

FIRST DIVISION

[G.R. NO. 150852, July 31, 2006]

LUISA GUANCO, ASSISTED BY HER HUSBAND, LEONARDO GUANCO, PETITIONER, VS. ISIDRO ANTOLO, RESPONDENT.

DECISION

CALLEJO, SR., J.:

This is a petition for review of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 55863 reversing and setting aside the decision of the Regional Trial Court (RTC), Branch 11 of Antique, in Civil Case No. 2150, as well as the CA resolution denying the motion for reconsideration thereof.

Isidro Antolo, a resident of Funda, Hamtic, Antique, applied for a P600.00 loan from the Rural Bank of Sibalom (RBS) (Antique), Inc.^[2] To secure payment thereof, Antolo executed a Real Estate Mortgage^[3] on July 19, 1976 over a parcel of land covered by Transfer Certificate of Title (TCT) No. N-10216 located in San Jose, Antique. The deed was annotated at the dorsal portion of the title on the same date.^[4] He likewise executed in favor of RBS a promissory note dated July 24, 1976, to be due and demandable on April 21, 1977.^[5] Sometime thereafter, Antolo transferred his residence to North Baybay, Barangay Pahanocoy, Bacolod City, where he found work, without, however, leaving any forwarding address to RBS.^[6]

On March 5, 1977, RBS, through its Manager, Manuelita C. Mañosa, sent a letter to Antolo reminding him that his loan was to mature on April 21, 1977, and that he was expected at the bank on said date.^[7] As gleaned from the registry return receipt covering the letter, it was received by Mrs. Nelna Jaranilla.^[8] However, Antolo did not go to the RBS or pay his loan on its maturity date.

In a letter^[9] dated May 10, 1977, Mañosa again requested him to pay his account with RBS, otherwise the real estate mortgage would be foreclosed. Antolo failed to pay his loan account. The RBS, through counsel, then sent a letter dated June 21, 1977, declaring that unless Antolo paid his loan account including the accrued interest thereon within ten (10) days from notice thereof, appropriate legal action would be taken against him to protect its rights and interests.^[10]

In a letter^[11] dated December 7, 1983, Antolo inquired how much his loan account with the bank was, including accrued interests, to enable him to "redeem" his title. The bank replied via a letter^[12] dated December 20, 1983, informing Antolo that his loan account had already been paid on August 29, 1977, as evidenced by Official Receipt No. 5280, and that consequently, the owner's duplicate of his title had already been released. In a letter^[13] dated January 10, 1984, Antolo informed RBS that he had no knowledge that his loan account had been paid and the owner's

duplicate of title over the mortgaged property released. Antolo furnished the Central Bank of the Philippines with a copy of his letter.

In a letter dated March 28, 1986, the Office of the Special Assistant to the Central Bank Governor informed Antolo that verification of the matter yielded the following: Antolo was granted a supervised credit loan of P600.00 on July 24, 1976, to mature on April 21, 1977; he failed to pay the loan upon maturity; the bank's legal counsel sent a collection letter on June 21, 1977, after which his account was transferred to Items in Litigation on July 21, 1977; he paid his account on August 29, 1977 for which he was issued Official Receipt No. 5280 for P705.88, covering loan principal, interest and litigation expenses; and the collateral document had been released to him.

In a letter^[14] to the Central Bank dated April 28, 1986, Antolo complained that RBS had released the owner's duplicate of his title to a third-party which he had not authorized. He made inquiries from the Register of Deeds and discovered that TCT No. N-10216 had been cancelled by a Certificate of Sale^[15] executed by the Provincial Sheriff through Deputy Sheriff Bonifacio L. Alvior. It appears on the face of the said certificate that Antolo's property was sold at a public auction held at 10:00 a.m. on

August 19, 1977 at the Provincial Capitol, San Jose, Antique, in favor of one Luisa Guanco for P775.00, who was allegedly the sole bidder. The certificate of sale was annotated at the dorsal portion of his title on April 30, 1977, and a Final Deed of Sale^[16] was executed in favor of Guanco on August 28, 1978 by Deputy Sheriff Alvior for P930.00; consequently, the deed was annotated at the dorsal copy of TCT No. N-10216 on September 5, 1978. On October 9, 1978, TCT No. N-10216 was cancelled by TCT No. 12131^[17] under the name of Luisa Guanco. The latter declared the property in her name under Tax Declaration No. 6842^[18] and paid the realty taxes thereon.^[19]

On November 4, 1986, Antolo filed a complaint against Luisa Guanco and her husband Leonardo Guanco, Provincial Sheriff Alvior and the RBS, for annulment of the sheriff's sale, recovery of ownership with damages. Antolo alleged the following in his complaint:

3. That sometime on July 19, 1976, the plaintiff obtained a loan with the defendant, the Rural Bank of Sibalom (Antique) Inc. in the sum of P600.00 which loan was secured by a real estate mortgage executed in favor of the mortgagee bank as per Entry No. N-118359 dated July 19, 1976;
4. That after the execution of the real estate mortgage in favor of the Rural Bank of Sibalom (Antique) Inc., the plaintiff left for Bacolod where he stayed most of the time because his business and other transactions required his presence in said place;
5. That while the loan which the plaintiff has contracted with the defendant, the Rural Bank of Sibalom (Antique) Inc. was outstanding, the said defendant without due notice to the herein plaintiff foreclosed the real estate mortgage executed by the latter

and on August 19, 1977, the defendant Provincial Sheriff of Antique through its former Deputy, Bonifacio Alvior made it appear that a public auction sale was conducted wherein Lot 6468 above described was allegedly sold in favor of the defendants Luisa Guanco and Leonardo Guanco for P775.00 as per Entry No. N-123729 dated August 30, 1977, x x x

6. That the plaintiff being unaware of the foreclosure proceedings, inquired from the defendant the Rural Bank of Sibalom (Antique) Inc. the status of his loan and offered to pay the amount of the loan but the Rural Bank of Sibalom (Antique) Inc. informed him that the amount of the loan was fully paid on August 29, 1977 as per Official Receipt No. 5280 and that the corresponding release of mortgage was executed by the defendant Rural Bank of Sibalom (Antique) Inc.;
7. That in spite of the admission of the defendant rural Bank of Sibalom (Antique) Inc. that the amount of the loan which the plaintiff obtained from the defendant Rural Bank of Sibalom (Antique) Inc. was fully paid on August 29, 1977, said bank and its co-defendants, Bonifacio Alvior and the Provincial Sheriff of Antique went on with the sale and on August 28, 1978, the defendant Provincial Sheriff of Antique thru then Deputy Sheriff, Bonifacio Alvior executed a final deed of sale in favor of defendants Luisa Guanco and Leonardo Guanco conveying in their favor the land described in paragraph 2 for the sum of P775.00 which sale was annotated in the Office of the Register of Deeds of Antique as Entry No. 128493 dated September 5, 1978, x x x
8. That as a consequence of the execution of the final deed of sale (Annex B), Transfer Certificate of Title No. N-10216 issued in the name of the herein plaintiff, was cancelled by Transfer Certificate of Title No. N-12131 in the name of defendants Luisa Guanco and Leonardo Guanco;
9. That the certificate of sale and the final deed of sale (Annexes A & B) which Deputy Sheriff Bonifacio Alvior executed in favor of his co-defendants, Luisa Guanco and Leonardo Guanco are null and void *ab initio*, the same having been executed without the required notice prescribed by the Rules of Court and without the necessary petition for foreclosure filed by the mortgagee bank; aside from the fact that the loan has already been fully paid;
10. That it was impossible for the mortgage to have been foreclosed without the mortgagee bank filing the proper petition for foreclosure of mortgage because on July 19, 1977 when the certificate of sale was allegedly executed the mortgage has not been foreclosed and that the title and other supporting papers were still with the mortgagee bank;
11. That this fact is bolstered by the admission of the defendant Rural Bank of Sibalom (Antique) Inc. that on August 29, 1977 the amount

of the loan was fully paid and it issued Official Receipt No. 5280;

12. That in view of the aforementioned facts and circumstances, the execution of the certificate of sale and the subsequent final deed of sale are acts of falsification which are criminal acts therefore did not transfer any right or title in favor of the defendants Luisa Guanco and Leonardo Guanco;
13. That the defendant, Bonifacio Alvior committed an act of falsification when he executed the certificate of sale on August 19, 1977 and the final deed of sale on August 28, 1978 for the reason that the execution of said documents had no basis in fact and in law, hence, both documents are null and void and without any effect whatsoever; ^[20]

Antolo prayed that judgment be rendered in his favor, as follows:

1. Declaring the certificate of sale and the final deed of sale x x x to be null and void from the very beginning and ineffective as against the herein plaintiff;
2. Ordering the defendants Luisa Guanco and Leonardo Guanco to execute a deed of reconveyance in plaintiff's favor and to vacate the premises of the parcel of land which is more particularly described in paragraph 2 of this complaint and to return its possession to the herein plaintiffs;
3. Ordering the defendants to pay jointly and severally the plaintiff moral damages, exemplary damages, attorney's fees and such other amounts which the plaintiff may be able to prove during the trial.

The plaintiff further prays that the defendants be jointly and severally ordered to pay the cost of this suit. ^[21]

In their answer to the complaint, the defendant spouses averred that Luisa Guanco was a purchaser in good faith. Moreover, Antolo was estopped from assailing the extrajudicial foreclosure of his property and the sale thereof at public auction because he had tarried for years before filing his complaint.

For its part, RBS alleged that as far as its records were concerned, Antolo's loan, which was secured by a mortgage over Lot No. 6468 of the San Jose Cadastre, was fully paid and, consequently, the title was released. The RBS Manager could not clearly remember whether the payment was effected before or after the auction sale, but it alleged that all the requirements for the foreclosure of the mortgage had been complied with. Based on the RBS file, the payment of the loan, the corresponding foreclosure and the subsequent payment to the bank of the amount of the loan were all valid and legal. It alleged that no falsification or criminal act was committed by any of its officials. ^[22]

Antolo testified that he had inherited the subject property from his aunt, Maria Combong. He executed an affidavit of self-adjudication as her sole heir, and on June

22, 1976, the Register of Deeds issued TCT No. N-10216^[23] covering the property in his name. In August 1975, he signed an acknowledgment receipt for an additional amount for and in behalf of his aunt, acknowledging receipt of P200.00 under the contract of sale with right to repurchase in favor of Luisa Guancho executed in 1974.^[24] He insisted that he never received any notice from the Provincial Sheriff relative to the extrajudicial foreclosure of the real estate mortgage he executed in favor of RBS and the sale thereof at public auction.^[25] The deputy sheriff was his close friend.^[26] He was not able to pay his loan account to RBS because he was in financial straits.^[27]

Luisa Guancho testified, on direct examination, that on August 6, 1974, Maria Combong executed in her favor a contract of sale, with right to repurchase within five (5) years from execution, for P650.00.^[28] Prior thereto, she had a house constructed on the property in 1972, and another in 1974.^[29] In August 1975, Maria Combong, through her nephew, Isidro Antolo, received P200.00 from her as additional consideration for the sale of the property under the contract of sale with right to repurchase. Combong had agreed to extend the period to repurchase the property to August 1980. This is evidenced by an acknowledgment receipt^[30] of the additional amount of P200.00 signed by Antolo.

Luisa Guancho further testified that sometime in July 1977, Florencia Jordan, Antolo's wife, handed to her the demand letter of RBS, in which it demanded payment of Antolo's loan account within 10 days.^[31] Jordan suggested that Guancho purchase the property directly from RBS.^[32] She went to see Deputy Sheriff Alvior who advised her to buy the property directly from RBS before it was sold at public auction the following month.^[33]

On cross-examination, Luisa Guancho declared that she never filed a petition for consolidation of her title over the property.^[34] She went to RBS and was informed that the property was mortgaged by Antolo as security for a loan. She then decided to purchase the property, since it had already been sold to her by Maria Combong.^[35] She paid the P930.00 to RBS which was the price of the property at the auction sale.^[36] However, she was not issued any receipt by the RBS for the amount.^[37]

RBS adduced evidence that Antolo failed to redeem the property within one (1) year from the date of registration of the certificate of sale.^[38] RBS had no record of its petition for extrajudicial foreclosure of the real estate mortgage,^[39] nor a copy of the certificate of sale executed by the deputy sheriff in favor of Guancho. Neither did the RBS execute a deed of release of mortgage. It only had a machine copy of the final deed of sale.^[40] Based on the ledger of the RBS, the amount covered by Official Receipt No. 5280 is P705.88 which was issued after the foreclosure of the real estate mortgage.

On July 15, 1996, the RTC rendered judgment in favor of the defendants. The *fallo* of the decision reads:

WHEREFORE, in view of the foregoing pronouncements, judgment is hereby rendered dismissing the plaintiff Isidro Antolo's COMPLAINT; declaring the foreclosure sale of Lot No. 6468 of the Cadastral Survey of