

## SECOND DIVISION

[ G.R. No. 173168, September 29, 2014 ]

**PHILIPPINE AMANAH BANK (NOW AL-AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES, ALSO KNOWN AS ISLAMIC BANK), PETITIONER, VS. EVANGELISTA CONTRERAS, RESPONDENT.**

### D E C I S I O N

**BRION, J.:**

Before us is a petition for review on *certiorari* filed by petitioner Philippine Amanah Bank (now Al-Amanah Islamic Investment Bank of the Philippines)<sup>[1]</sup> against respondent Evangelista Contreras assailing the decision<sup>[2]</sup> and resolution<sup>[3]</sup> of the Court of Appeals (CA) dated May 4, 2004 and May 26, 2006, respectively, in CA-G.R. CV No. 47053.

#### The Antecedents

On July 21, 1981, the respondent filed a complaint for *annulment of real estate mortgage, cancellation of original certificate of title, reconveyance, recovery of possession and damages*<sup>[4]</sup> before the Regional Trial Court (RTC), Branch 19, Cagayan de Oro City against spouses Calinico and Elnora Ilogon and the petitioner bank, docketed as Civil Case No. 7950.

The respondent alleged that he was the owner of Cadastral Lot No. 19316-D, a 640 square meter parcel of land located in Cagayan de Oro City. On August 1, 1980, the respondent went to the house of his brother-in-law, Calinico Ilogon, to seek assistance in obtaining a loan from the petitioner bank since he (Calinico) is a friend of the bank's Chief of the Loan Division. The respondent brought with him the documents of the subject lot, and told Calinico that he was willing to mortgage this property as security for the loan. Three days later, Calinico told the respondent that the petitioner bank could grant a loan up to P200,000.00 if the subject property would be titled.

On August 3, 1980, the respondent and Calinico, upon the suggestion of the Chief of the petitioner bank's Loan Division, entered into a *Deed of Confirmation of Sale*<sup>[5]</sup> under which they transferred the title of the land to Calinico<sup>[6]</sup> who, in turn, mortgaged it to the petitioner bank. On October 25, 1980, Calinico and the respondent executed an Agreement<sup>[7]</sup> stating, among others, that the deed of sale they executed was for the purpose of securing a loan with the petitioner bank.

On May 20, 1981, the respondent wrote a letter and went to the petitioner bank directing the latter's manager not to release the loan to Calinico. The respondent handed a copy of the letter to the bank on the same day. On the next day, the

respondent again went to the petitioner bank, but was informed that the loaned amount of P50,000.00 had already been given to Calinico earlier that morning. The respondent thereafter learned that the petitioner released another P50,000.00 as loan to Calinico.

That petitioner bank subsequently extrajudicially foreclosed the mortgage due to the Ilogon spouses' failure to pay the loan. On January 9, 1989, the Provincial Sheriff sold the mortgaged property at public auction to the petitioner bank as the highest bidder. On October 31, 1989, the Provincial Sheriff issued a Certificate of Sale in favor of the petitioner bank.

For the mortgagor's failure to redeem the mortgaged property within the period prescribed by law, the title to the property was consolidated in the petitioner bank's name. Consequently, Original Certificate of Title (*OCT*) No. P-2034<sup>[8]</sup> was cancelled and Transfer Certificate of Title (*TCT*) No. T-63331<sup>[9]</sup> was issued in the petitioner bank's name.

### **The RTC and the CA Rulings**

In its decision dated September 13, 1993, the RTC dismissed the complaint for lack of merit. It held that the petitioner bank was not aware of the agreement between the respondent and the Ilogon spouses, and that the respondent failed to present any evidence as basis to annul the mortgage contract. To quote the RTC ruling:

x x x x

Plaintiff has not presented any evidence to be a basis for the annulment of the real estate mortgage, the bank's certificate of title, as well as justification for an order from this court to return the possession of the lot to the plaintiff. The agreement between plaintiff and defendant Ilogon spouses about the purpose(s) of the loan and how they would dispose of it had until the filing of this case, been unknown to the bank. The latter has been a lender in good faith, later a buyer in good faith.

The court finds that plaintiff has failed to prove his allegations, and that the preponderance of evidence has been in favor of the bank.<sup>[10]</sup>

x x x x

The respondent moved to reconsider this decision,<sup>[11]</sup> but the RTC denied his motion for having been filed out of time. Accordingly, the RTC declared its September 13, 1993 decision final and executory.

The respondent filed a petition for relief from judgment<sup>[12]</sup> before the RTC, claiming that he had been prevented from moving for the timely reconsideration of the trial court's decision or to appeal this decision on time due to the excusable negligence arising from the death of his wife on September 13, 1993.

He explained that his counsel, Atty. Bienvenido Valmorida, only informed him of the trial court's adverse decision thirty-seven (37) days from his counsel's receipt of the

decision. The respondent also claimed that the petitioner bank was not a lender in good faith since it knew that the Ilogon spouses did not own the mortgaged property.

In its order<sup>[13]</sup> dated July 1, 1994, the RTC denied the respondent's petition for relief from judgment for lack of merit.

The respondent appealed to the CA and the appeal was docketed as CA-G.R. CV No. 47053. In its decision of May 4, 2004, the CA set aside the RTC's July 1, 1994 order, and declared the real estate mortgage null and void. It also ordered the petitioner bank to reconvey the land covered by TCT No. T-63331 to the respondent within sixty (60) days from entry of judgment.

It further directed the petitioner bank to pay the equivalent monetary value of the land based on the price of the property at the public auction, with 6% interest per annum from the date of the sheriff's auction sale or the amount of the sale of the lot by the bank to third persons plus 6% interest per annum, in the event that the property had already been conveyed by the petitioner bank to third persons.

The CA held that while the respondent was late in filing his motion for reconsideration, the rules of procedure should be relaxed since the matters he raised in his petition were meritorious.

It disagreed with the RTC's ruling that the respondent did not present any evidence that the petitioner bank had knowledge of the defect in Calinico's title to the mortgaged land. According to the CA, the petitioner bank knew that there were conflicting claims over the land, and that the OCT of this land carried a prohibition of any encumbrance on the lot for five (5) years. It added that the petitioner bank failed to exercise diligence in ascertaining the ownership of the land, and ignored the respondent's representations that Calinico's title was defective and was only for loan purposes.

The Ilogon spouses and the petitioner bank moved to reconsider this decision, but the CA denied their motion in its resolution dated May 26, 2006.

### **The Petition for Review on Certiorari**

In the present petition, the petitioner bank alleged that the respondent's petition for relief from judgment is unmeritorious as it was filed only after the lapse of ninety-one (91) days from his (respondent's) notice of the adverse judgment. The bank also claimed that the failure of the respondent's counsel to file a timely motion for reconsideration from the RTC's judgment did not constitute excusable negligence so as to warrant the granting of the respondent's petition.

The petitioner bank further maintained that the real estate mortgage over the land was valid because: (1) its validity was never raised as an issue before the trial court; and (2) the petitioner bank is exempted from the 5-year prohibitory period since it is a Government branch, unit or institution.

In his comment, the respondent,<sup>[14]</sup> represented by his heirs, maintained that his counsel's negligence was excusable, and that the petitioner bank was a mortgagee

in bad faith.

### **Our Ruling**

**After due consideration, we resolve to grant the petition.**

*RTC judgment already final and executory*

We note at the outset that the RTC's September 13, 1993 decision which dismissed the respondent's complaint for *annulment of real estate mortgage, cancellation of original certificate of title, reconveyance, recovery of possession and damages* had already become final and executory due to the failure of his counsel to file a timely motion for reconsideration. This fact was admitted by the respondent himself in his various pleadings before the lower and appellate courts, as well as in his comment before this Court.

Both the law and jurisprudence hold that the perfection of an appeal in the manner and within the period prescribed by law is mandatory. Failure to conform to the rules on appeal renders the judgment final, executory and unappealable. Finality means that the decision can no longer be disturbed or reopened no matter how erroneous the ruling might have been. The decision fully binds, and should be complied with by the parties and their successors in interest.

*The Petition for Relief was filed out of time*

We sustain the trial court's denial of the respondent's petition for relief from judgment to challenge its final and executory decision.

Section 3, Rule 38 of the 1997 Rules of Civil Procedure lays down the requirements for a petition for relief from judgment, thus:

Section 3. Time for filing petition; contents and verification. - A petition provided for in either of the preceding sections of this Rule must be verified, filed within sixty (60) days after the petitioner learns of the judgment, final order, or other proceeding to be set aside, and not more than six (6) months after such judgment or final order was entered, or such proceeding was taken; and must be accompanied with affidavits showing the fraud, accident, mistake, or excusable negligence relied upon, and the facts constituting the petitioner's good and substantial cause of action or defense, as the case may be.

A party filing a petition for relief from judgment must strictly comply with two (2) reglementary periods: *first*, the petition must be filed within sixty (60) days from knowledge of the judgment, order or other proceeding to be set aside; and *second*, within a fixed period of six (6) months from entry of such judgment, order or other proceeding.

Strict compliance with these periods is required because a petition for relief from judgment is a final act of liberality on the part of the State, which remedy cannot be allowed to erode any further the fundamental principle that a judgment, order or