

SECOND DIVISION

[G.R. No. 222407, November 23, 2016]

**WHITE MARKETING DEVELOPMENT CORPORATION, PETITIONER,
VS. GRANDWOOD FURNITURE & WOODWORK, INC.,
RESPONDENT.**

DECISION

MENDOZA, J.:

This Petition for Review on *Certiorari* seeks to reverse and set aside the June 22, 2015 Decision^[1] and the December 28, 2015 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 103488, which reversed and set aside the July 21, 2014 Decision^[3] of the Regional Trial Court, Branch 166, Pasig City (RTC), in a case involving the issue on the applicable redemption period.

On May 26, 1995, respondent Grandwood Furniture & Woodwork, Inc. (*Grandwood*) obtained a loan in the amount of P40,000,000.00 from Metropolitan Bank and Trust Company (*Metrobank*). The loan was secured by a real estate mortgage over a parcel of land covered by Transfer Certificate of Title (TCT) No. 63678. Metrobank eventually sold its rights and interests over the loan and mortgage contract to Asia Recovery Corporation (ARC). The latter then assigned the same rights and interests to Cameron Granville 3 Asset Management, Inc. (CGAM3).^[4]

On July 24, 2013, after Grandwood failed to pay the loan which already amounted to P68,941,239.46, CGAM3 initiated extrajudicial foreclosure proceedings of the real estate mortgage. During the September 17, 2013 Auction Sale, petitioner White Marketing Development Corporation (*White Marketing*) was declared the highest bidder and a certificate of sale was issued in its favor.^[5]

On September 30, 2013, the certificate of sale was registered and annotated on TCT No. 63678. On November 21, 2013, White Marketing received a letter from the sheriff informing it that Grandwood intended to redeem the foreclosed property. In response, White Marketing sent a letter informing the sheriff that Grandwood no longer had the right to redeem.^[6]

Insisting on its right to redeem the property, Grandwood sent a letter, dated December 3, 2013, to the Office of the Clerk of Court of the RTC (OCC-RTC) insisting that it was the latter's ministerial duty to recognize its right of redemption, to accept the tender of payment and to issue a certificate of redemption. The OCC-RTC, however, refused to accept the tender of payment on the ground that it was confronted with the conflicting applicable laws on the matter of the redemption period. Thus, Grandwood was prompted to file its Petition for Consignation, Mandamus and Damages before the RTC. It reiterated its right to redeem the property subject of the foreclosure sale under Act No. 3135 in relation to Republic

Act (R.A.) No. 337 and Sections 27 and 28 of Rule 39 of the Rules of Court.^[7]

The RTC Decision

In its July 21, 2014 Decision, the RTC dismissed the petition for mandamus. The trial court ruled that the redemption period applicable in the mortgage between Metrobank and Grandwood was Section 47^[8] of R.A. No. 8791 or the "*General Banking Law of 2000*." The RTC wrote that by virtue of the said law, Grandwood should have redeemed the property before the registration of the certificate of sale on September 30, 2013, which was an earlier date than December 17, 2013, or three months after the foreclosure on September 17, 2013. It further stressed that White Marketing acquired all the rights of Metrobank in the mortgage contract, which was eventually assigned to CGAM3. The dispositive portion of the RTC decision reads:

WHEREFORE, premises considered, the petition for consignment and mandamus is hereby DISMISSED, for lack of merit. Petitioner's claim is DENIED, for lack of legal basis.

Private Respondent's counterclaims are likewise DENIED, for lack of sufficient basis.

No pronouncement as to costs.

SO ORDERED.^[9]

Aggrieved, Grandwood moved for reconsideration but its motion was denied by the RTC in the Order,^[10] dated September 11, 2014. Hence, it appealed before the CA.

The CA Decision

In its June 22, 2015 Decision, the CA reversed the RTC ruling and remanded the case to the latter for the determination of the amount of the redemption price. It ordered the OCC-RTC to accept the consigned amount and to issue the corresponding certificate of redemption in Grandwood's favor. It emphasized that Section 47 of R.A. No. 8791 applied only in cases of foreclosure of real estate by a mortgagee bank in order to provide sufficient legal remedies to banks in case of unpaid debts or loans. As White Marketing was not privy to the contract of loan and the accessory contract of mortgage, it considered the limitation on the right of redemption on juridical persons as inapplicable. It was of the view that in case of doubt on the issue of the right of redemption, it should be resolved in favor of the mortgagor. Thus, the CA disposed:

WHEREFORE, premises considered, the instant appeal is GRANTED. Accordingly, the Decision dated July 21, 2014 of the Regional Trial Court of Pasig City, Branch 166, in SCA No. 3915, is hereby REVERSED AND SET ASIDE and a new one is rendered by allowing petitioner-appellant Grandwood Furniture & Woodwork, Inc. to consign to the court *a quo* the amount corresponding to the redemption of its foreclosed property covered by TCT No. 63678 of the Register of Deeds of Pasig. Furthermore, the Court hereby directs the following:

- (a) remand this case to the court *a quo* and the latter is ordered to reinstate SCA Case No. 3915 into its docket;
- (b) for the court *a quo* to determine the entire amount of redemption price together with interest and other legal fees;
- (c) for the Office of the Clerk of Court and Ex-Officio Sheriff of RTC Pasig City to forthwith accept the consigned amounts and issue the corresponding Certificate of Redemption in favor petitioner-appellant.

SO ORDERED.^[11]

White Marketing moved for reconsideration but the CA denied its motion in the assailed December 28, 2015 Resolution.

Hence, this petition.

SOLE ISSUE

WHETHER OR NOT THE COURT OF APPEALS ERRED IN REVERSING THE DECISION OF THE COURT A QUO WHEN IT DECLARED THAT SEC. 47 of R.A. NO. 8791 OR THE GENERAL BANKING LAW IS NOT APPLICABLE IN THE CASE AT BAR.^[12]

Petitioner White Marketing insisted that Grandwood's right of redemption had lapsed because, under the mortgage contract, the parties agreed that the same would be governed by R.A. No. 8791. It argued that because the parties voluntarily stipulated on the governing law, the same was binding on them. White Marketing asserted that when Metrobank assigned its rights, its assignees acquired whatever rights the former had under the Real Estate Mortgage.

It reiterated that Section 47 of R.A. No. 8791 was the applicable law with regard to the period of redemption. For said reason, Grandwood should have redeemed the foreclosed property before the registration of the certificate of sale on September 30, 2013.

In its March 14, 2016 Resolution,^[13] the Court resolved to deny the petition. White Marketing moved for reconsideration. In its June 15, 2016 Resolution,^[14] the Court granted the motion, reinstated the petition, and required respondent Grandwood to file its comment.

In its Comment,^[15] dated July 22, 2016, Grandwood argued that the provisions of the real estate mortgage were *pro forma* as the original mortgagee, Metrobank, was a banking institution; and so, the contract would necessarily contain a provision indicating that the mortgagor would be bound by R.A. No. 8791.

Grandwood, however, explained that White Marketing could not enjoy the provision of R.A. No. 8791 on the redemption period because it was not a banking institution. It asserted that its exercise of redemption rights was not against Metrobank in accordance with the real estate mortgage, but against White Marketing as the

highest bidder in the foreclosure sale.

Grandwood further reiterated that pursuant to the spirit and intent of R.A No. 8791, the shorter redemption period applied in favor of banking institutions only. In its view, R.A. No. 8791 would apply only when the mortgagee bank itself would foreclose the property and not when the same had already assigned or conveyed its mortgage rights for a consideration.

In its Reply,^[16] dated August 10, 2016, White Marketing countered that Grandwood was bound by the provisions of the real estate mortgage. It added that the fact that Metrobank assigned its rights to CGAM3 neither modified the terms of the mortgage contract nor excluded Grandwood from the provisions thereof. Thus, it insisted that Grandwood was bound by the redemption period under R.A. No. 8791 and should suffer the consequences for its failure to redeem the mortgaged property within the allotted time.

The Court's Ruling

The Court finds merit in the petition.

In the case at bench, it is undisputed that Metrobank assigned its rights in the mortgage to ARC, which later assigned the same to CGAM3. After Grandwood defaulted in its loan obligation, CGAM3 foreclosed the mortgaged property. As earlier stated, White Marketing emerged as the winning bidder in the foreclosure sale. Thus, White Marketing, stepped into the shoes of Metrobank.

In *Fort Bonifacio v. Fong*,^[17] the Court explained the effects of assignment of credit, to wit:

The reason that a contracting party's assignees, although seemingly a third party to the transaction, remain bound by the original party's transaction under the relativity principle further lies in the concept of subrogation, which inheres in assignment.

Case law states that when a person assigns his credit to another person, the latter is deemed subrogated to the rights as well as to the obligations of the former. **By virtue of the Deed of Assignment, the assignee is deemed subrogated to the rights and obligations of the assignor and is bound by exactly the same conditions as those which bound the assignor. Accordingly, an assignee cannot acquire greater rights than those pertaining to the assignor.** The general rule is that an assignee of a non-negotiable chose in action acquires no greater right than what was possessed by his assignor and simply stands into the shoes of the latter. [Emphasis and underlining supplied]

In an assignment of credit, the assignee is subrogated to the rights of the original creditor, such that he acquires the power to enforce it, to the same extent as the assignor could have enforced it against the debtor.^[18] Through the assignment of credit, the new creditor is **entitled to the rights and remedies available to the previous creditor, and includes accessory rights such as mortgage or pledge.**^[19] Consequently, ARC acquired all the rights, benefits and obligations of Metrobank under its mortgage contract with Grandwood. The same could be said for