

FIRST DIVISION

[G.R. No. 158920, November 28, 2012]

REPUBLIC OF THE PHILIPPINES (REPRESENTED BY THE SOCIAL SECURITY SYSTEM), PETITIONER, VS. MARAWI-MARANTAO GENERAL HOSPITAL, INC. AND ATTY. MACAPANTON K. MANGONDATO, RESPONDENTS.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

This is a "Petition for Partial Review" on *Certiorari*^[1] of the Decision^[2] dated June 19, 2003 of the Court of Appeals in CA-G.R. CV No. 70928, which affirmed with modification the Decision^[3] dated June 17, 1999 of the Regional Trial Court (RTC) of Marawi City, Branch 8 in Civil Case No. 1499-97 by deleting the actual and moral damages, attorney's fees, and costs of litigation awarded to respondents Marawi-Marantao General Hospital, Inc. (MMGHI) and Atty. Macapanton K. Mangondato.

On October 16, 1970, the MMGHI obtained a loan in the total amount of P548,000.00 from the Social Security System (SSS). The loan was secured by a mortgage on the property covered by Transfer Certificate of Title (TCT) No. T-379, including the hospital building standing on it. For failure of the MMGHI to pay the monthly amortizations, the SSS extrajudicially foreclosed on the mortgage. The mortgaged property was subsequently sold on March 8, 1991 in a public auction where the SSS was the highest bidder.^[4]

On October 16, 1991, the sheriff's certificate of sale was registered. However, the SSS was not able to have a new certificate of title issued in its name.^[5]

Sometime in 1992, Atty. Mangondato, Acting Chairman of the MMGHI board of directors and representing MMGHI, negotiated with the SSS for the repurchase of the property and asked for an additional six (6) months within which to make the redemption. As a sign of good faith, Atty. Mangondato tendered P200,000.00 as partial payment on November 6, 1992.^[6]

After further negotiation, the Social Security Commission (SSC) approved Atty. Mangondato's offer to repurchase/redeem the property during its Regular Meeting No. 42 on December 10, 1996.^[7] In particular, the SSC adopted SSC Resolution No. 984-s.96^[8] dated December 10, 1996:

Proposal to repurchase/redeem
the Marawi-Marantao General
Hospital, approved; Management
directed to submit a report on the

bidding process for the said property.

Wherefore, on motion duly seconded,

RESOLVED, That the proposal of Atty. Macapanton K. Mang[o]ndato, Acting Chairman of the Board of the Marawi-Marantao General Hospital, Inc.[,] to redeem/repurchase the foreclosed property in the amount of P2.7 million with a downpayment of P2 Million and the remaining balance of P500,000.00 (less the P200,000.00 already paid) payable in twenty[-]four (24) equal monthly installments plus the interest/surcharges thereon, if any, until fully paid, be, as it is hereby, approved, as indorsed by the Officer-in-Charge in his 1st Indorsement dated December 3, 1996, based on the memorandum of even date of the SDA for Support Services Group;

RESOLVED, HOWEVER, That Management be, as it is hereby, directed to submit to the Commission a report on the bidding process conducted by Management for the said property.

Approved.

Consequently, on January 16, 1997, a deed of conditional sale^[9] of the subject property for P2.7 million was executed by MMGHI, through Atty. Mangondato, and the SSS, represented by Atty. Godofredo S. Sison, its Senior Deputy Administrator. The deed of conditional sale reads:

DEED OF CONDITIONAL SALE

KNOW ALL MEN BY THESE PRESENTS:

This contract made and executed by and between:

The **SOCIAL SECURITY COMMISSION** for the **SOCIAL SECURITY SYSTEM**, a government-owned and controlled corporation created pursuant to Republic Act No. 1161, as amended, with principal office at East Avenue, Quezon City, Metro Manila, represented herein by its Senior Deputy Administrator, **GODOFREDO S. SISON**, hereinafter referred to as the **VENDOR**;

- and -

ATTY. MACAPANTON K. MANGONDATO, of legal age, married and with postal address at Bgy. Kalaw, Marantao, Lanao Del Sur referred to as the **VENDEE**.

- WITNESSETH -

WHEREAS, the **VENDOR** is the registered owner in fee simple of certain real property hereinafter described, to wit:

A parcel of land (lot 2 of the subdivision plan (LRC) Psd-116159, being a portion of the land described on F(VII-5) 2278, LRC (GLRO) Rec. No. F. Pat.), situated in the Barrio of Saduc, City of Marawi, Island of Mindanao. Bounded on the NE., points 2 to 3 by Lot 3 of the subdivision plan; on the SE., points 3 to 4 by National Road and points 4 to 5 by Public Land; on the SW., points 5 to 8 by lot 1 of the subdivision plan; and on the NW., points 1 to 2 by National Road (20.00 m. wide) x x x containing an area of Fourteen Thousand Nine Hundred Fifteen (14,915) square meters, more or less. x x x.

WHEREAS, the **VENDEE** offered to purchase the above described real property/ies and the improvements thereon and the Social Security Commission (SSC) per its Resolution No. 984 dated December 10, 1996 has approved the offer of **ATTY. MACAPANTON MANGONDATO**, subject to certain conditions;

NOW, THEREFORE, for and in consideration of the sum of P2.7 Million, the **VENDEE** having made a down payment of Two Million Pesos (P2,000,000.00), plus the previous deposit of Two Hundred Thousand Pesos (P200,000), the **VENDOR** hereby SELLS, TRANSFERS and CONVEYS to the **VENDEE**, his heirs and successors-in-interest, by way of Conditional Sale, the above-described parcel of land together with the buildings existing thereon, subject to the following terms and conditions:

1. The **VENDEE** undertakes and agrees to pay the **VENDOR** at its office in the SSS Building, East Avenue, Quezon City, the balance of the purchase price in the amount of P500,000.00 pesos which will be paid in 24 equal monthly installments with interests at 1.33% per month, compounded monthly, until fully paid without demand;
2. The **VENDOR** hereby agrees to give the **VENDEE** a 30- day grace period for the payment of the arrearages in case the **VENDEE** for any reason whatsoever defaults in the payment of one installment. In case the **VENDEE** fails to pay and settle all his arrearages within the grace period, the **VENDOR** shall have the right to annul the contract. Any installment due and unpaid shall bear interest at the rate of 1.33% per month, compounded monthly, plus penalty of 16% per annum until the entire amount due shall have been fully paid;
3. Conditions Nos. 1 and 2 notwithstanding, the **VENDEE** may pay in full whatever is due under this contract at any time before the expiration of the above stipulated period in which event, the **VENDEE** shall be entitled to interest rebate or reimbursement of whatever interest payment it may make, if any, in excess of what is legally due by reason of accelerated payment;
4. The **VENDEE** shall pay all taxes, real estate or special assessment that may or shall be levied or may be due on the above land and its

improvements. Should the **VENDEE** default in the payment of said taxes, the **VENDOR** may pay the same and charge the amount thereof to the **VENDEE** with interest at 16% per annum. The said amount shall then be added to the current annual installment due and shall form part of such installment and its nonpayment shall entitle the **VENDOR** to the rights granted it under Condition Nos. 8 and 9 hereof;

5. The **VENDEE** shall use and administer the property subject of this Contract to all intents and purposes as if it is the owner thereof, his rights to the possession thereof shall continue as long as the terms of this Contract are faithfully complied with by the **VENDEE**;
6. The **VENDEE** shall keep the improvements on this land in good condition and order during the life of this Contract. Should the **VENDEE** fail to keep the improvement on this land in good condition during the life of this Contract, the **VENDOR** or its duly authorized agent shall have the right to enter upon the property and make all necessary repairs and improvements which shall be charged to the **VENDEE** and shall be paid within thirty (30) days from demand plus the prescribed interest. Non-payment of the above amount shall entitle the **VENDOR** to the rights granted under paragraphs 8 and 9 of this Contract;
7. The **VENDEE** hereby agrees to insure the building during the life of this Contract with the GSIS. The amount of insurance shall be equal to the appraised value of the buildings. Coverage shall take effect on the date of the execution of this Deed of Conditional Sale and renewable every year thereafter until the total obligation of the **VENDEE** is fully paid. Renewal of the property insurance shall be automatic and paid for by the **VENDEE**, provided, however, that when the latter fails to pay the corresponding insurance premium, the **VENDOR** (SSS) shall pay the same, to be added to the total amount due and demandable from the **VENDEE** and the latter shall be charged 16% per annum, compounded monthly, on the cost of the premium. In the event of loss or damage[,], the **VENDEE** shall give immediate notice by mail or by telegram to the **VENDOR** who may make proof of loss if not made promptly by the **VENDEE** and the insurance proceeds thereof may be applied by the **VENDOR**, at its option, either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged;
8. The Contract shall be further subject to the condition that any default in the monthly installment will cause the immediate cancellation of the Deed of Conditional Sale and make the entire obligation due and demandable at the option of the **VENDOR**;
9. The continued exercise of any power, privileges or right granted to or exercised by the **VENDEE**, despite violation by him of any of the terms and conditions of this [C]ontract, or with respect to any of the above-mentioned defaults, shall in no case be interpreted as a relinquishment/waiver by the **VENDOR** of any of its rights herein

contained in case of any subsequent defaults/violations on the part of the **VENDEE**;

10. Title to the property [subject] of this Contract remains with the **VENDOR** and shall pass to, and be transferred in the name of the **VENDEE** only upon the former's execution of the final Deed of Sale mentioned in the next succeeding paragraphs;
11. The **VENDEE** shall, at his own expense, be solely responsible for the ejectment and relocation of the squatters or persons found/staying in the premises; and
12. Upon the full payment by the **VENDEE** of the purchase price of above referred to, together with all the interests, penalties, taxes and other charges due thereon, and upon his faithful compliance with all the conditions of this Contract, the **VENDOR** agrees to execute in favor of the **VENDEE** or his heirs and successors-in-interest such Deed of Absolute Sale as full performance by the **VENDEE** of the covenants and undertakings in the Contract.

IN WITNESS WHEREOF, both parties have thereunto set their hands this ____ day of _____, 1997 in Quezon City.

(Sgd.)
MACAPANTON K. MANGONDATO SOCIAL SECURITY COMMISSION
Vendee for the SOCIAL SECURITY
SYSTEM
Vendor

by:

(Sgd.)
GODOFREDO S. SISON
TIN: 118455783^[10]

On February 17, 1997, Atty. Mangondato issued in favor of the SSS a PNB Check No. 002412 in the amount of P500,000.00 representing the full payment of the subject property under the Deed of Conditional Sale.^[11]

Thereafter, in a letter dated April 7, 1997, Atty. Mangondato demanded the SSS to immediately implement the transfer of the subject property in his favor considering that he had already paid the purchase price in full.^[12]

However, in a letter^[13] dated May 5, 1997, the SSS informed Atty. Mangondato about the adoption by the SSC of SSC Resolution No. 224-s.97 dated March 20, 1997 declaring the conditional sale a nullity and directing the return of the P2.7 million payment made by Atty. Mangondato. SSC Resolution No. 224-s.97^[14] dated March 20, 1997 reads:

Sale of the foreclosed assets
of Marawi-Marantao General