

THIRTEENTH DIVISION

[CA-G.R. CV NO. 99741, March 27, 2014]

**HEIRS OF NATALIA S. CAPILI, REPRESENTED BY THEIR
ATTORNEY- IN-FACT, CESAR S. CAPILI, PLAINTIFFS-APPELLEES,
VS. BMS RURAL BANK, INC. AND ASTRID MEDINA, DEFENDANTS-
APPELLANTS.**

D E C I S I O N

DIMAAMPAO, J.:

At the quintessence of this controversy is the degree of diligence required of banking institutions in conducting its business. Impugned in this *Appeal* is the *Decision*^[1] dated 28 September 2012 of the Regional Trial Court of Pasig City, Branch 160, annulling the Real Estate Mortgage executed in favor of defendant-appellant BMS Rural Bank, Inc. (BMS Bank), in Civil Case No. 70066.

The records unveil the following precursor facts:

Natalia Capili (Natalia) is the registered owner of Condominium Unit No. 403, located in San Juan, Metro Manila and covered by Condominium Certificate Title (CCT) No. 5551-R.^[2]

Sometime in 2003, appellee Cesar Capili (Cesar), son of Natalia, received a call from an anonymous caller informing him that Condominium Unit No. 403 was illegally mortgaged to BMS Bank as security for a loan procured purportedly by Natalia in the sum of P1,235,000.00.^[3] Cesar was astounded for he knew that his mother could not have possibly applied for a loan and signed the mortgage documents that year as she was then residing in the United States of America (USA), and that she last visited the Philippines in 1995.^[4] The caller further relayed that this fraudulent scheme was contrived by Fe Manubay (Fe), Dina Vitor (Dina), Cecile dela Cruz (Cecile) and several bank personnel. Cesar only knew Fe who happened to be his former officemate and the godmother of his son.

Cesar recalled that he once lent Fe the original copy of CCT No. 5551-R upon the latter's prodding that she had a prospective buyer who wanted to verify the authenticity of the title. Fe returned the title to him after a couple of days. Upon verification with the Registry of Deeds, Cesar learned that the copy of CCT No. 5551-R in his possession was spurious.

Apprehensive, Cesar wrote BMS Bank relating the foregoing circumstances. He requested the latter not to take further action to aggravate the matter on hand. BMS Bank refused to heed the request^[5] and instead, proceeded with the foreclosure of the mortgage constituted on the realty.^[6] BMS Bank emerged as the highest bidder at the public auction and a *Certificate of Sale*^[7] was issued in its favor.

In an effort to recover the condominium, Natalia, represented by Cesar, filed a *Complaint for Annulment of Mortgage with Damages* against BMS Bank. Impleaded in the suit were defendant-appellant Astrid Medina, the head of the bank's Loan Department, as well as Fe, Dina and Cecile who supposedly conspired to perpetrate this devious design.

Natalia adduced in evidence *Questioned Documents Report No. 637-904*^[8] issued by the National Bureau of Investigation (NBI) which concluded that her alleged signature as appearing in the *Real Estate Mortgage*^[9] was forged. NBI Examiner IV Rhoda Flores (Flores) likewise testified that she analyzed, evaluated and compared the questioned and standard signatures of Natalia. She noted significant differences thereon leading her to deduce that the signatures were not written by one and the same person.

To prove that her last visit to the Philippines was in 1995, Natalia proffered the *Certification*^[10] of the Bureau of Immigration as well as various passports^[11] indicating that she neither left the USA nor set foot in the Philippines since 2001.

In 2005, Natalia died in the USA and she was substituted by Cesar and her other heirs in the proceedings.^[12]

BMS Bank, for its part, asserted that it exercised due diligence and acted in good faith in approving the loan. It observed its standard procedure in determining the identity of Natalia and in checking the authenticity of CTC No. 5551-R. BSM Bank theorized that the Natalia who applied for the loan was the real Natalia Capili, and not the plaintiff-appellee. Natalia was required to submit identification cards, business registration documents and mayor's permit, as well as the certified true copy of CTC No. 5551-R, tax receipts and clearances. BMS Bank checked with the Registry of Deeds and confirmed the veracity of the condominium title in the name of Natalia.

During the credit investigation, one Eric Gonzales (Gonzales), a loan officer of BMS Bank visited the residence declared by Natalia in her application. Gonzales was able to talk to two of her employees who affirmed that it was Natalia who resided therein as well as "a lady outside"^[13] who stated that Natalia was engaged in the fruit dealership business.^[14]

Gonzales visited the North Harbor to check on Natalia's business. He was able to procure a copy of the Butuan Banana Consignees Association Expense Report and noticed that the name of Natalia was the only name not typewritten therein, and that written on its left margin were the notations: "CCT No. 5551-R" and "1822 42nd Avenue San Francisco, California."^[15] Eric also noted that the business of Natalia was registered with the Department of Trade and Industry barely 11 days prior to the loan application.^[16]

Gonzales and his team, along with Natalia, visited the condominium which was at that time vacant. Natalia talked to the building administrator who opened the unit for them.^[17]

BSM Bank revealed that one of the purposes of Natalia's loan was refinancing, which meant that the loan proceeds should be used to pay the previous obligation of the applicant. Thence, upon approval of the loan, Gonzales accompanied Natalia to the

office of one Atty. Domingo Cruz, representative of a certain Dr. Jose Mendiola (Dr. Mendiola), and partially released a portion of the loan amounting to P500,000.00. Dr. Mendiola released CCT No. 5551-R which was in his possession.

Weighing the adverse postures of the parties, the court *a quo* rendered the impugned Decision, thusly:

"WHEREFORE, judgment is hereby rendered in favor of the (plaintiff Natalia, represented by her heirs) and against the defendant (BSM Bank), as follows:

1. Declaring null and void the Real Estate Mortgage dated 08 July 2003, the foreclosure proceedings thereon, and the Certificate of Sale issued to defendant bank pursuant thereto;
2. Ordering the (defendant BSM Bank) to:
 - 2.1 Return to (plaintiff Natalia, represented by her heirs) the owner's copy of Condominium Certificate of Title No. 5551-R;
 - 2.2 Pay the amounts of P50,000.00 in moral damages, P50,000.00 in exemplary damages and P50,000.00 in attorney's fees.
 - 2.3 Pay the costs of suit.
3. Ordering the Register of Deeds of San Juan to cancel the annotations on Condominium Certificate of Title No. 5551-R of the Real Estate Mortgage and the Certificate of Sale under entry nos. 52239 and 56890, respectively.

SO ORDERED."^[18]

Nonplussed, BSM Bank (now, appellant) comes to Us raising these assignment of errors:

I

THE TRIAL COURT ERRED IN FINDING THAT THE DEFENDANT-APPELLANT BANK DID NOT EXERCISE THE DILIGENCE REQUIRED OF BANKING INSTITUTIONS IN DEALING WITH REGISTERED OR TITLED PROPERTY.

II

THE TRIAL COURT ERRED IN FINDING THAT THE DEFENDANT-APPELLANT BANK IS NOT A MORTGAGEE IN GOOD FAITH.

III

THE TRIAL COURT ERRED IN FINDING THAT THE SIGNATURE "NATALIA S. CAPILI" IN THE REAL ESTATE MORTGAGE IS A FORGERY.

IV

THE TRIAL COURT ERRED IN FINDING THAT THERE IS NO VALID AND PERFECTED CONTRACT OF MORTGAGE BETWEEN NATALIA S. CAPILI AND THE DEFENDANT-APPELLANT BANK.

V

THE TRIAL COURT ERRED IN DECLARING THAT THE REAL ESTATE MORTGAGE BETWEEN NATALIA S. CAPILI AND THE DEFENDANT-APPELLANT BANK IS NULL AND VOID.

VI

THE TRIAL COURT ERRED IN ORDERING THE REGISTER OF DEEDS OF SAN JUAN TO CANCEL THE ANNOTATIONS ON CONDOMINIUM CERTIFICATE OF TITLE NO. 5551-R CONCERNING THE REAL ESTATE MORTGAGE AND THE CERTIFICATE OF SALE UNDER ENTRY NOS. 52239 AND 56890, RESPECTIVELY.

VII

THE TRIAL COURT ERRED IN AWARDING DAMAGES TO THE PLAINTIFFS-APPELLEES.

The Appeal lacks merit.

First off, appellant takes umbrage at the finding that it was not a mortgagee in good faith as it did not exercise the diligence required of banks before approving the loan. It contends that a thorough investigation was conducted on Natalia, represented by her heirs, (collectively now, appellees) as well as the real status of the mortgaged property.

The doctrine of "mortgagee in good faith" is based on the rule that all persons dealing with property covered by a Torrens Certificate of Title are not required to go beyond what appears on the face of the title. This is in deference to the public interest in upholding the indefeasibility of a certificate of title as evidence of lawful ownership of the land or of any encumbrance thereon. In the case of banks and other financial institutions, however, greater care and due diligence are required since they are imbued with public interest, failing which renders the mortgagees in bad faith.^[19]

A perspicacious review of the records convinced Us that appellant failed to exercise extraordinary diligence in approving the loan and in allowing the mortgage of appellees' property. There is no gainsaying that Gonzales, the bank officer who spearheaded the credit investigation, admitted that one, he did not verify whether the passport and other documents shown by the impostor were genuine;^[20] two, he never bothered to investigate the alleged mortgage previously executed in favor of Dr. Mendiola which could have shed light on how a copy of CCT No. 5551-R was in the latter's possession;^[21] three, he did not inquire why the impostor's business registration with the DTI was barely 11 days old from the time the loan application was filed;^[22] and, four, he did not probe into whether the person he visited was truly appellee Natalia by asking neighbors or *barangay* officials who may attest to her identity, but merely relied on the mere say-so of two of her employees and a certain lady outside of the house.^[23]

Had appellant exerted prudent efforts to ascertain the identity of the person transacting with it, the devious design of the impostor would not have succeeded and this legal scuffle would not have ensued. We thus give Our approbation to the well-reasoned discourse of the court *a quo*—