

SECOND DIVISION

[G.R. No. 208740, November 19, 2014]

CORPORATE STRATEGIES DEVELOPMENT CORP., AND RAFAEL R. PRIETO, PETITIONERS, VS. NORMAN A. AGOJO, RESPONDENT.

DECISION

MENDOZA, J.:

In this petition for review on *certiorari* under Rule 45 of the Rules of Court, Corporate Strategies Development Corporation (CSDC) and Rafael R. Prieto (*Prieto*) seek the review of the March 18, 2013 Amended Decision^[1] and August 15, 2013 Resolution^[2] of the Court of Appeals (CA), in CA-G.R. CV No. 96076. In the said rulings, the CA reversed the January 15, 2010 Decision of the Regional Trial Court of Makati City, Branch 150 (RTC), which dismissed the petition filed by Norman A. Agojo (*respondent*) for the issuance of a new certificate of title covering a parcel of land registered in the name of CSDC on the ground that the auction sale conducted by the City of Makati was null and void.

The Facts

CSDC is the registered owner of a parcel of land in Makati City located at Lot 18, Block 29 of Pcs-1310 and covered by Transfer Certificate of Title (TCT) No. 125211, with an area of 1,000 square meters. It is likewise covered by Tax Declaration Nos. F00401455 and F00401456, in the name of CSDC.

From 1994 to 2006, its real property taxes in the amount of P1,458,199.85, had not been paid. As a result, a warrant was issued on April 7, 2006, by the City Treasurer of Makati subjecting the property to levy pursuant to Section 258 of the Local Government Code (LGC).^[3] A public auction sale was then conducted on May 24, 2006, during which respondent turned out to be the highest bidder with a bid amount of P2,000,000.00. Consequently, a certificate of sale was issued in his favor on even date. The said certificate was later registered with the Registry of Deeds.

With the issuance of the Final Deed of Conveyance on July 3, 2007, or after the expiration of the one (1) year redemption period, respondent filed with the RTC a petition for the issuance of a new certificate of title for the subject property. The case was docketed as LRC Case No. M-5050. On February 13, 2008, an order was issued by the RTC setting the case for hearing and directing the service of the notice of hearing upon all interested persons – the petitioners herein, the Land Registration Authority (LRA), and the Register of Deeds of Makati City.

On August 22, 2008,^[4] CSDC filed its opposition to the said petition; while Prieto, in his capacity as CSDC President, filed his on October 20, 2008. As oppositors, CSDC and Prieto (*petitioners*) alleged that they did not receive a notice of tax delinquency or the warrant subjecting the property; that the pertinent notice and warrant were

apparently sent to CSDC's old office address at 6/F Tuscan Building, Herrera St., Legaspi Village, Makati City, despite its transfer to another location years ago; and that the sale violated the procedural requirements prescribed under the LGC. Specifically, they questioned the following: (a) the failure of the City Treasurer to exert further steps to send the warrant at the address where the property itself was located; (b) the failure to serve the warrant on the occupant of the property as mandated by Section 258 of the LGC; (c) the failure to serve the copies of the warrant of levy upon the Register of Deeds and the City Assessor of Makati prior to the auction sale following the said provision in relation to Section 260 of the LGC; (d) the failure to annotate the notice of levy on the title of the property prior to the conduct of the auction sale on May 24, 2006; and (e) the gross inadequacy of the bid price for the property considering that it only represented five (5) percent of the value of the property in the total amount of P35,000,000.00 based on the zonal valuation. Because of these alleged defects, petitioner assailed the auction sale for being defective pursuant to the provisions of the LGC.

On August 23, 2008, CSDC filed a motion to deposit the amount of P3,080,000.00 pursuant to Section 267 of the LGC,^[5] as a guarantee to respondent should the sale be declared void. The RTC granted the said motion in its August 29, 2008 Order. After the filing of their respective memoranda, the case was submitted for decision by the RTC.

On January 15, 2010, the RTC rendered a decision which voided the auction sale. The dispositive portion of the said decision reads:

WHEREFORE, for failure of the petitioner to present sufficient and competent evidence to entitle him to the reliefs sought in his petition, particularly, his failure to prove compliance of the legal requirements for a valid tax delinquency sale which evidently affected the substantive rights of the oppositor, the auction sale of the subject property by the City Treasurer to him is declared invalid.

As a consequence of the nullification of the sale, the amount deposited by the oppositor with the Clerk of Court, RTC, Makati covered by official receipt no. 0205076 dated September 9, 2008 in the amount of P3,086,000.00 intended to cover the amount for which the lot with improvement was sold including interest of 2% per month from date of sale up to the filing of the opposition shall be paid to the petitioner as purchaser in the auction sale.

SO ORDERED.^[6]

Unsatisfied, respondent filed an appeal with the CA. He alleged that the RTC erred in not upholding the presumption of regularity in the performance of the official duties of the City Treasurer of Makati.

On January 26, 2012, the CA decided to affirm the findings and conclusions of the RTC. It held that there was failure on the part of the City of Makati to fully comply with the requirements of publication, posting and service of the notice of delinquency and warrant of levy laid down by the LGC before proceeding with the auction sale, and that the RTC correctly dismissed the petition for the issuance of a new certificate of title filed by the respondent, to wit:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us **DENYING** the instant appeal for lack of merit. The Decision rendered by Branch 150 of the Regional Trial Court of the National Capital Judicial Region in the City of Makati on January 15, 2010 in LRC Case No. M. 5050 is hereby **AFFIRMED in toto**.

SO ORDERED.^[7]

On February 29, 2012 respondent moved for reconsideration. On March 18, 2013, the CA reconsidered its decision, thus, reversing its earlier pronouncement. It held as valid the subject auction sale on the basis of the presumption of regularity in the performance of the City Treasurer's duties. It held in part that "as to the other requirements for a valid tax delinquency sale of real property such as publication, service and posting of notice of such sale and the warrant of levy thereon, these should be deemed complied with because the sale was conducted by the OIC-Treasurer of Makati in the performance of her official duty."^[8] Hence:

WHEREFORE, in view of all the foregoing premises, judgment is hereby rendered by us **RECONSIDERING** our original decision promulgated on January 26, 2012, **SETTING ASIDE** the said decision and **RENDERING** a new one setting aside the decision rendered by the court *a quo* on January 15, 2010 in LRC Case No. M-5050, thus declaring as valid the auction sale of the land covered by TCT No. 125211 of the Registry of Deeds of Makati City, together with the house existing thereon, that was made by the City Treasurer of Makati in favor of the petitioner-appellant and directing the Register of Deeds of Makati City to issue to the petitioner-appellant a new certificate of title for the said land in his name.

SO ORDERED.^[9]

Aggrieved, petitioners asked for reconsideration. In a resolution, dated August 15, 2013, the CA denied their motion.^[10]

Hence, this petition.

GROUNDS FOR THE PETITION

A. THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR OF LAW IN APPLYING THE PRESUMPTION OF REGULARITY OF AN OFFICIAL ACT IN A TAX DELIQUENCY SALE.

B. THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR OF LAW IN DISREGARDING THE LEGAL REQUIREMENTS OF TAX DELIQUENCY SALE.

C. THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR OF LAW IN PASSING ON TO PETITIONERS THE BURDEN OF PROOF IN DETERMINING THE VALIDITY OF THE SALE.

D. THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR OF LAW FOR FAILURE TO CONSIDER THE GROSS INADEQUACY OF THE PRICE IN DECLARING THE VALIDITY OF THE SALE.^[11]

Petitioners submit that the CA erred in: (1) applying the presumption of regularity of an official act in a tax delinquency case; (2) disregarding the legal requirements of a tax delinquency sale; (3) passing on to the petitioners the burden of proof in determining the validity of the sale; and in (4) failing to consider the gross inadequacy of the bid price.

Citing *Spouses Sarmiento, et al. v. CA*,^[12] petitioners argue that “there can be no presumption of regularity of any administrative action which results in depriving a taxpayer of his property through a tax sale;” that, as such, it is incumbent upon respondent to prove the regularity of all proceedings leading to the sale; and that reliance on the presumption of regularity should, therefore, not apply in administrative proceedings. It is their position that respondent’s mere reliance on the presumption of regularity shows his failure to discharge the burden of proving compliance with the mandatory and indispensable requirements of a valid auction sale pursuant to LGC as held by the Court in *Engracio Francia v. IAC and Ho Fernandez*.^[13] Petitioners refer specifically to the failure in notifying them of the delinquency and to the fact that no notice of levy was served on them or on the occupant of the subject property. They further manifest that the Register of Deeds and the City Assessor were not notified of the levy prior to the sale. There was no annotation on the title prior to the auction either.

In his *Comment*,^[14] respondent asks that the pleadings filed by petitioners be expunged from the records on account of the failure of their counsels to indicate observance with the MCLE requirements for the fourth compliance period.^[15] It is his submission that the instant petition should be treated as if not signed and a mere scrap of paper following Bar Matter No. 1922,^[16] in relation to Bar Matter No. 850,^[17] which mandates all practicing lawyers to indicate in all pleadings the MCLE Compliance Certificate Number.

Furthermore, respondent argues that petitioners failed to overturn the disputable presumption of regularity accorded to the official actions of the City Government of Makati pursuant to Section 3(m) of Rule 131 of the Rules of Court;^[18] that he has clearly proven his right over the subject property as evidenced by the Warrant of Levy, Notice of Public Auction of Real Properties, Certification of Posting, Certificate of Sale, Annotations of Warrant of Levy and the Certificate of Sale and Final Deed of Conveyance covering the subject property; that the burden of proof in determining the validity of the sale rests with petitioners; that the Notice of Tax Delinquency and the Warrant of Levy were sent to CSDC; that the Notice of Warrant of Levy was served on the City Assessor and the Register of Deeds; and that inadequacy of the bid price is not a ground to nullify the sale.

In their *Reply*,^[19] petitioners call the attention of the Court to the fact that their counsels, Atty. Guillergan and Atty. Leynes, have already submitted their MCLE Certificates for the Fourth Compliance Period^[20] on March 26, 2014 and May 5, 2014, respectively. They opined that an outright dismissal of this petition on a mere technical ground as inconsistent with the ruling of the Court in *Alcantara v. The Phil. Commercial and International Bank*^[21] where it was held that rules of procedure were mere tools aimed at facilitating the attainment of justice, rather than its frustration. As regards this issue, petitioners ask the Court’s liberality.

On a substantive note, petitioners disagree with the contentions of respondent that the presumption of regularity is applicable in tax delinquency sales. They assert that this Court has held in many cases that no presumption of regularity is enjoyed by any administrative action which results in depriving a taxpayer of his property. Petitioners believe that the burden to prove compliance with the mandatory requirements of a valid auction sale lies on respondent. It is in this respect that respondent allegedly failed because no documentary evidence was presented showing that proper service of notice of tax delinquency and notice of levy, including the publication and posting, was effected.

The Court's Ruling

The Court grants the petition.

Under Section 75 of Presidential Decree (*P.D.*) No. 1529, otherwise known as the Property Registration Decree,^[22] the registered owner is given the right to pursue legal and equitable remedies to impeach or annul the proceedings for the issuance of new certificates of title upon the expiration of the redemption period. In this case, petitioners opposed the issuance of a new certificate of title in favor of the respondent on the ground that the auction sale was null and void. It was submitted that the auction sale was made without affording the petitioners due process of law attributable to the following errors:

- (a) the failure of the City Treasurer to exert further steps to send the warrant at the address where the property itself was located;
- (b) the failure to serve the warrant on the occupant of the property as mandated by Section 258 of the LGC;
- (c) the failure to serve the copies of the warrant of levy upon the Register of Deeds and the City Assessor of Makati prior to the auction sale following the said provision in relation to Section 260 of the LGC;
- (d) the failure to annotate the notice of levy on the title of the property prior to the conduct of the auction sale on May 24, 2006; and
- (e) the gross inadequacy of the bid price for the property considering that it only represented five (5) percent of the value of the property in the total amount of P35,000,000.00 based on the zonal valuation.

Because of these alleged defects, petitioners assailed the auction sale for being defective pursuant to the provisions of the LGC.

Respondent is of the view that the auction sale enjoys the presumption of regularity. The CA agreed with him when it reversed the RTC ruling holding the auction sale as invalid.

The Court, however, does not.

In *Spouses Sarmiento v. CA*,^[23] this Court reiterated the rule that there could be no presumption of the regularity of any administrative action which resulted in depriving a taxpayer of his property through a tax sale. This is an exception to the