

THIRD DIVISION

[G.R. No. 150388, March 13, 2009]

**NATIONAL INVESTMENT AND DEVELOPMENT CORPORATION,
PETITIONER, VS. SPOUSES FRANCISCO AND BASILISA
BAUTISTA, RESPONDENTS.**

D E C I S I O N

CHICO-NAZARIO, J.:

Before Us is a Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court filed by the National Investment and Development Corporation (NIDC)^[1] assailing the *15 October 2001 Decision*^[2] of the Court of Appeals in CA-G.R. CV No. 60159, entitled, "*Spouses Francisco and Basilisa Bautista v. National Investment Development Corporation.*" It stemmed from Civil Case No. Q-28360, a complaint for reconveyance of real property and damages instituted by respondents, Spouses Francisco Bautista and Basilisa Roque (Spouses Bautista), against Banco Filipino Savings and Mortgage Bank (Banco Filipino) and NIDC with the Court of First Instance (CFI) of Rizal, and later assigned to the Regional Trial Court (RTC) of Quezon City, Branch 94, pursuant to this Court's Administrative Order No. 26-90, as amended by Administrative Order No. 85B-89, dated 16 February 1990 and 11 March 1991, respectively.

From the record, the antecedent facts of this case are as follows:

The Spouses Bautista owned several lots located at Pasong Tamo, Quezon City. One such property was a **6,368-square** (sq.)-**meter** lot covered by ***Transfer Certificate of Title (TCT) No. 35034.***

On 26 July 1963, the Spouses Bautista sold several lots to one Araceli Wijangco *Vda. de Del Rosario* (Del Rosario). Included in the lots sold was a portion of the aforescribed 6,368-sq.-meter lot, measuring about 822 sq. meters. Del Rosario succeeded in securing certificates of title covering the purchased lots in her name, including TCT No. 35034. TCT No. 35034, however, covered not just the 822-sq.-meter portion sold to her, but the entire 6,368 sq. meters thereof. A new title, ***TCT No. 70813,*** was issued in the names of Spouses Bautista and Del Rosario covering the entire area of 6,368 sq. meters.

Subsequently, Del Rosario mortgaged the lots she purchased from the Spouses Bautista with the Philippine Commercial and Industrial Bank (PCIB) to secure a loan she obtained from the said bank. Again, the whole 6,368-sq.-meter lot was subjected to the encumbrance and not just the 822-sq.-meter portion thereof pertaining to Del Rosario.

Del Rosario apparently failed to pay her obligation to PCIB; thus, the said bank instituted proceedings for the extrajudicial foreclosure of the mortgaged real estate

properties. PCIB was issued on 24 November 1965 the Certificate of Sale for being the highest bidder of the foreclosed real properties at the public auction sale. On 4 May 1966, PCIB assigned its rights over the aforementioned lots to NIDC. The Certificate of Sale and subsequent assignment were annotated at the back of TCT No. 70813 on 16 May 1966.

In the *interregnum*, however, because Del Rosario failed to complete payment on the lots she earlier purchased from the Spouses Bautista, the latter filed on 17 November 1964 before the CFI of Rizal, Quezon City, Branch IV, a complaint docketed as Civil Case No. Q-8407, entitled, "*Spouses Basilisa Roque and Francisco Bautista v. Araceli W. Vda. de Del Rosario and the Philippine Commercial and Industrial Bank*," for the rescission of the Contract of Sale in favor of Del Rosario; reconveyance of the lots subject of the Contract; and the cancellation of the mortgages constituted over the said lots in favor of PCIB. On 25 January 1965, the CFI rendered a Decision^[3] ordering the rescission of the subject Contract of Sale and the return of the lots covered by said agreement to the Spouses Bautista; without prejudice, however, to the rights of PCIB as a mortgagee of the same. The Spouses Bautista shall take the lots subject to the mortgage constituted thereon in favor of PCIB.^[4]

The appeal of the afore-quoted decision to this Court, docketed as G.R. No. L-24873, was dismissed on 23 September 1966 because it was filed out of time. Hence, the 25 January 1965 *Decision* of the CFI attained finality.

In view of the foregoing developments, upon motion of the Spouses Bautista, the CFI ordered the cancellation of the certificates of title to the lots already in the name of Del Rosario, including TCT No. 70813, as well as their replacement in the names of the Spouses Bautista. Particularly, **TCT No. 139925** was issued in replacement of TCT No. 70813.

Assailing the foregoing order, NIDC came to this Court in G.R. No. L-30150 entitled, "*National Investment Development Corporation v. Judge De los Angeles*."

On 10 June 1969, the Spouses Bautista obtained a P400,000.00 loan from Banco Filipino. To secure payment of such debt, they executed a real estate mortgage over the same lots they previously sold to Del Rosario but were reconveyed to them.

By September 1971, the Spouses Bautista defaulted in the payment of their loan with Banco Filipino, and the latter instituted proceedings for the extrajudicial foreclosure of the real estate mortgage securing the same.

The lots mortgaged to Banco Filipino by the Spouses Bautista were sold at a public auction on 22 October 1971 with said bank being the highest bidder. On 27 October 1971, a Certificate of Sale was issued in favor of Banco Filipino, which was duly registered and annotated at the dorsal portion of all subject certificates of title, including that of TCT No. 139925.

In a letter^[5] dated 13 October 1972, NIDC informed Banco Filipino of its desire to acquire the lots, including that covered by TCT No. 139925, mortgaged to the latter by the Spouses Bautista. It averred that by virtue of this Court's decision in *National Investment Development Corporation v. Judge De los Angeles*,^[6] "it is declared the

rightful owner of these lots x x x."^[7] However, it was choosing not to litigate with Banco Filipino, but, instead, [would] disregard technicalities and exercise its right of redemption.^[8]

On 27 October 1972, NIDC paid Banco Filipino P431,473.25 for the aforementioned lots. A Certificate of Redemption was issued on even date.

Thereafter, NIDC was able to secure in its name new certificates of title over the same lots. TCT No. 139925 covering the 6,368-sq.-meter lot subject of the present case was replaced and cancelled by **TCT No. 186147** in the name of NIDC.

In several correspondences,^[9] the Spouses Bautista attempted to buy back the lots acquired by NIDC from Banco Filipino including the 5,548-sq.-meter portion of the 6,368-sq.-meter lot covered by TCT No. 186147, to no avail. Though NIDC was amenable to selling, the parties could not come to an agreement respecting the purchase price.

On 12 September 1979, the Spouses Bautista filed an action with the CFI of Rizal, Quezon City, docketed as Civil Case No. Q-28360, entitled, "*Spouses Francisco M. Bautista and Basilisa R. Bautista v. Banco Filipino and National Investment Development Corporation*," against Banco Filipino and NIDC for the recovery of the lots in question as well as damages.

In their complaint in Civil Case No. Q-28360, the Spouses Bautista alleged that with respect to the 5,546-sq.-meter portion of the 6,368-sq.- meter lot, they alleged that:

21. That plaintiffs-spouses never intended to mortgage the land in question [6,368 square meter lot covered by TCT No. 139925] to Banco Filipino, but for the grave mistake of the latter through its negligence to include said property in the list of mortgage properties, when the sole intention was only to annotate Himlayang Pilipino's right-of-way on said title, makes said defendant bank liable to reimburse plaintiffs-spouses the amount of P50,202.39, more or less, which they might be required to pay defendant NIDC for the recovery of said property.^[10]

As against NIDC, the Spouse Bautista contended:

16. That defendant NIDC, having learned of the mortgage executed by plaintiffs-spouses in favor of [Banco Filipino] after the Supreme Court ruled in NIDC's favor on its certiorari (L-30150), redeemed the said properties by paying the redemption price to [Banco Filipino] in the amount of P400,000.00, more or less, including the 5,546 square meters owned by plaintiff-spouses;

x x x x

18. That, also, defendant NIDC, by virtue of the deed of assignment PCI Bank executed in its favor (sic) holds a lien to the extent of 822 square meters only on the parcel of land in question;

19. That defendant NIDC has no right to demand from defendant bank

(Banco Filipino) and for which delivery of the 5,546 square meters to it was a mistaken by said [Banco Filipino] by its payment of the redemption price of the mortgage except to the extent of 822 square meters only assigned to it, among other parcels of land, by PCI Bank;

20. That in law and equity defendant NIDC is, therefore, under obligation to return and reconvey the said 5,546 square meters to plaintiffs-spouses, upon the payment by the latter of the proportionate amount of P50,202,39, more or less, that corresponds to the area claimed by taking into consideration the total area mortgaged to Banco Filipino by equitably distributing the redemption price defendant NIDC has paid to the entire area.^[11]

Ultimately, the relief they sought were as follows:

WHEREFORE, it is most respectfully prayed that after hearing (sic) judgment be rendered in favor of plaintiffs-spouses by -

1. - Declaring and ordering that defendant NIDC has no right to demand the 5,546 square meters covered by TCT No. 139925 owned by plaintiffs-spouses and that its delivery to it by Banco Filipino was a mistake;
2. - Ordering defendant NIDC to reconvey the said 5,546 square meters covered by TCT No. 139925, now TCT No. 186147, to plaintiffs-spouses, upon payment by the latter of P50,202.39, more or less, to defendant NIDC for its recovery; and that TCT No. 186147 be cancelled and another be issued in accordance with TCT No. 70813;
3. - Ordering defendant Banco Filipino to reimburse plaintiffs-spouses the amount of P50,202.39 which they would be required to pay defendant NIDC for the recovery of said parcel of land;
4. - Ordering said defendants to pay P30,000.00 [as] attorney's fees and costs of the suit.^[12]

In answer to the complaint of the Spouses Bautista, NIDC asserted that "it did not only redeem but actually purchased from [Banco Filipino]"^[13] the entire 6,368-sq.-meter lot formerly covered by TCT No. 139925, together with the other lots mortgaged to the same bank by the Spouses Bautista; and that by purchasing and/or redeeming said properties, NIDC merely stepped into the shoes of Banco Filipino and is likewise an innocent purchaser for value.

For its part, Banco Filipino merely denied the allegations contained in the complaint and argued that the Spouses Bautista had no cause of action against said bank.

During the pendency of Civil Case No. Q-28360, the same was transferred to the RTC of Quezon City, Branch 94 per this Court's Administrative Order No. 26-90, as amended by Administrative Order No. 85B-89, dated 16 February 1990 and 11 March 1991, respectively.

On 18 November 1991, the RTC rendered judgment in Civil Case No. Q-28360 in this wise:

WHEREFORE, premises considered, a judgment is hereby rendered:

1. Dismissing the complaint against Banco Filipino;
2. Ordering National Investment and Development Corporation to reconvey the 5,546 square meters to [Spouses Bautista] after reimbursement by the latter;
3. Ordering [Spouses Bautista] to reimburse National Investment and Development Corporation the amount of P431,470.66 plus legal interest of 6% from date of redemption, October 27, 1972 until fully paid; and
4. Ordering National Investment and Development Corporation to pay the costs of suit.^[14]

The RTC held that NIDC had no right to the 5,546-sq.-meter portion of the 6,368-sq.-meter lot, which used to be covered by TCT No. 139925 (now covered by TCT No. 186147 in the name of NIDC). The same was neither sold by the Spouses Bautista to Del Rosario nor mortgaged to PCIB, from whom NIDC acquired its rights. The redemption by NIDC of the entire 6,368-sq.-meter lot did not make NIDC an absolute owner thereof, but only a co-owner with the Spouses Bautista of the said undivided property.^[15] The RTC, however, failed to make a finding on the supposed negligence or mistake of Banco Filipino in including TCT No. 139925 in the list of titles mortgaged to it to secure the indebtedness of the Spouses Bautista. Instead, it declared that, except for the 5,546-sq.-meter portion of the 6,368-sq.-meter lot formerly covered by TCT No. 139925, all other lots mortgaged by the Spouses Bautista as security for their P400,000.00 loan from Banco Filipino were no longer owned by them at the time they constituted said mortgage, but by NIDC.

Only NIDC and the Spouses Bautista went to the Court of Appeals in CA-G.R. CV No. 60159 to challenge the foregoing judgment of the RTC.

In a *Decision* promulgated on 15 October 2001, the Court of Appeals affirmed with modification the ruling of the RTC. The *fallo* of said Decision reads:

IN THE LIGHT OF ALL THE FOREGOING, the Decision appealed from is AFFIRMED with the modification that:

1. The Appellant NIDC is hereby ordered to reconvey to the Appellants Spouses an undivided portion of that property covered by Transfer Certificate of Title No. 186147 with an undivided area of 5,546 square meters;
2. The Appellants Spouses Francisco Bautista are hereby ordered to remit to the Appellant NIDC an amount proportioned to the aforesaid area of 5,546 square meters in relation to the entire area of all the fifty-five (55) parcels of land, purchased by the Appellant NIDC from the Banco Filipino Savings & Mortgage Bank, including the aforesaid 5,546 square meters divided by the purchase price of