

EIGHTH DIVISION

[CA-G.R. CV No. 99990, November 28, 2014]

CARMEN MIAGUE, PLAINTIFF-APPELLANT, VS. SOCIAL SECURITY SYSTEM, ROGER C. DIAZ AND THE REGISTER OF DEEDS FOR VALENZUELA CITY, DEFENDANTS-APPELLEES.

DECISION

LAMPAS PERALTA, J.:

Assailed in this appeal is the Decision dated September 11, 2012^[1] in Civil Case No. 35-V-11 of Branch 269, Regional Trial Court, Valenzuela City which dismissed plaintiff-appellant's complaint against defendants-appellees for "Nullification of Foreclosure and Foreclosure Proceedings with prayer for TRO/Preliminary Injunction."

THE ANTECEDENTS

The present case involves a house and lot with an area of 120 square meters covered by Transfer Certificate of Title (TCT) No. V-90557^[2] in the name of defendant-appellee Social Security System (SSS, for brevity) and located at Gen. T. De Leon, Valenzuela City. The property was previously covered by TCT No. T-123053^[3] in the name of spouses Carlos Miague and plaintiff-appellant Carmen Miague.

Plaintiff-appellant and Carlos Miague obtained a loan from defendant-appellee SSS in the sum of P100,000.00, payable in 25 years and secured by a real estate mortgage on the subject property, per "Mortgage Contract" dated May 4, 1985.^[4] Plaintiff-appellant and Carlos Miague failed to pay the monthly installments. On January 26, 1990, defendant-appellee SSS sent a telegram to plaintiff-appellant and Carlos Miague asking them to pay their loan obligation in the total amount of P126,494.00.^[5]

On May 24, 1991, plaintiff-appellant and Carlos Miague requested a restructuring of their loan account with defendant-appellee SSS, to which the latter acquiesced.^[6] Pursuant thereto, the parties executed a "Supplemental Mortgage Contract" whereby plaintiff-appellant and Carlos Miague agreed to pay P1,060.30 per month for 231 months starting August 1-5, 1991.^[7] However, the loan obligation of plaintiff-appellant and Carlos Miague remained unpaid.

Thus, defendant-appellee SSS filed with the Office of the Clerk of Court and Ex-Officio Sheriff of Valenzuela City an "Application for Foreclosure of Real Estate Mortgage" dated January 8, 1996.^[8] The public auction of the subject property was set on March 28, 1996, per "Notice of Sheriff's Sale" dated February 19, 1996 issued by the Clerk of Court and Ex-Officio Sheriff of Valenzuela City.^[9] Said notice was

published for three (3) consecutive weeks in Malaya, a newspaper of general circulation in the Philippines, per Affidavit of Publication dated March 14, 1996.^[10]

During the public auction held on March 28, 1996, defendant-appellee SSS was the highest bidder. Accordingly, a Certificate of Sale dated August 12, 1996 was issued in its favor,^[11] but defendant-appellee SSS did not register the same immediately. Instead, defendant-appellee SSS sent notices^[12] to plaintiff-appellant and Carlos Miague regarding their arrearages and possible restructuring of the same.

In a handwritten letter dated February 15, 1999,^[13] plaintiff-appellant requested that the loan be restructured pursuant to Republic Act (RA) No. 8501 which defendant-appellee SSS approved, per Notice dated August 21, 2000. Thus, defendant-appellee SSS directed plaintiff-appellant and Carlos Miague to come to its office on or before September 21, 2000 for details; otherwise, the Certificate of Sale dated August 12, 1996 would be registered without further notice.^[14]

Plaintiff-appellant and Carlos Miague failed to pay. On June 19, 2006, defendant-appellee SSS formally notified them that due to their failure to pay arrearages, the Certificate of Sale dated August 12, 1996 would be registered.^[15] In a letter dated September 26, 2006,^[16] defendant-appellee SSS informed plaintiff-appellant and Carlos Miague that the Certificate of Sale was registered on September 6, 2006 and they had the right to redeem the property within 12 months from date of registration.

On February 21, 2007, defendant-appellee SSS informed plaintiff-appellant and Carlos Miague that (i) the redemption period would expire on September 6, 2007, (ii) defendant-appellee SSS would be implementing a condonation program for delinquent housing loan borrowers which must be availed of on or before March 30, 2007; and, (iii) defendant-appellee SSS would pursue consolidation/transfer of ownership of the subject property in its name without further notice if the condonation program was not availed of by plaintiff-appellant and Carlos Miague by March 30, 2007.^[17]

Plaintiff-appellant and Carlos Miague failed to avail of the condonation program and to redeem the property within the 12-month period; thus, defendant-appellee SSS consolidated ownership of the same.^[18] TCT No. V-90557 in the name of defendant-appellee SSS was issued by defendant-appellee Register of Deeds of Valenzuela City.^[19]

On May 6, 2009, defendant-appellee SSS informed plaintiff-appellant and Carlos Miague that they had the option to repurchase the property at the prevailing fair market value.^[20] Defendant-appellee SSS, through its letter-server, was informed that Carlos Miague died on June 20, 2007.^[21]

Plaintiff-appellant signified her intention to repurchase the property, but she failed to do the same.^[22] Thus, the property was placed by defendant-appellee SSS under its Housing Fair II Program. On March 23, 2010, defendant-appellee Roger C. Diaz submitted a "Buyer's Application to Purchase an SSS Acquired Asset Housing Fair II Program" offering to purchase the property.^[23] The sale was approved on April 22,

2010.

In a letter dated April 26, 2010,^[24] defendant-appellee SSS informed plaintiff-appellant that defendant-appellee Roger C. Diaz's purchase proposal had been approved and they must vacate the premises and surrender the same to defendant-appellee Roger C. Diaz. A "Deed of Conditional Sale of House and Lot" dated May 27, 2010^[25] was executed by defendant-appellee SSS in favor of defendant-appellee Roger C. Diaz. In response, plaintiff-appellant informed defendant-appellee SSS that she could not vacate the property and requested that she be given preference to repurchase the same.^[26]

In a letter dated July 8, 2010,^[27] defendant-appellee SSS informed plaintiff-appellant that for her failure to repurchase the property on or before September 2009, the same was made available for sale to other interested buyers under the Housing Fair Program and was subsequently sold to defendant-appellee Roger C. Diaz. Thus, plaintiff-appellant must vacate the property and surrender the same "as is" to defendant-appellee Roger C. Diaz. Defendant-appellee SSS sent another letter dated September 8, 2010 reiterating its request for plaintiff-appellant to vacate the property.^[28]

On March 17, 2011, plaintiff-appellant filed with the trial court a complaint against defendants-appellees for "Nullification of Foreclosure and Foreclosure Proceedings with prayer for TRO/Preliminary Injunction,"^[29] alleging that (i) the foreclosure proceedings were void because plaintiff-appellant did not authorize the same and there was no prior demand from defendant-appellee SSS for plaintiff-appellant to pay her obligation; (ii) there was no sufficient publication in a newspaper of general circulation nor proper posting of the notice of sheriff's sale; and, (iii) the "Deed of Conditional Sale of House and Lot" should be declared null and void because it was executed in utter disregard of plaintiff-appellant's right of first refusal and defendant-appellee Roger C. Diaz was a buyer in bad faith. Plaintiff-appellant prayed, among others, that the foreclosure proceedings and "Deed of Conditional Sale of House and Lot" be declared null and void and defendants-appellees SSS and Roger C. Diaz be ordered to pay moral and exemplary damages, attorney's fees and litigation expenses.

After hearing, the trial court issued an Order dated April 26, 2011^[30] denying plaintiff-appellant's application for the issuance of a temporary restraining order. Hearing on the application for issuance of writ of preliminary injunction was set on May 9, 2011.

On May 13, 2011, defendant-appellee SSS filed answer with counterclaim^[31] alleging, among others, that (i) the cancellation of TCT No. T-123053 in the name of plaintiff-appellant and Carlos Miague and the issuance of TCT No. V-90557 in the name of defendant-appellee SSS was due to non-payment by plaintiff-appellant and Carlos Miague of their loan obligation which resulted in the foreclosure of the property and sale thereof to a qualified buyer; (ii) plaintiff-appellant was always notified of all actions undertaken by defendant-appellee SSS; and, (iii) plaintiff-appellant had no cause of action against defendants-appellees and was not entitled to an injunction because the legitimate buyer, defendant-appellee Roger C. Diaz, had the legal right to avail of the remedies under the law. Defendant-appellee SSS

prayed that the complaint be dismissed and plaintiff-appellant be ordered to pay moral and exemplary damages, attorney's fees and cost of suit.

In an Order dated July 12, 2011,^[32] the trial court denied plaintiff-appellant's application for the issuance of writ of preliminary injunction.

During the pre-trial,^[33] the parties made the following admissions:

- "1. The subject property formerly covered by TCT No. T-123053, including the improvements existing thereon, was mortgaged on May 4, 1985 with defendant SSS by Spouses Carlos and Carmen Miague for One Hundred Thousand Pesos (P100,000.00) payable in twenty-five (25) years.
2. The validity and due execution of the aforesaid Mortgage Contract dated May 4, 1985 between defendant SSS and Spouses Miague.
3. On November 10, 1994, Spouses Miague executed and signed a Supplemental Mortgage Contract.
4. On February 15, 1999, plaintiff submitted to defendant SSS a handwritten letter expressing her desire to avail of the condonation of penalty/restructuring of account, pursuant to RA 8501."

After the parties had presented their respective evidence, the trial court rendered a Decision dated September 11, 2012^[34] dismissing plaintiff-appellant's complaint. Thus:

"WHEREFORE, the Complaint is hereby DISMISSED for being unmeritorious. Defendants' counterclaim is likewise dismissed for lack of merit.

SO ORDERED."

Plaintiff-appellant filed a motion for reconsideration,^[35] but the trial court denied the same in an Order dated November 6, 2012.^[36]

Thus, plaintiff-appellant filed the present appeal which is premised on the following assignment of errors:

- "1. The trial court gravely erred when it declared that plaintiff-appellant can no longer rely on paragraph 16 of the Mortgage Contract;
2. The lower court gravely erred when it upheld the validity of the foreclosure despite the absence of the requisite notice of posting.

3. The lower court erred when it concluded that the foreclosure sale was also done apparently in accordance with ACT No. 3135 as amended and that no allegation has been made that the proceeding was marred by any irregularity."^[37]

THE ISSUE

Whether the trial court erred in dismissing plaintiff-appellant's complaint against defendants-appellees for "Nullification of Foreclosure and Foreclosure Proceedings with prayer for TRO/Preliminary Injunction."

THE COURT'S RULING

Plaintiff-appellant faults the trial court in holding that the foreclosure of mortgage over the subject property was valid. Allegedly, "the late Carlos Miague was covered by MRI or Mortgage Redemption Insurance for the whole amount of the loan" and when Carlos Miague died on June 20, 2007, the redemption period had not yet lapsed, thus, the whole obligation should have been extinguished.^[38] Moreover, "in evident bad faith," defendant-appellee SSS hid from plaintiff-appellant the fact that "her husband was covered by MRI" thereby "frustrating her from redeeming or in buying back the subject property."^[39] Plaintiff-appellant further posits that the "failure of the defendant-appellee SSS to have the Notice of Sheriff's Sale posted for a certain period and in places required by law makes the Extrajudicial Foreclosure null and void."^[40]

The present appeal is unfounded.

A Mortgage Redemption Insurance (MRI) is a device for the protection of both the mortgagee and the mortgagor. On the part of the mortgagee, it has to enter into such form of contract so that in the event of the unexpected demise of the mortgagor during the subsistence of the mortgage contract, the proceeds from such insurance will be applied to the payment of the mortgage debt, thereby relieving the heirs of the mortgagor from paying the obligation. On the part of the mortgagor, protection is given such that in the event of death, the mortgage obligation will be extinguished by the application of the insurance proceeds to the mortgage indebtedness.^[41]

The "Mortgage Contract" between plaintiff-appellant and defendant-appellee SSS provides for security of the loan against the death of the borrower through the Mortgage Redemption Insurance Plan. The MRI covered only the "amount of the approved loan" which is P100,000.00. Thus:

"16. (a) The loan shall be secured against the death of the borrower through the Mortgage Redemption Insurance Plan; (b) Coverage shall take effect on the date of the first release voucher of the loan and shall continue until the real estate mortgage loan is fully paid; (c) Coverage shall be compulsory for any MORTGAGOR who is not over 60 years old on his birthday nearest to the date of approval of the loan; otherwise,