

## THIRD DIVISION

[ G.R. No. 194014, September 12, 2012 ]

**PHILIPPINE NATIONAL BANK, PETITIONER, VS. SPOUSES  
ALEJANDRO AND MYRNA REBLANDO, RESPONDENTS.**

### DECISION

**VELASCO JR., J.:**

#### The Case

Before Us is a Petition for Review of the Decision of the Court of Appeals (CA) dated June 24, 2010, as effectively reiterated in its Resolution of August 24, 2010, both rendered in CA-G.R. CV No. 79987. The CA Decision dismissed the appeal of petitioner Philippine National Bank (PNB) from the Decision dated October 8, 2001 of the Regional Trial Court (RTC), Branch 22 in General Santos City, in Civil Case No. 6771 entitled *The Spouses Alejandro and Myrna Reblando v. Philippine National Bank, Deputy Sheriff Cyr M. Per las and the Assessor of General Santos City*.

#### The Facts

On January 28, 1992, respondents, spouses Alejandro and Myrna Reblando (collectively, the Reblandos), obtained a one hundred and fifty thousand-peso (PhP 150,000) loan from PNB. To secure the payment of the loan, the Reblandos executed a real estate mortgage<sup>[1]</sup> (REM) over two (2) parcels of land located in General Santos City, the first covered by Transfer Certificate of Title (TCT) No. T-40839 and the second by Tax Declaration (TD) No. 59006 and designated as Cadastral Lot No. 10 (Lot No. 10). The pro forma REM contract consisted of two (2) pages plus a duly-signed supplemental page,<sup>[2]</sup> providing a description of Lot No. 10, thus:

A parcel of land with cadastral Lot No. 10, Bounded on the North by Lot 9; on the [S]outh by Lot 11, on the East by a Road and on the West by road, situated on the Bo. of Calumpang, City of General Santos, Island of Mindanao, [c]ontaining an area of THREE HUNDRED NINETY SEVEN POINT NINETY FIVE (397.95) square meters, more or less.<sup>[3]</sup>

TD No. 38950, formerly in the name of the Ministry of Human Settlements, was cancelled and replaced with TD No. 59006<sup>[4]</sup> in Alejandro Reblando's (Alejandro's) name on September 12, 1990. Improvements on the lot consisted of a residential house and a store shed.<sup>[5]</sup>

TCT No. T-40839 was then registered in the name of Letecia Reblando-Bartolome, who earlier executed a Special Power of Attorney,<sup>[6]</sup> authorizing Alejandro, her

brother, to utilize the lot covered by the title as collateral to secure a loan not exceeding PhP 150,000.

A few years later, the parties agreed to up the loan value from PhP 150,000 to PhP 260,000. They then executed an "Amendment to Real Estate Mortgage" on January 4, 1995,<sup>7</sup> reflecting the increase in the loan accommodation. The amended contract provides in part:

WHEREAS, in order to secure the payment of certain loans and obligations of the Mortgagor with the Mortgagee, the former has executed on 1-28-92 in favor of the latter a Real Estate Mortgage conveying by way of mortgage that TWO (2) parcel[s] of land, with an aggregate area of SIX HUNDRED SEVENTY (670) sqm. More or less, located at [blank], covered by TCT-T-40839 and TD# 59006 of the land records of the City of General Santos / Province of South Cotabato, registered in the name of the Mortgagor x x x.

Stated and made to appear as collaterals in the amended REM are the following properties:

TCT No. T-40839, Lot 5326-B, Psd-11-TD# 47097 – Land  
022402

TD No. 59006, Lot 10

TD# 59006 – Land  
TD# 46828 – Bldg.

Barely two weeks after, or on January 26, 1995, the parties again agreed to another increase, this time to PhP 312,000 and executed for the purpose a second "Amendment to Real Estate Mortgage."<sup>[8]</sup>

Meanwhile, on July 24, 1995, Alejandro and the Bliss Development Corporation (BDC), a subsidiary of the Home Insurance and Guaranty Corporation, which in turn was under the then Ministry of Human Settlements, entered into a Contract to Sell over a dwelling unit (Unit No. 10) in the Rural Bliss 1 Project located at Calumpang, Gen. Santos City with an area of 36 square meters.

Later developments saw the Reblandos defaulting in the payment of their loan obligation, prompting the PNB to commence extra-judicial foreclosure of the mortgage. On May 12, 1997, the Reblandos received a Notice of Extra-Judicial Foreclosure of Lot No. 10 and the lot covered by TCT No. T-40839.<sup>[9]</sup> At the foreclosure sale, the PNB, as lone bidder, was awarded the lots for its bid of PhP 439,990.62 and was issued on July 11, 1997 a Certificate of Extra-Judicial Sale covering both collaterals.<sup>[10]</sup> This certificate was duly registered with the Registry of Deeds of General Santos City on September 2, 1997.

Following the lapse of the redemption period without the Reblandos redeeming the properties, PNB consolidated its ownership over the subject parcels of land.<sup>[11]</sup> Thereafter, PNB secured a new title over the property covered by TCT No. T-40839. A new tax declaration<sup>[12]</sup> under its name was issued also for Lot No. 10 and the

improvements.

Subsequently, the RTC, acting on PNB's *ex parte* petition, issued an Order<sup>[13]</sup> granting a writ of possession.

On May 10, 2000, the Reblandos filed a complaint before the RTC, seeking, as their main prayer, the declaration of nullity of the mortgage over Lot No. 10 allegedly constituted on **January 13, 1995** when PNB and the Reblandos executed the "Amendment to Real Estate Mortgage." According to them, they could not have validly created a mortgage over Lot No. 10, not being the owner when the mortgage was constituted, citing in this regard *Development Bank of the Philippines (DBP) v. Court of Appeals*.<sup>[14]</sup> What, they added, impelled them to include Lot No. 10 in the mortgage package, albeit it did not belong to them, was the PNB's "require[ment] [for them] to post [Lot No. 10] as additional collateral."<sup>[15]</sup>

PNB countered and contended that, on February (should be January) 28, 1992, the Reblandos, via a contract of REM of even date, already conveyed by way of mortgage Lot No. 10 covered by TD No. 59006, inclusive of the Reblandos' possessory and other rights. And together with the lot covered by TCT No. T-40839, Lot No. 10 is listed as mortgaged property. Appended to PNB's Answer was the supplemental page of the covering mortgage deed which page, so the bank claimed, the Reblandos deliberately omitted to attach in their basic complaint in an attempt to mislead the court and conceal the simultaneous constitution of the mortgage over Lot No. 10 and the titled lot. Also, PNB belied the Reblandos' assertion on having been required to post Lot No. 10 as additional security, noting that the very same lot, which was then in the latter's physical possession, was already an existing collateral.

As an affirmative defense, PNB raised the issue of estoppel.

Following a pre-trial conference, the RTC, by Order of October 11, 2000, narrowed the core issue to the question of the validity of the mortgage in question.<sup>[16]</sup>

### **RTC Ruling**

Issues having been joined and on the bases of the pleadings and memoranda filed, the RTC rendered judgment in favor of the Reblandos, as plaintiffs *a quo*, on the strength of the following main premises: (1) Under Article 2085 of the Civil Code, it is an essential requisite for the validity of a mortgage that the mortgagor be the absolute owner of the property thus mortgaged, a requirement not met in the case, as Lot No. 10 was still owned by the then Ministry of Human Settlements at the time of the constitution of the mortgage; (2) *DBP*<sup>[17]</sup> holds that "[a] mortgage constituted over a public land before the issuance of the sales patent to the mortgagor is void and ineffective"; and (3) Lot No. 10, with its improvements, was what was mortgaged,<sup>[18]</sup> not the possessory rights of the Reblandos, as PNB claimed.

The dispositive portion of the RTC's October 8, 2001 Decision reads:

WHEREFORE, premises considered[,] judgement is hereby rendered in favor of the plaintiffs and against the defendants. The Real Estate Mortgage constituted on Lot No. 10 (the house and lot at the Bliss Project at Calumpang, General Santos City) is hereby declared null and void. Consequently, the foreclosure sale that ensued and the writ of possession thus issued are also declared null and void and of no effect. The defendants are permanently enjoined from implementing the writ of possession. Defendant Philippine National Bank is hereby ordered to pay the cost of the suit to the plaintiffs.

SO ORDERED.<sup>[19]</sup>

Petitioner sought but was denied reconsideration per the RTC's Order of January 27, 2003.

PNB then appealed to the CA. In the main, PNB faulted the RTC for declaring the mortgage over Lot No. 10 null and void, for finding DBP applicable and, lastly, for not appreciating the principle of estoppel against respondents.

### **CA Ruling**

By Decision dated June 24, 2010,<sup>[20]</sup> the CA affirmed the appealed Decision of the RTC. The appellate court rejected PNB's assertion that the Reblandos had deceived the bank by misrepresenting themselves as the true and absolute owners of Lot No. 10, declaring instead that "[PNB] is a banking institution and, as such, is expected to exercise extraordinary diligence in entering into mortgage contracts."<sup>[21]</sup> To the appellate court, TD No. 59006 in the name of Alejandro or the Reblandos' possession of Lot No. 10 is not determinative of their ownership. The CA noted in this regard that PNB no less admitted that it was only in 1995, or three years after the constitution of the mortgage over Lot No. 10, that Alejandro bought the property from BDC through the Contract to Sell covering "Unit No. 10."<sup>[22]</sup> To the CA, the Contract to Sell is an additional argument belying the Reblandos' ownership over Lot No. 10 at the time of the constitution of the REM.

The CA also rejected the PNB's posture on estoppel. Inasmuch as PNB knew from the very beginning that the Reblandos were not the absolute owners of Lot No. 10, it cannot, according to the appellate court, set up the defense of estoppel against them.

PNB's motion for reconsideration was denied per the CA's Resolution of August 24, 2010.

### **The Issues**

Hence this recourse, on the stated issues that the CA, as well as the RTC, erred:

- A. [IN HOLDING THE APPLICABILITY OF *DBP V. COURT OF APPEALS*]  
(ENUNCIATING THAT THE MORTGAGEE BANK DID NOT ACQUIRE  
VALID TITLE OVER THE LAND IN DISPUTE BECAUSE IT WAS PUBLIC

LAND WHEN MORTGAGED) TO THE INSTANT CASE.

B. X X X IN FAILING TO RECOGNIZE THAT THE MORTGAGORS ALSO MORTGAGED ALL OTHER REAL RIGHTS BELONGING TO THEM ATTACHED TO PROPERTY OR MAY THEREAFTER BE VESTED IN THEM.

C. X X X IN FAILING TO APPLY THE PRINCIPLE OF *ESTOPPEL* BY DEED AGAINST THE RESPONDENTS.<sup>[23]</sup>

The focal issue for this Court's resolution revolves around the validity of the mortgage constituted over Lot No. 10.

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

The petition is impressed with merit.

### **On findings of fact of the trial and appellate courts**

Before delving into the merits of the case, a circumspect review of certain determinative background facts on record against which the case is cast is most imperative, if only to protect one's right to property. Both the RTC and the CA brushed aside petitioner's insistent contentions, to wit: (a) that the parcels of land covered by TCT No. 40839 and TD No. 59006, as the case may be, were simultaneously mortgaged on January 28, 1992 when petitioner and respondents signed the corresponding mortgage contract; and (b) that what respondents mortgaged included their possessory rights over Lot No. 10. In this regard, both courts made parallel factual findings, as shall be discussed below, upon which they anchored their conclusion as to the nullity of the mortgage over Lot No. 10.

Generally, findings of fact of trial courts are accorded great respect and shall not be disturbed,<sup>[24]</sup> more so when affirmed by the CA.<sup>[25]</sup> This rule, however, admits of several exceptions,<sup>[26]</sup> such as when the findings are manifestly mistaken, unsupported by evidence or the result of a misapprehension of acts, as in this case.

From the evidence adduced, both the trial and appellate courts deduced the following set of facts:

(1) That on February 28, 1992, respondents mortgaged the lot covered by TCT No. T-40839 to secure a PhP 150,000 loan from petitioner.

(2) Subsequently, the parties amended the REM by executing an "Amendment to Real Estate Mortgage" on January 13, 1995 to cover the increase in the loanable amount as well as the posting of the additional security allegedly demanded by PNB. This added collateral is Lot No. 10.

(3) A few years later, or on July 24 1995, Alejandro and BDC executed a Contract to Sell over a 36-square meter dwelling unit referred to as Unit No. 10, with Alejandro as the buyer.