

## FIRST DIVISION

[ G.R. No. 219783, August 03, 2016 ]

**SPOUSES ERNESTO TATLONGHARI AND EUGENIA TATLONGHARI,  
PETITIONERS, VS. BANGKO KABAYAN-IBAAN RURAL BANK, INC.,  
RESPONDENT.**

### D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on certiorari<sup>[1]</sup> are the Decision<sup>[2]</sup> dated January 29, 2015 and the Resolution<sup>[3]</sup> dated August 5, 2015 rendered by the Court of Appeals (CA) in CA-G.R. SP No. 126390, finding no grave abuse of discretion on the part of the Regional Trial Court of Pallocan West, Batangas City, Branch 7 (RTC) in denying petitioners' motion for leave to file third amended complaint.

#### The Facts

On August 3, 2004, a certain Pedro V. Ilagan (Pedro) filed a complaint<sup>[4]</sup> for annulment of special power of attorney (SPA), promissory notes, and real estate mortgage (civil case) against respondent Bangko Kabayan-Ibaan Rural Bank, Inc. (the bank) and the Provincial Sheriff of Batangas Province (defendants) before the RTC.<sup>[5]</sup> He alleged that the Office of the Ex-Officio Sheriff of the RTC had posted and published notices of Sheriffs Sale against him as the attorney-in-fact of a certain Matilde Valdez (Valdez), married to Crispin Brual (Brual), and herein petitioners spouses Ernesto and Eugenia Tatlonghari (Sps. Tatlonghari), setting the auction sale of properties belonging respectively to the said couples allegedly for the satisfaction of Pedro's indebtedness to the bank amounting to P3,000,000.00.<sup>[6]</sup> Among others, Pedro denied that he obtained a loan from the bank and that Sps. Tatlonghari or Valdez constituted him as an attorney-in-fact for the purpose of mortgaging their respective properties as collateral to the bank.<sup>[7]</sup>

After the original complaint was filed, Pedro convinced Sps. Tatlonghari to join him in the civil case against the bank. He informed them that the bank used a falsified SPA and made it appear that they had authorized him to obtain a loan from it, secured by a real estate mortgage on their property which was the subject of foreclosure proceedings.<sup>[8]</sup> As Sps. Tatlonghari did not issue any SPA or authorization in favor of Pedro, they agreed to join him as plaintiffs in the civil case against the bank and likewise accepted the offer for Pedro's counsel, Atty. Bienvenido Castillo (Atty. Castillo), to represent them.<sup>[9]</sup> On August 11, 2004, Sps. Tatlonghari and Pedro, together with Valdez and Brual, as plaintiffs, filed an amended complaint<sup>[10]</sup> (First Amended Complaint) against defendants.

On September 21, 2004, the defendants filed their answer.<sup>[11]</sup>

On July 22, 2005, Atty. Eliseo Magno Salva (Atty. Salva) of the Salva Salva & Salva Law Office entered<sup>[12]</sup> the appearance of the law firm as collaborating counsel for plaintiffs. Thereafter, plaintiffs, through Atty. Salva, filed a Manifestation and Motion for Leave to File and to Admit Second Amended Complaint<sup>[13]</sup> asserting the need to file a Second Amended Complaint for the purpose of, *inter alia*, including as additional plaintiffs Sps. Tolentino A. Sandoval (Tolentino) and Evelyn C. Sandoval (Evelyn; collectively, Sps. Sandoval), who had previously purchased the mortgaged property of Valdez. Incidentally, Valdez and Brual had since died; thus, the Second Amended Complaint also sought to include their estate and heirs as defendants, as the latter's consent to substitute their predecessors could not be secured.<sup>[14]</sup> Additionally, Eugenia Ilagan (Eugenia), Pedro's spouse, was included as plaintiff.<sup>[15]</sup>

Subsequently, the RTC admitted the Second Amended Complaint.<sup>[16]</sup>

While the case was pending, Sps. Tatlonghari allegedly discovered evidence which led them to believe that it was Tolentino, one of their co-plaintiffs, who was responsible for involving their property in the purportedly anomalous transactions with the bank. As Attys. Castillo and Salva, the collaborating counsels of record, were both hired by Pedro and Tolentino, Sps. Tatlonghari decided to engage the services of their own counsel. Thus, on August 3, 2011, Atty. Marlito I. Villanueva (Atty. Villanueva) entered<sup>[17]</sup> his appearance as counsel for Sps. Tatlonghari.<sup>[18]</sup>

Subsequently, Atty. Villanueva filed a motion for leave to file third amended complaint<sup>[19]</sup> on behalf of Sps. Tatlonghari. In their motion, they alleged that the title to their property had already been consolidated in favor of the bank, and that the original and amended complaints contained no allegations or prayer pertaining specifically to their cause of action against the bank, which might bar them from getting complete relief in the civil case. Particularly, the Third Amended Complaint<sup>[20]</sup> fully described the property in question and stated that it was an entirely different property from the one covered by the real estate mortgage in favor of the bank. In view thereof, Sps. Tatlonghari prayed, *inter alia*, for the reconveyance of their property, which the bank maliciously and unlawfully foreclosed and transferred in its name, and for the award of damages.<sup>[21]</sup>

### **The RTC Ruling**

In an Order<sup>[22]</sup> dated December 5, 2011, the RTC denied Sps. Tatlonghari's motion, explaining that while it graciously allowed the second amendment of the complaint, it can no longer allow a *third* amendment in view of the delay in the adjudication of the merits of the case. Moreover, it noted that Sps. Tatlonghari's motion did not bear the signature of Atty. Salva, the current counsel of record of all the plaintiffs. Since records are bereft of evidence that Atty. Salva had withdrawn as counsel, he is still the Sps. Tatlonghari's counsel as far as the RTC was concerned, notwithstanding Atty. Villanueva's entry of appearance on behalf of Sps. Tatlonghari.<sup>[23]</sup>

Sps. Tatlonghari moved for reconsideration,<sup>[24]</sup> which was, however, denied in the Order<sup>[25]</sup> dated August 6, 2012. Thus, they elevated the matter to the CA via

petition for *certiorari*.<sup>[26]</sup>

### **The CA Ruling**

In a Decision<sup>[27]</sup> dated January 29, 2015, the CA found no grave abuse of discretion on the part of the RTC in denying Sps. Tatlonghari's motion, citing Section 3, Rule 10 of the Rules of Court, which states in part:

Section 3. *Amendments by leave of court.* - Except as provided in the next preceding section, substantial amendments may be made only upon leave of court. But such leave may be refused if it appears to the court that the motion was made with intent to delay, x x x

In view thereof, it found that the RTC did not commit grave abuse of discretion when it considered inexcusable delay in denying Sps. Tatlonghari's motion for leave of court to file third amended complaint. Anent the issue of whether Atty. Villanueva had validly replaced Atty. Salva as Sps. Tatlonghari's counsel of record, the CA likewise concurred with the RTC in finding that Atty. Salva had neither been relieved nor replaced; therefore, he remains the counsel of record of Sps. Tatlonghari.<sup>[28]</sup>

Sps. Tatlonghari's motion for reconsideration<sup>[29]</sup> was denied in a Resolution<sup>[30]</sup> dated August 5, 2015; hence, this petition.

### **The Issue Before the Court**

The issue for the Court's resolution is whether or not the CA erred in upholding the denial of Sps. Tatlonghari's motion for leave to file third amended complaint and in finding that there was no valid substitution of counsels of record insofar as Sps. Tatlonghari were concerned.

### **The Court's Ruling**

The petition has merit.

Our rules of procedure allow a party in a civil action to amend his pleading as a matter of right, so long as the pleading is amended only once and before a responsive pleading is served (or, if the pleading sought to be amended is a reply, within ten days after it is served). Otherwise, a party can only amend his pleading upon prior leave of court.<sup>[31]</sup>

As a matter of judicial policy, courts are impelled to treat motions for leave to file amended pleadings with liberality. This is especially true when a motion for leave is filed during the early stages of proceedings or, at least, before trial. Jurisprudence states that *bona fide* amendments to pleadings should be allowed in the interest of justice so that every case may, so far as possible, be determined on its real facts and the multiplicity of suits thus be prevented. Hence, as long as it does not appear that the motion for leave was made with bad faith or with intent to delay the proceedings, courts are justified to grant leave and allow the filing of an amended pleading. Once a court grants leave to file an amended pleading, the same becomes binding and will not be disturbed on appeal unless it appears that the court had abused its discretion.<sup>[32]</sup>