

SECOND DIVISION

[G.R. No. 170060, August 17, 2016]

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. CLARGES CORPORATION, REALTY RESPONDENT.

D E C I S I O N

LEONEN, J.:

The admission of a third-party complaint lies within the sound discretion of the trial court. If leave to file a third-party complaint is denied, then the proper remedy is to file a separate case, not to insist on the admission of the third-party complaint all the way up to this Court.

This resolves a Petition for Review on Certiorari^[1] assailing the Court of Appeals Decision^[2] dated June 22, 2005 in CA-G.R. CV No. 56570. The Court of Appeals affirmed the Regional Trial Court Decision^[3] ordering the Development Bank of the Philippines to deliver to Clarges Realty Corporation a clean title of the property subject of the Deed of Absolute Sale dated November 23, 1987.^[4]

The property is a 12,355-square-meter parcel of land located along Pasong Tamo Extension, Makati City.^[5] It was covered by Transfer Certificate of Title (TCT) No. S-16279 and was registered under the name of Marinduque Mining and Industrial Corporation.^[6]

To secure a loan, Marinduque Mining and Industrial Corporation first mortgaged the property to Caltex Philippines, Inc. A second mortgage was constituted over the property, this time in favor of the Development Bank of the Philippines and the Philippine National Bank.^[7]

When Marinduque Mining and Industrial Corporation failed to pay its loan obligations, the Development Bank of the Philippines and the Philippine National Bank jointly instituted extrajudicial foreclosure proceedings over the property sometime in July and August 1984.^[8] The mortgagee banks emerged as the highest bidders during the public sale but were unable to redeem the property because of Caltex Philippines, Inc.'s first mortgage.

On January 20, 1986, first mortgagee Caltex Philippines, Inc. foreclosed its mortgage on the property.^[9] As second mortgagee, the Development Bank of the Philippines redeemed the property from Caltex Philippines, Inc.^[10] and the property formed part of the Development Bank of the Philippines' physical assets.

The Development Bank of the Philippines then offered the property for public sale, where Clarges Realty Corporation emerged as the highest bidder.^[11] Clarges Realty

Corporation offered P24,070,000.00 as payment for the property.^[12]

On November 23, 1987, the Development Bank of the Philippines (as vendor) and Clarges Realty Corporation (as vendee) executed a Deed of Absolute Sale¹³ for the property. The parties agreed that all expenses to be incurred in connection with the transfer of title to Clarges Realty Corporation would be borne by the Development Bank of the Philippines.^[14] Moreover, the Development Bank of the Philippines bound itself under Clause 6 of the Deed of Absolute Sale to deliver a title to the property "free from any and all liens and encumbrances on or before December 15, 1987."^[15]

The Development Bank of the Philippines succeeded in having the property registered under its name. Marinduque Mining and Industrial Corporation's TCT No. S-16279 was cancelled and, in its place, TCT No. 151178 was issued.^[16]

However, TCT No. 151178 contained annotations from the former TCT No. S-16279, specifically, the mortgage lien of the Philippine National Bank and a tax lien for unpaid taxes incurred by Marinduque Mining and Industrial Corporation. The annotations state:

Entry No. 761 - MORTGAGE in favor of PHILIPPINE NATIONAL BANK in the initial amount of PHILIPPINE PESOS: FOUR BILLION (P4,000,000,000.00) and to secure any and all obligations with PNB, whether contracted before, during or after the date of this instrument, acknowledged before Notary Public Manila, Norrna C. [illegible in *rollo*] Doc No. 284, Page No. 58, Book No. III, series of 1981.

Date of instrument - July 13, 1981

Date of inscription - June 10, 1982

[sgd]

VICENTE N. COLOYAN, Register of Deeds

X-X-X-X-X-X-X-X

Entry No. 24513/3-16279 - NOTICE OF TAX LIEN -

The registered owner of this title is under obligation to pay the government of the Republic of the Philippines in the amount of SIXTY EIGHT MILLION SEVEN HUNDRED FIFTY EIGHT THOUSAND EIGHT HUNDRED FIFTY TWO & 51/100 (P68,758,852.51) PESOS in accordance with the letter of Rornulo M. Villa, deputy commissioner, BIR, QC.

Date of instrument - Aug. 28, 1986

Date of inscription - Oct. 10, 1986

[sgd]

MILA G. FLORES, Register of Deeds^[17]

December 15, 1987 passed, and the Development Bank of the Philippines delivered to Clarges Realty Corporation the owner's duplicate copy of TCT No. 151178 with the

mortgage and tax liens still annotated on it.^[18] Clarges Realty Corporation demanded a clean title from the Development Bank of the Philippines, but the bank failed to deliver a clean title.^[19]

Thus, Clarges Realty Corporation filed before the Regional Trial Court of Makati City a Complaint^[20] for Specific Performance and Damages praying that the Development Bank of the Philippines be ordered to deliver a title to the property free of liens and encumbrances as provided in Clause 6 of the Deed of Absolute Sale.

The Development Bank of the Philippines answered^[21] the Complaint, contending that Clarges Realty Corporation had no cause of action against it. Clarges Realty Corporation allegedly knew that the payment of the tax liability and the corresponding cancellation of the tax lien had devolved to the Asset Privatization Trust after the latter acquired the assets of the Development Bank of the Philippines^[22] under Proclamation No. 50.^[23]

Trial on the merits ensued. During the trial, Clarges Realty Corporation had the mortgage lien cancelled, thus incurring P163,929.00 in expenses.^[24] For their part, the Development Bank of the Philippines and the Asset Privatization Trust had the tax lien partially cancelled, with the tax liability reduced from P68,758,852.51 to P24,311,997.41.^[25] TCT No. 151178 (under the name of the Development Bank of the Philippines) was cancelled, and a new one was issued—TCT No. 162836—under the name of Clarges Realty Corporation.^[26] Left annotated on TCT No. 162836 was the partially cancelled tax Hen:

Entry No. 91584/S-16279 - PARTIAL CANCELLATION -By virtue of a Request of the Bureau of Internal Revenue, the Notice of Tax Lien inscribed under Entry No. 24513 is hereby PARTIALLY CANCELLED as to the amount of TWENTY FOUR MILLION THREE HUNDRED ELEVEN THOUSAND NINE HUNDRED NINETY SEVEN PESOS AND FORTY ONE CENTAVOS (F24,311,997.41) signed JOSE U. ONG, Commissioner of Internal Revenue. Date of Instrument-Oct. 16, 1989

Date of inscription - Jan. 19, 1990

[sgd]
ANTONIO L. LEACHON III
DEPUTY REGISTER OF DEEDS II^[27]

Clarges Realty Corporation had already rested its case when the Development Bank of the Philippines moved for leave of court to file a third-party complaint.^[28] The Development Bank of the Philippines sought to implead the Asset Privatization Trust as a third-party defendant and maintained that the Asset Privatization Trust had assumed the "direct and personal"^[29] obligation to pay for Marinduque Mining and Industrial Corporation's tax liability and to have the partially reduced tax lien cancelled.

Clarges Realty Corporation opposed the Motion for Leave.^[30] It argued that admitting the third-party complaint would cause unreasonable delay and entail unnecessary costs.^[31]

Conceding that the Development Bank of the Philippines' claim against the Asset Privatization Trust was connected to the claim of Clarges Realty Corporation, the trial court nevertheless denied the Motion for Leave in the Order^[32] dated January 11, 1994. According to the trial court, the Development Bank of the Philippines "should have impleaded the Asset Privatization Trust during the preparation of its answer if indeed a third party is liable to it for subrogation or other relief."^[33] The trial court added that "[t]he filing of a third party complaint [when the plaintiff had already rested its case] would [have unjustly delayed the case] considering that summons must be served on the third-party defendant and the latter should still present its evidence to negate [the defendant's] claim against it."^[34]

The Development Bank of the Philippines moved to reconsider the Order denying the Motion for Leave. However, the Motion for Reconsideration was denied in the Order^[35] dated March 21, 1994.

Development Bank of the Philippines then proceeded to present its evidence.^[36]

The trial court ruled in favor of Clarges Realty Corporation, and in the Decision³⁷ dated May 30, 1997, it granted the Complaint for Specific Performance and Damages. The trial court found that the Development Bank of the Philippines breached Clause 6 of the Deed of Absolute Sale when it failed to deliver to Clarges Realty Corporation a title to the property free from liens and encumbrances on or before December 15, 1987.^[38]

Regardless of whether the Asset Privatization Trust undertook to have the tax lien cancelled, the trial court held that Clarges Realty Corporation could only demand the delivery of a clean title from the Development Bank of the Philippines under the principle of relativity of contracts.^[39]

The trial court declared the Development Bank of the Philippines liable for damages for breaching Clause 6 of the Deed of Absolute Sale.^[40] It likewise ordered the bank to reimburse Clarges Realty Corporation the amount of P163,929.00, representing the expenses incurred to have the mortgage lien cancelled.^[41]

The dispositive portion of the May 30, 1997 Decision reads;

WHEREFORE, in view of the foregoing defendant Development Bank of the Philippines is ordered:

1. To remove or cause the removal of Entry No. 94584[sic]/S- 16279 from TCT No. 162836 within thirty (30) days from finality of this Decision;
2. To pay plaintiff Clarges Realty Corporation the amount of P163,929 representing the fees incurred by the latter for the cancellation of Entry No. 761, and the amount of P632.90 representing miscellaneous and transportation expenses incurred by plaintiff's representative in connection with this case;

3. To pay P50,000.00 as attorney's fees; and
4. To pay the costs of litigation.

SO ORDERED.^[42]

The Development Bank of the Philippines filed an appeal before the Court of Appeals.

However, the Court of Appeals affirmed with modification the trial court's Decision. Like the trial court, the Court of Appeals held that the Development Bank of the Philippines breached its obligation to deliver a clean title to the property to Clarges Realty Corporation.^[44] According to the Court of Appeals, Clause 6 of the Deed of Absolute Sale is clear, leaving no doubt as to the intention of the parties to the contract.^[45] The Court of Appeals added that compliance with Clause 6 cannot be made to depend on the willingness—or lack thereof—of the Asset Privatization Trust to assume the obligation of having the tax lien cancelled, the Asset Privatization Trust being a non-party to the contract of sale.^[46]

Touching on the trial court's denial of leave to admit the third- party complaint, the Court of Appeals held that the trial court did not gravely abuse its discretion. It found that granting leave would have further delayed the case since Clarges Realty Corporation had already rested its case when the Motion for Leave"was filed.^[47]

As to the amount of damages, the Court of Appeals deleted the award of F632.90, representing miscellaneous and transportation expenses to Clarges Realty Corporation. The Court of Appeals found that the reimbursement receipts presented in evidence were not the best evidence of the miscellaneous and transportation expenses.^[48]

The dispositive portion of the Court of Appeals' June 22, 2005 Decision reads:

WHEREFORE, the Decision of the RTC of Makati City, Branch 64 in Civil Case No. 89-2895 is **MODIFIED** in that the award of damages in the amount of P632.90 representing miscellaneous expenses and transportation expenses is hereby **DELETED**. In all other respects, the said judgment is **AFFIRMED**.

SO ORDERED.^[49] (Emphasis in the original)

The Development Bank of the Philippines moved for partial reconsideration, but the Motion was denied in the Resolution^[50] dated October 10, 2005.

Petitioner Development Bank of the Philippines then filed before this Court its Petition for Review on Certiorari.^[51] Respondent Clarges Realty Corporation filed a Comment,^[52] to which petitioner filed a Reply.^[53]

Upon the directive of this Court,^[54] petitioner^[55] and respondent^[56] filed their respective Memoranda.