sale of a Portion of Registered Land<sup>[12]</sup> states that Lot No. 857-B covered by TCT No. T-3278 was sold by the Spouses Danico to NPC in the total amount of P242,644.50 provided that:

I, DANIEL DANICO, x x x married to JULIETA LUBOS DANICO, x x x for and in consideration of the sum of TWO HUNDRED FOURTY TWO THOUSAND SIX HUNDRED FOURTY FOUR PESOS & 50/100 ONLY (P242,644.50), Philippine Currency, x x x do hereby SELL, TRANSFER AND CONVEY unto the said NATIONAL POWER CORPORATION, x x x that certain parcel of land x x x with TCT No. T-3278 x x x

x x x x

That pursuant to the Statement of Account and Certification issued by the DEVELOPMENT BANK OF THE PHILIPPINES, x x x the herein aforementioned parcel of land is presently mortgaged at said bank at a total cost of P509,320.82, account as of April 30, 1985, that the consideration of the sale shall be that the remaining amount unpaid after the proceeds of another parcel of land had been applied to the said mortgaged loan to the herein bank and consumated (sic) out of the proceeds of the aforementioned parcel of land herein conveyed, and same shall be issued in separate check in favor of the herein bank;<sup>[13]</sup>

DBP agreed to the sale of the two lots to NPC on the condition that a portion of the proceeds would be applied to the Spouses Danico's outstanding obligation with DBP. However, NPC paid DBP only the total amount of P92,003.47<sup>[14]</sup> from the proceeds of the sale of a portion of land covered by TCT No. T-3278 as per Official Receipt No.

2205487 dated November 17, 1986.<sup>[15]</sup> NPC did not remit to DBP the amount P301,350.50 from the proceeds of the sale of the land covered by OCT No. P-1439.<sup>[16]</sup>

Meanwhile, on October 10, 1985, DBP and Daniel entered into a Deed of Conditional Sale<sup>[17]</sup> of the parcel of land covered by TCT No. T-8127, now TCT No. T-19241, for a total consideration of P491,600.00 subject to the following terms and conditions:

**1. That the amount of ONE, HUNDRED EIGHTEEN THOUSAND TWENTY ONE & 20/100 PESOS (P118,021.20) previously paid by the Vendee to the Vendor prior to the execution of the contract of conditional sale, shall constitute the downpayment on this contract and the balance of THREE HUNDRED SEVENTY THREE THOUSAND FIVE HUNDRED SEVENTY EIGHT & 70/100 (P 373,578.70) shall be paid within a period of one (1) year/s on the annual amortization plan with interest at the rate of twenty-one per centum (21%) per annum. The first amortization shall be due on September 30, 1986 in the amount of FOUR HUNDRED FIFTY TWO THOUSAND THIRTY & 35/100 PESOS (P452,030.35) which includes principal and interest;**

2. That the interest and expenses with interest thereon accruing from September 30, 1985 up to the date of execution of the sale document shall be paid by the Vendee (applicable to sales to former owners);<sup>[18]</sup> (Emphasis supplied)

On February 24, 1987, NPC requested DBP to release the copy of OCT No. P-1439 (now TCT No. T-21793 in the name of NPC).<sup>[19]</sup> It reasoned that Disbursement Voucher No. P4-2-0-85-11-3449<sup>[20]</sup> dated November 12, 1986 in the amount of P301,350.50 had already been issued by NPC to DBP in payment for the sale of the land covered by OCT No. P-1439. However, payment to DBP was put on hold pending compliance with the requirement of the Commission on Audit.<sup>[21]</sup>

On the same day, DBP issued a Certification that it will only release the original copy of OCT No. P-1439 if the proceeds of the sale of the said property in the amount of P301,350.50 had already been paid.<sup>[22]</sup>

Meanwhile, on January 10, 1999, Julieta Danico and her heirs filed with RTC, Branch 9, Malaybalay City, a complaint against DBP and NPC for the cancellation or release of mortgage over the four (4) properties covered by the real estate mortgage, which was docketed as Civil Case No. 2881-99.<sup>[23]</sup> They contended that the Spouses Danico's total loan obligation in the amount of P393,353.97 had already been satisfied when NPC paid petitioner DBP the total amount of P394,069.75. Hence, they prayed that DBP release the mortgage over the foreclosed residential property covered by TCT No. T-8127 (now TCT No. T-19241 in the name of DBP). They likewise prayed that a restraining order be issued against DBP to enjoin the latter from taking possession of the land covered by TCT No. T-8127 (now TCT No. T-19241).

On May 7, 1999, petitioner DBP, on the other hand, filed with the same trial court, a petition for the issuance of a writ of possession over the parcel of land now covered

by TCT No. T-19241 in the name of DBP, which was docketed as Misc. Case No. 338-99.<sup>[24]</sup>

On July 13, 1999, DBP filed its Answer with Affirmative Defenses, Counterclaim and Crossclaim.<sup>[25]</sup> DBP denied the allegations of Julieta and her heirs and averred that the Spouses Danico's total loan obligation in the amount of P509,520.82 as per Statement of Account dated April 30, 1985 covered only the unenclosed properties, namely, OCT No. P-1439, TCT No. T-3278 and OCT No. P-537 and not the property covered by TCT No. T-8127 (now TCT No. T-19241) since the latter was already foreclosed by DBP in 1982 even before NPC bought the real properties covered by OCT No. P-1439 and TCT No. T-3278 in 1985. It further denied receipt of payment from NPC of the amount P301,350.50 and averred that the mere issuance by the latter of a disbursement voucher did not necessarily constitute payment of the total loan obligation unless tender of payment, in the form of cash or check, had been made by NPC to DBP.

On August 11, 1999, NPC filed its Answer<sup>[26]</sup> alleging that it already paid DBP the amount P301,350.50 as per Disbursement Voucher No. P4-2-0-85-11-3449 dated November 12, 1986 and Check No. 117684 issued in the name of DBP.

On May 19, 2000, the trial court ordered the joint trial of Misc. Case No. 338-99 and Civil Case No. 2881-99.<sup>[27]</sup>

On November 10, 2000, the trial court issued a Pre-Trial Order with the following stipulation of facts:

1. That [Spouses Danico] obtained an agricultural loan from defendant DBP in the amount of P150,000.00 x x x secured by a real estate mortgage on four (4) titled properties, three (3) of which were agricultural lands and one (1) was a residential land and a chattel mortgage over a tractor.
2. That [NPC] and [Spouses Danico] entered into a contract of sale over two (2) agricultural lands as aforementioned and it was agreed that the proceeds thereof will be used to pay [Daniel's] loan with the x x x DBP.
3. That [DBP] maintained that [it only received] the sum of P92,003.47 out of the total proceeds of the sale x x x. Hence, the rest of the amounts: has to be accounted for. However, [NPC] is willing to pay the amount of P301,350.00 for which it has already prepared a check which has become stale because it was never given to the DBP and that neither DBP took it from the [NPC].
4. At the time of the execution of the contract of sale over the two (2) agricultural lands the total pending account of the [Spouses Danico] with the x x x DBP was in the amount of P509,520.82 as of April 30, 1985, which x x x defendant NAPOCOR was ready to pay the amount of P301,350.00.

5. That Annex B to the complaint is a statement of account admittedly sent by defendant DBP to the [Spouses Danico] showing a balance only of P393,353.90 inclusive of interest as of time date of the statement of account x x x.
6. That x x x Annex B to the complaint x x x refers to the account as of December 31, 1985; that the residential house at that time was already foreclosed by the DBP on August 6, 1982, now consolidated on September 12, 1983 under [DBP'S] name.
7. That x x x the other collateral covered by OCT No. P-1439, TCT No. T- 3278 and TCT No. T-537 (sic) and one unit Massey Ferguson agricultural tractor with trailer harrow and accessories remained unforeclosed up to the present time.
8. That the said three (3) unforeclosed real properties were all tenanted and presently covered by the Land Reform Program under PD No. 27 on July 12, 1982 as Annex D to the answer.
9. That on November 15, 1984 x x x Julieta x x x requested for statement of account of the two (2) unforeclosed real estate property covered by TCT No. T-3278 and OCT No. P-1439 which she alleged [have already been] paid by [NPC] and that according to her she will obtain a DAR clearance for that purpose.
10. That according to defendant DBP the total loan account of the foreclosed property as of April 30, 1985 amounted to P509,520.82 x x x
11. That the amount of P301,350.00 was not yet paid by defendant [NPC] to defendant DBP although the corresponding check voucher has already been prepared by [NPC] x x x.<sup>[28]</sup>

On March 1, 2001, the RTC issued an Order<sup>[29]</sup> holding in abeyance the trial of the case pending the tender of payment by NPC to DBP of the amount of P301,350.50.

On May 7, 2001, NPC filed a Manifestation<sup>[30]</sup> that the check in the total amount of P301,350.50 issued in the name of DBP was ready to be delivered to DBP provided that the latter surrender TCT No. T-21793 and TCT No. T-3278.

However, petitioner DBP refused to accept the check in the total amount of P301,350.50 on the ground that the said amount did not include the interest allegedly due. Thus, on June 28, 2001. the RTC ordered the consignment of the said check with DBP, Malaybalay City Branch which shall be under the name and custody of the RTC Clerk of Court, Branch 9, Malaybalay City.<sup>[31]</sup>

Thereafter, the parties filed their respective memoranda.

#### **Ruling of the Regional Trial Court:**

On January 2, 2003, the RTC rendered its Decision<sup>[32]</sup> declaring the extrajudicial