

## FIRST DIVISION

**[ G.R. No. 215691, November 21, 2018 ]**

**SPOUSES FRANCIS N. CELONES AND FELICISIMA CELONES,  
PETITIONERS, VS. METROPOLITAN BANK AND TRUST COMPANY  
AND ATTY. CRISOLITO O. DIONIDO, RESPONDENTS.**

### DECISION

**TIJAM, J.:**

Before Us is a petition for review on *certiorari*<sup>[1]</sup> filed by petitioners Spouses Francis N. Celones and Felicisima Celones (Spouses Celones), against respondents Metropolitan Bank and Trust Company (Metrobank) and Atty. Crisolito O. Dionido (Atty. Dionido), assailing the Decision<sup>[2]</sup> dated April 14, 2014 and the Resolution<sup>[3]</sup> dated December 11, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 96236, reversing the Order<sup>[4]</sup> dated September 1, 2010 of the Regional Trial Court (RTC) of Pasig City, Branch 154, declaring the Memorandum of Agreement<sup>[5]</sup> (MOA) without force and effect and declaring that Spouses Celones were the ones who redeemed the mortgaged properties.

### Antecedent Facts

The Spouses Celones together with their company, Processing Partners and Packaging Corporation (PPPC), obtained various loans from Metrobank and for which they mortgaged various properties.<sup>[6]</sup> The total obligation of Spouses Celones with Metrobank was P64,474,058.73.<sup>[7]</sup>

The Spouses Celones defaulted in paying their loan, as such, Metrobank foreclosed all the mortgaged properties. During the foreclosure sale, Metrobank was declared as the winning bidder. The certificates of sale were issued on July 2007. Prior to the expiration of the one year redemption period, Metrobank filed petitions for issuance of writs of possession before several courts to take possession of the foreclosed properties.<sup>[8]</sup>

Sometime in 2007, the spouses Celones offered to redeem the properties from Metrobank. The latter issued a Conditional Notice of Approval for Redemption<sup>[9]</sup> (CNAR) dated December 13, 2007 stating that the offer of Spouses Celones to redeem the property in the amount of P55 Million has been approved to be paid on or before December 20, 2007.<sup>[10]</sup> Pressed for time, Spouses Celones sought the help of banking and financing institutions who are willing to extend them a loan. Finally, they found Atty. Dionido who agreed to loan them the said amount.<sup>[11]</sup>

Atty. Dionido then issued two (2) manager's check, one amounting to P35 Million and another amounting to P20 Million.<sup>[12]</sup>

In lieu of executing a loan agreement, Spouses Celones, PPC, Metrobank and Atty. Dionido executed a MOA, wherein the parties agreed for the subrogation of Atty. Dionido to all the rights, interests of Metrobank over the loan obligation of Spouses Celones and the foreclosed properties.<sup>[13]</sup>

Upon receipt of the two manager's checks, Metrobank issued Payment Slips in favor of Spouses Celones.<sup>[14]</sup> It likewise caused the dismissal of the petitions for issuance of writs of possession on the ground that Spouses Celones had already redeemed the properties.<sup>[15]</sup>

On the belief that they have redeemed the foreclosed properties, the Spouses Celones demanded from Metrobank the issuance of a Certificate of Redemption. However, the latter refused to issue the same on the ground that all its rights and interests over the foreclosed properties had been transferred to Atty. Dionido, as such, he should be the one to issue the said certificate.<sup>[16]</sup>

Meanwhile, Atty. Dionido sent several demand letters to Spouses Celones to vacate the foreclosed properties in view of the expiration of the redemption period without Spouses Celones redeeming the same.<sup>[17]</sup>

Aggrieved, Spouses Celones filed before the trial court a case for Declaratory Relief and Injunction to compel Metrobank to issue the certificates of redemption and to deliver to them the certificates of title over the foreclosed properties.<sup>[18]</sup>

On September 1, 2010, the RTC issued an Order<sup>[19]</sup> in favor of Spouses Celones, thus:

**WHEREFORE**, judgment is hereby rendered declaring the questioned [MOA] without force and effect as the same has not been fully executed. The Court further declares the [Spouses Celones] to be the redemptioners of their foreclosed properties and directs defendant Metrobank to execute and deliver the corresponding certificates of redemption over the said properties and turn-over all the Transfer Certificates of Titles covering the same to [Spouses Celones] so that they could be registered in accordance with Section 29, Rule 39 of the Revised Rules of Court.

On the other second transaction, the Court hereby finds that the transaction between the [Spouses Celones] and defendant [Atty.] Dionido is one of a simple loan.

Lastly, the writ of preliminary injunction is hereby made permanent.

**SO ORDERED.**<sup>[20]</sup>

Upon appeal to the CA, the latter reversed the RTC Order and rendered a Decision<sup>[21]</sup> dated April 14, 2014, thus:

**WHEREFORE**, premises considered, the instant appeal is hereby **GRANTED**. The Order dated September 1, 2010 issued by the [RTC] of

Pasig City, Branch 154, in the case for Declaratory Relief and Injunction, docketed as SCA No. 3270-PSG is hereby **REVERSED and SET ASIDE**.

Accordingly, the [MOA] dated December 20, 2007 entered into by [Metrobank], [PPPC], [Spouses Celones] and [Atty. Dionido], is declared a Contract of Subrogation which entitles Atty. Dionido to be subrogated to the rights of Metrobank as a foreclosure buyer. And having failed to redeem the property within the redemption period, the [Spouses] Celones are hereby **DIRECTED** to immediately and voluntarily surrender the possession of the foreclosed properties to Atty. Dionido in accordance with the provisions of the said [MOA].

The [Spouses] Celones are **ORDERED** to pay Atty. Dionido the loan amount of Two Million Five Hundred Thousand (P2,500,000.00) Pesos as payment for the loan they contracted from the latter with legal interest thereon at the rate of six (6%) percent *per annum* from the time of its availment, December 20, 2007, until fully paid.

Additionally, the [Spouses] Celones are ordered to pay Atty. Dionido moral damages in the amount of Five Hundred Thousand (P500,000.00) Pesos, the amount of Three Hundred Thousand (P300,000.00) Pesos, as exemplary damages, and Fifty Thousand (P50,000.00) Pesos by way of attorney's fees. The [Spouses] Celones are likewise **ORDERED** to pay Metrobank the amount of Three Hundred Thousand (P300,000.00) Pesos as exemplary damages and Fifty Thousand (P50,000.00) Pesos as attorney's fees.

With Costs.

**SO ORDERED.**<sup>[22]</sup>

The Motion for Reconsideration<sup>[23]</sup> filed by the spouses Celones was likewise denied by the CA in its Resolution<sup>[24]</sup> dated December 11, 2014.

Hence, this petition.

### **Issue**

Whether or not Spouses Celones were able to redeem the foreclosed properties from Metrobank using the loan acquired from Atty. Dionido.

### **Petitioners' Arguments**

Spouses Celones claimed that the transaction between them and Atty. Dionido was that of a loan.<sup>[25]</sup> Further, Metrobank's subsequent acts shows that spouses Celones has redeemed the property, such as the issuance of payment slips in the name of Spouses Celones and the filing of several motions to dismiss in the civil cases for issuance of a writ of possession pending before different courts due to the Spouses Celones' redemption of the foreclosed properties.

### **Respondents' Arguments**

On the other hand, Metrobank and Atty. Dionido both argued that the Spouses Celones were not able to redeem the property because the CNAR has been novated by the MOA executed by the parties on December 20, 2007. Under the MOA, the P55 Million paid by Atty. Dionido to Metrobank was in consideration of the transfer and assignment of rights of Metrobank to Atty. Dionido over the foreclosed properties. Metrobank claimed that if there was indeed a redemption that occurred, it should be Atty. Dionido who should issue a Certificate of Redemption in view of the transfer and assignment of its rights to the latter.

### **Ruling of the Court**

The petition is impressed with merit.

It is undisputed that the amount of P55 Million paid to Metrobank came from Atty. Dionido. The controversy lies as to what transaction occurred between spouses Celones and Atty. Dionido. Spouses Celones claimed that it was a loan transaction while Atty. Dionido claimed that it was in consideration of his subrogation to the rights and interests of Metrobank over the foreclosed properties.

Under the CNAR dated December 13, 2007, Metrobank approved the offer of Spouses Celones to redeem the property in the amount of P55 Million and that the same should be paid on or before December 20, 2007.<sup>[26]</sup>

In order to finance the said amount, Spouses Celones sought the help of banking and financing institutions to pay off the said amount. Their search led them to Atty. Dionido who agreed to loan them the amount of P55 Million. On December 20, 2007, to finalize their transaction and with the participation of Metrobank, the parties executed a MOA. Under the MOA, the following terms are stipulated:

1. DIONIDO shall pay Metrobank the amount of FIFTY-FIVE MILLION PESOS (P55,000,000.00) upon execution of this Agreement. The said amount shall be exclusive of all taxes, fees and charges, which shall likewise be exclusively assumed by DIONIDO that may be incurred arising from the execution and subsequent consummation of this Agreement, including friction costs and expenses associated with the redemption transaction; and all realty taxes, dues and other assessments on the Subject Properties from date of foreclosure. The payment shall be made in the form of Manager's Check in the name of METROBANK and shall be deposited via METROBANK's bills payment facility.

2. For and in consideration of the said payment by DIONIDO, METROBANK, PPPC, and SPS. CELONES agree to fully and absolutely assign and transfer all of METROBANK's rights, interests, and authorities over the Assumed Obligation and the Subject Properties to DIONIDO, including those arising from the foreclosure proceedings and foreclosure sale made by METROBANK over the Subject Properties, and the authority to sign the Deed of Redemption over the Subject Properties. METROBANK agree to the full subrogation of its rights in favor of DIONIDO, and to free PPPC and SPS. CELONES from the Assumed Obligation.<sup>[27]</sup>