

FIRST DIVISION

[G.R. No. 191636, January 16, 2017]

**PRUDENTIAL BANK (NOW BANK OF THE PHILIPPINE ISLANDS),
PETITIONER, VS. RONALD RAPANOT AND HOUSING & LAND USE
REGULATORY BOARD, RESPONDENTS.**

D E C I S I O N

CAGUIOA, J:

Only questions of law may be raised in petitions for review on *certiorari* brought before this Court under Rule 45, since this Court is not a trier of facts. While there are recognized exceptions which warrant review of factual findings, mere assertion of these exceptions does not suffice. It is incumbent upon the party seeking review to overcome the burden of demonstrating that review is justified under the circumstances prevailing in his case.

The Case

Before the Court is an Appeal by *Certiorari*^[1] under Rule 45 of the Rules of Court (Petition) of the Decision^[2] dated November 18, 2009 (questioned Decision) rendered by the Court of Appeals - Seventh Division (CA). The questioned Decision stems from a complaint filed by herein private respondent Ronald Rapanot (Rapanot) against Golden Dragon Real Estate Corporation (Golden Dragon), Golden Dragon's President Ma. Victoria M. Vazquez^[3] and herein petitioner, Bank of the Philippine Islands, formerly known as Prudential Bank^[4] (Bank) for Specific Performance and Damages (Complaint) before the Housing and Land Use Regulatory Board (HLURB).^[5]

The Petition seeks to reverse the questioned Decision insofar as it found that the Bank (i) was not deprived of due process when the Housing and Land Use Arbitrator (Arbitrator) issued his Decision dated July 3, 2002 without awaiting submission of the Bank's position paper and draft decision, and (ii) cannot be deemed a mortgagee in good faith with respect to Unit 2308-B2 mortgaged by Golden Dragon in its favor as collateral.^[5-a]

The Facts

Golden Dragon is the developer of Wack-Wack Twin Towers Condominium, located in Mandaluyong City. On May 9, 1995, Rapanot paid Golden Dragon the amount of P453,329.64 as reservation fee for a 41.1050-square meter unit in said condominium, particularly designated as Unit 2308-B2,^[6] and covered by Condominium Certificate of Title (CCT) No. 2383 in the name of Golden Dragon.^[7]

On September 13, 1995, the Bank extended a loan to Golden Dragon amounting to

P50,000,000.00^[8] to be utilized by the latter as additional working capital.^[9] To secure the loan, Golden Dragon executed a Mortgage Agreement in favor of the Bank, which had the effect of constituting a real estate mortgage over several condominium units owned and registered under Golden Dragon's name. Among the units subject of the Mortgage Agreement was Unit 2308-B2.^[10] The mortgage was annotated on CCT No. 2383 on September 13, 1995.^[11]

On May 21, 1996, Rapanot and Golden Dragon entered into a Contract to Sell covering Unit 2308-B2. On April 23, 1997, Rapanot completed payment of the full purchase price of said unit amounting to P1,511,098.97.^[12] Golden Dragon executed a Deed of Absolute Sale in favor of Rapanot of the same date.^[13] Thereafter, Rapanot made several verbal demands for the delivery of Unit 2308-B2.^[14]

Prompted by Rapanot's verbal demands, Golden Dragon sent a letter to the Bank dated March 17, 1998, requesting for a substitution of collateral for the purpose of replacing Unit 2308-B2 with another unit with the same area. However, the Bank denied Golden Dragon's request due to the latter's unpaid accounts.^[15] Because of this, Golden Dragon failed to comply with Rapanot's verbal demands.

Thereafter, Rapanot, through his counsel, sent several demand letters to Golden Dragon and the Bank, formally demanding the delivery of Unit 2308-B2 and its corresponding CCT No. 2383, free from all liens and encumbrances.^[16] Neither Golden Dragon nor the Bank complied with Rapanot's written demands.^[17]

Proceedings before the HLURB

On April 27, 2001, Rapanot filed a Complaint with the Expanded National Capital Region Field Office of the HLURB.^[18] The Field Office then scheduled the preliminary hearing and held several conferences with a view of arriving at an amicable settlement. However, no settlement was reached.^[19]

Despite service of summons to all the defendants named in the Complaint, only the Bank filed its Answer.^[20] Thus, on April 5, 2002, the Arbiter issued an order declaring Golden Dragon and its President Maria Victoria Vazquez in default, and directing Rapanot and the Bank to submit their respective position papers and draft decisions (April 2002 Order).^[21] Copies of the April 2002 Order were served on Rapanot and the Bank via registered mail.^[22] However, the envelope bearing the copy sent to the Bank was returned to the Arbiter, bearing the notation "refused to receive".^[23]

Rapanot complied with the April 2002 Order and personally served copies of its position paper and draft decision on the Bank on May 22, 2002 and May 24, 2002, respectively.^[24] In the opening statement of Rapanot's position paper, Rapanot made reference to the April 2002 Order.^[25]

On July 3, 2002, the Arbiter rendered a decision (Arbiter's Decision) in favor of Rapanot, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Declaring the mortgage over the condominium unit No. 2308-B2 covered by Condominium Certificate of Title No. 2383 in favor of respondent Bank as null and void for violation of Section 18 of Presidential Decree No. 957[;]
2. Ordering respondent Bank to cancel the mortgage on the subject condominium unit, and accordingly, release the title thereof to the complainant;
3. Ordering respondents to pay jointly and severally the complainant the following sums:
 - a. P100,000.00 as moral damages,
 - b. P100,000.00 as exemplary damages,
 - c. P50,000.00 as attorney's fees,
 - d. The costs of litigations (sic), and
 - e. An administrative fine of TEN THOUSAND PESOS (P10,000.00) payable to this Office fifteen (15) days upon receipt of this decision, for violation of Section 18 in relation to Section 38 of PD 957;
4. Directing the Register of Deeds of Mandaluyong City to cancel the aforesaid mortgage on the title of the subject condominium unit; and
5. Immediate[ly] upon receipt by the complainant of the owner's duplicate Condominium Certificate of Title of Unit 2308-B2, delivery of CCT No. 2383 over Unit 2308-B2 in favor of the complainant free from all liens and encumbrances.

SO ORDERED.^[26]

On July 25, 2002, the Bank received a copy of Rapanot's Manifestation dated July 24, 2002, stating that he had received a copy of the Arbiter's Decision.^[27] On July 29, 2002, the Bank filed a Manifestation and Motion for Clarification,^[28] requesting for the opportunity to file its position paper and draft decision, and seeking confirmation as to whether a decision had indeed been rendered notwithstanding the fact that it had yet to file such submissions.

Subsequently, the Bank received a copy of Rapanot's Motion for Execution dated September 2, 2002,^[29] to which it filed an Opposition dated September 4, 2002.^[30]

Meanwhile, the Bank's Manifestation and Motion for Clarification remained unresolved despite the lapse of five (5) months from the date of filing. This prompted the Bank to secure a certified true copy of the Arbiter's Decision from the

HLURB.^[31]

On January 16, 2003, the Bank filed a Petition for Review with the HLURB Board of Commissioners (HLURB Board) alleging, among others, that it had been deprived of due process when the Arbiter rendered a decision without affording the Bank the opportunity to submit its position paper and draft decision.

The HLURB Board modified the Arbiter's Decision by: (i) reducing the award for moral damages from P100,000.00 to P50,000.00, (ii) deleting the award for exemplary damages, (iii) reducing the award for attorney's fees from P50,000.00 to P20,000.00, and (iv) directing Golden Dragon to pay the Bank all the damages the latter is directed to pay thereunder, and settle the mortgage obligation corresponding to Unit 2308-B2.^[32]

Anent the issue of due process, the HLURB Board held, as follows:

x x x x x x x x x

With respect to the first issue, we find the same untenable. Records show that prior to the rendition of its decision, the office below has issued and duly sent an Order to the parties declaring respondent GDREC in default and directing respondent Bank to submit its position paper. x x x^[33]
(Underscoring omitted)

Proceedings before the Office of the President

The Bank appealed the decision of the HLURB Board to the Office of the President (OP). On October 10, 2005, the OP issued a resolution denying the Bank's appeal. In so doing, the OP adopted the BLURB's findings.^[34] The Bank filed a Motion for Reconsideration, which was denied by the OP in an Order dated March 3, 2006.^[35]

Proceedings before the CA

The Bank filed a Petition for Review with the CA on April 17, 2006 assailing the resolution and subsequent order of the OP. The Bank argued, among others, that the OP erred when it found that the Bank (i) was not denied due process before the HLURB, and (ii) is jointly and severally liable with Golden Dragon for damages due Rapanot.^[36]

After submission of the parties' respective memoranda, the CA rendered the questioned Decision dismissing the Bank's Petition for Review. On the issue of due process, the CA held:

Petitioner asserts that it was denied due process because it did not receive any notice to file its position paper nor a copy of the Housing Arbiter's Decision. Rapanot, meanwhile, contends that the Housing Arbiter sent petitioner a copy of the April 5, 2002 Order to file position paper by registered mail, as evidenced by the list of persons furnished with a copy thereof. However, according to Rapanot, petitioner "refused to receive" it.

In the instant case, there is no denial of due process. Petitioner filed its Answer where it was able to explain its side through its special and affirmative defenses. Furthermore, it participated in the preliminary hearing and attended scheduled conferences held to resolve differences between the parties. Petitioner was also served with respondent's position paper and draft decision. Having received said pleadings of respondent, petitioner could have manifested before the Housing Arbiter that it did not receive, if correct, its order requiring the submission of its pleadings and therefore prayed that it be given time to do so. Or, it could have filed its position paper and draft decision without awaiting the order to file the same. Under the circumstances, petitioner was thus afforded and availed of the opportunity to present its side. It cannot make capital of the defense of denial of due process as a screen for neglecting to avail of opportunities to file other pleadings.^[37]

With respect to the Bank's liability for damages, the CA held thus:

Section 18 of PD 957, requires prior written authority of the HLURB before the owner or developer of a subdivision lot or condominium unit may enter into a contract of mortgage. Hence, the jurisdiction of the HLURB is broad enough to include complaints for annulment of mortgage involving violations of PD 957.

Petitioner argues that, as a mortgagee in good faith and for value, it must be accorded protection and should not be held jointly and severally liable with Golden Dragon and its President, Victoria Vasquez.

It is true that a mortgagee in good faith and for value is entitled to protection, as held in ***Rural Bank of Compostela vs. Court of Appeals*** but petitioner's dependence on this ruling is misplaced as it cannot be considered a mortgagee in good faith.

The doctrine of "mortgagee in good faith" is based on the rule that all persons dealing with property covered by a certificate of title, as mortgagees, are not required to go beyond what appears on the face of the title.

However, while a mortgagee is not under obligation to look beyond the certificate of title, the nature of petitioner's business requires it to take further steps to assure that there are no encumbrances or liens on the mortgaged property, especially since it knew that it was dealing with a condominium developer. It should have inquired deeper into the status of the properties offered as collateral and verified if the HLURB's authority to mortgage was in fact previously obtained. This it failed to do.

It has been ruled that a bank, like petitioner, cannot argue that simply because the titles offered as security were clean of any encumbrances or lien, it was relieved of taking any other step to verify the implications should the same be sold by the developer. While it is not expected to conduct an exhaustive investigation of the mortgagor's title, it cannot be