

## FIRST DIVISION

[ G.R. No. 161818, August 20, 2008 ]

**NEW RURAL BANK OF GUIMBA (N.E.), INC., PETITIONER, VS.  
FERMINA S. ABAD AND RAFAEL SUSAN, RESPONDENTS.**

### DECISION

**PUNO, CJ.:**

This is a petition for review on certiorari filed by NEW RURAL BANK OF GUIMBA (N.E.), INC. (BANK) against respondent spouses Fermina S. Abad (Fermina) and Rafael Susan under Rule 45 of the 1997 Rules of Civil Procedure.

The facts are as follows:

Respondents are the owners of a parcel of land, located in the Municipality of Guimba, Nueva Ecija, with an area of 2,459 square meters, and listed in the Register of Deeds of Nueva Ecija under TCT No. NT-163716. On February 19, 1982, respondents obtained from the petitioner bank a loan with a face value of P4,050.00. As security, the subject lot was mortgaged to the petitioner.

On May 5, 1982, the mortgage was annotated under the Memorandum of Encumbrances on respondents' TCT No. NT-163716.<sup>[1]</sup>

On January 6, 1987, the petitioner bank extrajudicially foreclosed the loan, and the subject lot was sold through public auction. Petitioner bank was the highest bidder, and on January 30, 1987, a certificate of sale was issued in its favor.<sup>[2]</sup>

On April 6, 1988, petitioner bank executed an Affidavit of Consolidation of Ownership for the property.<sup>[3]</sup> TCT No. NT-163716 was cancelled and TCT No. NR-20249 was issued in favor of petitioner.

On April 29, 1988, another annotation was appended on TCT No. NT-163716, under Entry No. 3886. It stated that a Special Power of Attorney was executed by respondent Fermina in favor of the petitioner.<sup>[4]</sup>

On August 12, 1988, respondent spouses filed a Complaint with Prayer for the Issuance of a Writ of Preliminary Injunction,<sup>[5]</sup> before the Regional Trial Court of Guimba, Nueva Ecija, where they alleged that they had fully paid their debt to the petitioner. They alleged that they had paid the amounts of P5,000.00 on August 19, 1982, and P265.00 on August 21, 1982, as evidenced by receipts.<sup>[6]</sup> They prayed for the trial court to render judgment:

1. Declaring the plaintiffs (respondents herein) to have fully paid their mortgage loan with the defendant, which mortgage loan has been

- annotated at the back of TCT No. NT-163716 for the Land Records of Nueva Ecija, under Entry No. 5247;
2. Declaring the Certificate of Sale annotated at the back of TCT No. NT 163716 under Entry No. 15478 null and void and of no force and effect;
  3. Declaring TCT No. NT 202949 issued in the name of the New Rural Bank of Guimba (N.E.), Inc., null and void and of no effect;
  4. Declaring the Special Power of Attorney executed allegedly by the plaintiff, Fermina S. Abad, and annotated at the back of TCT No. 163716 under Entry No. 3886 in favor of the defendant null and void and of no force and effect whatsoever;
  5. Reinstating TCT No. NT-163716 in the names of the plaintiffs and declaring all encumbrances at the back of the said title cancelled;
  6. Ordering the defendant to pay to the plaintiffs by way of moral, actual and exemplary damages, in the sum of P100,000.00, suffered by plaintiffs due to mental torture and anguish, moral shock, serious anxiety, besmirch (*sic*) reputation, wounded feelings, shame and sleepless nights, as a consequence of the cancellation of plaintiffs' title, TCT No. NT-163716, and in lieu thereof, TCT No. NT-202949 has been issued in the name of the defendant;
  7. Ordering the defendant to pay the plaintiffs the sum of P20,000.00 as attorney's fees, plus litigation expenses in the sum of P5,000.00 and appearance fees of P250.00 per hearing, postpone (*sic*) or not;
  8. Ordering the defendant to pay the cost of this suit;
  9. Declaring the restraining order as herein prayed permanent[.]

In its Answer,<sup>[7]</sup> the petitioner bank alleged that respondents failed to pay their loan at the agreed schedule. With due notice to all parties concerned, it extrajudicially foreclosed the mortgage on respondents' property. On January 30, 1987, a certificate of sale was issued in its favor as the highest bidder for the foreclosed lot. On February 4, 1987, the sale was annotated at the back of TCT No. NT-163716.

The trial court found that respondents secured a loan from the petitioner in the amount of P4,050.00 on February 19, 1982, payable within 6 months. Respondents' payments of P5,000.00<sup>[8]</sup> on August 19, 1982 and P265.00<sup>[9]</sup> on August 21, 1982 fully settled their obligation to the petitioner. The phrase "full payment on the balance," written on the receipt for the payment made on August 21, 1982 strengthened the claim of respondents that their mortgage obligation had been paid.

The trial court rejected the claim of the petitioner that the two aforementioned payments were made to settle the obligations of the respondents to Unifarm Agro Trading Center (UNIFARM AGRO) and Unifarm Ricemill and Bonded Warehouse (UNIFARM RICE), that belong to Mr. Domingo Bautista (Bautista) who is the president and general manager of the petitioner bank. The trial court considered the long interval from the time that the debt became due on August 19, 1982, and January 6, 1987, the date of the auction sale for the property in question, as indications that the mortgage obligation had been fully paid by the respondents. The trial court noted that respondent Fermina was barely educated, could hardly understand written English and could only read the dates printed on the receipts. In comparison, Bautista was highly-educated and fully understood all the proceedings.