

## FIRST DIVISION

[ G.R. No. 191170, September 14, 2016 ]

**CAMERON GRANVILLE 3 ASSET MANAGEMENT, INC.,  
PETITIONER, VS. FIDEL O. CHUA AND FILIDEN REALTY AND  
DEVELOPMENT CORP., RESPONDENTS.**

### DECISION

**SERENO, C.J.:**

This is a Petition for Review on Certiorari under Rule 45 of the Rules of Court seeking to nullify the Court of Appeals (CA) Decision<sup>[1]</sup> and Resolution<sup>[2]</sup> in CA-G.R. SP No. 103809. The CA Decision annulled the Orders<sup>[3]</sup> of the Regional Trial Court of Parañaque City, Branch 258 (RTC Branch 258), which joined petitioner as party-defendant in Civil Case No. 01-0207. The CA Resolution denied petitioner's motion for reconsideration.

### FACTS

In 1988, respondents obtained an initial loan of P4 million from the Metropolitan Bank and Trust Co. (Metrobank). The loan was secured by a real estate mortgage constituted over three parcels of land located in Parañaque City (subject property).<sup>[4]</sup> The real estate mortgage was amended several times to accommodate additional loans they incurred over the years.<sup>[5]</sup> On 13 January 2000, respondents and Metrobank restructured the obligation through a Debt Settlement Agreement over the outstanding obligation of P88,101,093.98.<sup>[6]</sup>

For failure of respondents to pay, Metrobank sought the extrajudicial foreclosure of the real estate mortgage over the subject property. On 4 May 2001, it sent them a Notice of Sale<sup>[7]</sup> setting the public auction on 31 May 2001. Seeking to stop the intended public auction, respondents filed a Complaint<sup>[8]</sup> docketed as Civil Case No. 01-0207 for injunction with prayer for the issuance of a temporary restraining order (TRO), preliminary injunction and damages.

The Regional Trial Court of Parañaque City, Branch 257 (RTC Branch 257), issued a TRO.<sup>[9]</sup> However, upon the expiration of the TRO, Metrobank scheduled another public auction on 8 November 2001. On the morning of that day, RTC Branch 257 issued an Order directing Metrobank to reschedule the intended sale to a date after the resolution of the application for preliminary injunction.<sup>[10]</sup> However, the latter allegedly received the Order only on 12 November 2001 and pushed through with the scheduled public auction on 8 November 2001. A Certificate of Sale<sup>[11]</sup> was thereafter issued in its favor on 9 November 2001.

In an Order dated 6 March 2002,<sup>[12]</sup> the application for preliminary injunction filed

by respondents was denied by RTC Branch 257 for mootness in view of the consummated public auction sale. When their motion for reconsideration was denied,<sup>[13]</sup> respondents filed a petition for certiorari before the CA. The appellate court reversed and set aside the Order dated 6 March 2002 issued by RTC Branch 257 and remanded Civil Case No. 01-0207 for further proceedings.<sup>[14]</sup>

Upon motion of respondents, the presiding judge of RTC Branch 257 inhibited from further hearing the case.<sup>[15]</sup> The case was later re-raffled to RTC Branch 258.<sup>[16]</sup>

Meanwhile, respondents filed a Motion to Admit Amended Complaint<sup>[17]</sup> with attached Amended Verified Complaint<sup>[18]</sup> for annulment of foreclosure of mortgage, declaration of nullity of certificate of sale, and injunction.

On 17 October 2007, petitioner filed a Motion for Joinder of Party and/or Substitution.<sup>[19]</sup> It alleged that by virtue of a Deed of Absolute Sale dated 17 September 2003,<sup>[20]</sup> Metrobank sold to Asia Recovery Corporation (ARC) its credit against respondents including all rights, interests, claims and causes of action arising out of the loan and mortgage agreements between Metrobank and respondents. ARC, in turn, specifically assigned the credit to petitioner through a Deed of Assignment dated 31 March 2006.<sup>[21]</sup> Petitioner prayed that it be substituted in lieu of Metrobank in the proceedings before RTC Branch 258.

Aside from its *conforme* to the motion filed by petitioner, Metrobank also filed a Comment<sup>[22]</sup> stating that the bank had no objection to its substitution by petitioner. Metrobank explained that the account of respondents had been declared a nonperforming loan pursuant to Republic Act No. 9182 (Special Purpose Vehicle Act of 2002 or SPV Act) and, as such, had been included among the other accounts sold to ARC by virtue of the Deed of Absolute Sale.<sup>[23]</sup>

The motion of petitioner was, however, vigorously opposed by respondents.<sup>[24]</sup> They alleged that they were entitled to a full disclosure of the details of the sale, as well as of the transfer and assignment of their debt pursuant to their right of redemption under the SPV Act and Article 1634<sup>[25]</sup> of the Civil Code.

### **RULING OF THE RTC**

In an Order dated 28 December 2007,<sup>[26]</sup> RTC Branch 258 granted the motion and ordered petitioner to be joined as party-defendant, but without dropping Metrobank as defendant.

In the Order dated 9 April 2008,<sup>[27]</sup> RTC Branch 258 denied respondents' motion for reconsideration. It ruled that petitioner was a necessary party to the final determination of the case.

Aggrieved, petitioners filed a special civil action for certiorari under Rule 65 of the Rules of Court before the CA.

### **RULING OF THE CA**

In the assailed Decision dated 26 August 2009,<sup>[28]</sup> the CA granted the petition and annulled the Orders of RTC Branch 258.

The CA ruled that if it was true that Metrobank had divested itself of any interest in respondents' debt, then the trial court should have forthwith ordered the bank's exclusion from the proceedings.<sup>[29]</sup> According to the CA, the trial court provided for a provisional joinder/substitution of parties - a practice that cannot be countenanced due to the basic rule that every action must be prosecuted or defended in the name of the real party in interest.<sup>[30]</sup>

The appellate court also doubted whether substitution was proper, because the Deed of Absolute Sale between Metrobank and ARC did not specify whether respondents' debt was included in the portfolio of nonperforming loans sold.<sup>[31]</sup>

At bottom, the CA ruled that petitioner could not substitute for Metrobank in the proceedings before the trial court without first disclosing the consideration paid by petitioner for the transfer of interest.<sup>[32]</sup>

Petitioner filed a motion for reconsideration, which the CA denied in the challenged Resolution dated 11 February 2010.<sup>[33]</sup>

## **ISSUE**

The issue to be resolved in this case is simple: whether petitioner may be joined as party-defendant in Civil Case No. 01-0207.

## **OUR RULING**

We grant the petition.

As stated at the outset, the instant petition seeks a Rule 45 review of a Rule 65 decision of the CA. We stated in *Montoya v. Transmed Manila Corp.*<sup>[34]</sup> that our task in these cases is not to determine the correctness of the ruling of the trial court, but to examine whether the CA correctly determined the existence of grave abuse of discretion in the Orders of RTC Branch 258 allowing the joinder of petitioner in Civil Case No. 01-0207.

Section 6, Rule 3 of the Rules of Court, provides the rule on the joinder of parties:

Section 6. *Permissive joinder of parties.* — All persons in whom or against whom any right to relief in respect to or arising out of the same transaction or series of transactions is alleged to exist, whether jointly, severally, or in the alternative, may, except as otherwise provided in these Rules, join as plaintiffs or be joined as defendants in one complaint, where any question of law or fact common to all such plaintiffs or to all such defendants may arise in the action; but the court may make such orders as may be just to prevent any plaintiff or defendant from being embarrassed or put to expense in connection with any proceedings in which he may have no interest.

The rationale for allowing parties to join in a proceeding that delves on a common question of law or fact concerning them is trial convenience; i.e., to save the parties unnecessary work, trouble and expense.<sup>[35]</sup> In order to meet the requirements of justice and convenience, the rule on the joinder of parties is construed with considerable flexibility.<sup>[36]</sup> Hence, courts are given broad discretion in determining who may properly be joined in a proceeding.<sup>[37]</sup>

The rules also provide that in case of a transfer of interest, the court, upon motion, may direct the person to whom the interest is transferred to be substituted in the action or joined with the original party.<sup>[38]</sup>

Indeed, a transferee *pendente lite* is a proper party that stands exactly in the shoes of the transferor, the original party.<sup>[39]</sup> Transferees are bound by the proceedings and judgment in the case, such that there is no need for them to be included or impleaded by name.<sup>[40]</sup> We have even gone further and said that the transferee is joined or substituted in the pending action by operation of law from the exact moment when the transfer of interest is perfected between the original party and the transferee.<sup>[41]</sup>

Nevertheless, "[w]hether or not the transferee should be substituted for, or should be joined with, the original party is largely a matter of discretion."<sup>[42]</sup> That discretion is exercised in pursuance of the paramount consideration that must be afforded for the protection of the parties' interests and right to due process.<sup>[43]</sup>

Notably, unless the exercise of that discretion is shown to be arbitrary, this Court is not inclined to review acts committed by the courts *a quo*.<sup>[44]</sup>

In this case, part of the reason why the CA ascribed grave abuse of discretion to the trial court was the latter's statement in the Order dated 28 December 2007 as follows:

Thus, the Court hereby grants that [petitioner] be joined as party defendant in this case without dropping Metrobank at this stage conditioned, however, that if in the course of the trial, the Court finds that based on the testimonial and documentary evidence to be presented by Metrobank that it can be dropped, the same shall be effected pursuant to Section 11, Rule 3 of the 1997 Rules of Civil Procedure.<sup>[45]</sup>

According to the CA, this statement allowed for a "provisional" joinder/substitution of parties. It is difficult to fathom how the above statement of the trial court could have constituted grave abuse of discretion when the ruling was in accordance with Section 11, Rule 3 of the Rules of Court. The rule provides that parties may be dropped or added by order of the court on motion of any party or on the court's own initiative at any stage of the action and on such terms as are just. For the CA to say that, as between Metrobank and petitioner, "only one of them is clothed with the personality to actively participate in the proceedings below"<sup>[46]</sup> is to show a regrettable lack of understanding of the rules and an unwarranted restriction of the trial court's discretion.

Contrary to the finding of the CA, there is enough evidence in the records to support