



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

PHILIPPINE NATIONAL BANK,  
Petitioner,

G.R. No. 212483

Present:

CARPIO, J., Chairperson,  
VELASCO, JR.\*  
DEL CASTILLO,  
MENDOZA, and  
LEONEN, JJ.

-versus-

VENANCIO C. REYES, JR.,  
Respondent.

Promulgated:  
05 OCT 2016

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DECISION

LEONEN, J.:

A spouse's consent is indispensable for the disposition or encumbrance of conjugal properties.

This resolves a dispute between petitioner Philippine National Bank and respondent Venancio C. Reyes, Jr. (Venancio). Philippine National Bank filed a Petition for Review on Certiorari<sup>1</sup> assailing the Decision<sup>2</sup> dated August 22, 2013 and the Resolution<sup>3</sup> dated May 5, 2014 of the Court of Appeals. The assailed Court of Appeals Decision affirmed the Decision and

\* Designated acting member per Special Order No. 1910 dated January 12, 2014.

<sup>1</sup> Rollo, pp. 25-40, Petition for Review on Certiorari.

<sup>2</sup> Id. at 10-19. The Decision was penned by Associate Justice Edwin D. Sorongon and concurred in by Associate Justices Marlene Gonzales-Sison and Hakim S. Abdulwahid of the Sixth Division, Court of Appeals, Manila.

<sup>3</sup> Id. at 21-22.

Order of Branch 81 of the Regional Trial Court of Malolos, Bulacan, which annulled the real estate mortgage and the certificate of sale issued under the extrajudicial foreclosure conducted, and ordered Lilia Reyes (Lilia) to reimburse to Philippine National Bank the total loan amount she borrowed from the bank.<sup>4</sup>

Venancio is married to Lilia since 1973. During their union, they acquired three (3) parcels of land in Malolos, Bulacan. Transfer Certificates of Title (TCT) Nos. T-52812 and T-52813 were registered under “Felicidad Pascual and Lilia C. Reyes, married to Venancio Reyes[,]”<sup>5</sup> while TCT No. 53994 was registered under “Lilia C. Reyes, married to Venancio Reyes.”<sup>6</sup>

The properties were mortgaged to Philippine National Bank on August 25, 1994 to secure a loan worth ₱1,100,000.00,<sup>7</sup> which on October 6, 1994 was increased to ₱3,000,000.00.<sup>8</sup> According to Philippine National Bank, the Reyes Spouses contracted and duly consented to the loan.<sup>9</sup>

When the Reyes Spouses failed to pay the loan obligations, Philippine National Bank foreclosed the mortgaged real properties.<sup>10</sup> The auction sale was held on September 19, 1997. Philippine National Bank emerged as the highest bidder, and a certificate of sale was issued in its favor.<sup>11</sup>

On September 22, 1998, Venancio filed before the Regional Trial Court a Complaint for Annulment of Certificate of Sale and Real Estate Mortgage against Philippine National Bank.<sup>12</sup> Upon order of the trial court, Venancio amended his Complaint to include Lilia and the Provincial Sheriff of Bulacan as defendants.<sup>13</sup>

In assailing the validity of the real estate mortgage, Venancio claimed that his wife undertook the loan and the mortgage without his consent and his signature was falsified on the promissory notes and the mortgage.<sup>14</sup> Since the three (3) lots involved were conjugal properties, he argued that the mortgage constituted over them was void.<sup>15</sup>

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<sup>4</sup> Id. at 12–13.

<sup>5</sup> Id. at 11.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> Id. at 31.

<sup>10</sup> Id.

<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Id.

On May 27, 2009, Branch 81 of the Regional Trial Court of Malolos, Bulacan ordered the annulment of the real estate mortgage and directed Lilia to reimburse Philippine National Bank the loan amount with interest.<sup>16</sup> The dispositive portion reads:

WHEREFORE, judgment is hereby rendered:

1. Annulling in its entirety the Real Estate Mortgage Contract and the Amendment thereto, the Certificate of Sale issued pursuant to the extra-judicial foreclosure and the foreclosure proceedings on the subject properties covered by Transfer Certificates of Title Nos. T-53994, T-52812 and T-52813 of the Registry of Deeds of Bulacan for want of consent on the part of the plaintiff;
2. Making the writ of preliminary injunction permanent and perpetual conditioned on plaintiff's posting within an inextendible period of five (5) days from receipt thereof of the injunctive bond in the amount Eight Hundred Thousand (P800,000.00) pesos as contained in the Order dated November 3, 1998;
3. Ordering defendant Lilia C. Reyes to reimburse the defendant Philippine National Bank the total loan account of P3,324,771.18 with interest at 6% per annum from the date of the foreclosure sale until finality of this decision. After this decision has attained finality interest at the rate of 12% per annum on the principal and interest (or any part thereof) shall be imposed until full payment.

SO ORDERED.<sup>17</sup>

Aggrieved, Philippine National Bank appealed to the Court of Appeals. On August 22, 2013, the Court of Appeals denied the appeal<sup>18</sup> and affirmed the ruling of the Regional Trial Court. The dispositive portion of the Court of Appeals Decision reads:

**WHEREFORE**, premises considered, the present appeal is **DENIED**. The challenged Decision and Order of the Regional Trial Court of Malolos, Bulacan, Branch 81 dated May 27, 2009 and August 4, 2009, respectively, are hereby **AFFIRMED**.<sup>19</sup> (Emphasis in the original)

Philippine National Bank moved for reconsideration, but the Motion was denied in the Resolution<sup>20</sup> dated May 5, 2014.

Petitioner Philippine National Bank insists that the Court of Appeals erred in affirming the ruling of the trial court. It argues that the real estate mortgage is valid, that the conjugal partnership should be held liable for the

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<sup>16</sup> Id. at 12.

<sup>17</sup> Id. at 12-13.

<sup>18</sup> Id. at 10-19.

<sup>19</sup> Id. at 19.

<sup>20</sup> Id. at 21-22.

loan, and that respondent Venancio C. Reyes, Jr.'s cause of action should be deemed barred by laches.<sup>21</sup>

Petitioner claims that respondent and his wife both duly consented to the loan and the mortgage.<sup>22</sup> It points to respondent's testimony during cross examination where he admitted that he had actual knowledge of the loan as early as 1996, but only filed the Complaint in 1998.<sup>23</sup> Petitioner further claims that it is impossible for respondent to have no knowledge of the transaction since the Reyes Spouses live together in the same house where the notices and demand letters were sent.<sup>24</sup> It contends that the Court of Appeals should not have relied heavily on the testimony of the handwriting expert since jurisprudence show these experts are not indispensable in determining a forgery.<sup>25</sup>

Respondent, in his Comment,<sup>26</sup> alleges that his wife hid the transaction from him. Even if they lived under the same roof, he was not aware of everything happening in their home because as a practicing lawyer, he was always away at work from 8 a.m. to 7 p.m.<sup>27</sup> He likewise points out that since both the Regional Trial Court and the Court of Appeals made a factual finding of forgery, this Court should respect this finding.<sup>28</sup> Respondent contends that the conjugal partnership cannot be held liable because a void contract has no legal existence from which an obligation may stem.<sup>29</sup>

The issues for resolution are:

First, whether the Court of Appeals erred in declaring the real estate mortgage void;

Second, whether the conjugal partnership can be held liable for the loan contracted unilaterally by Lilia C. Reyes; and

Lastly, whether respondent is guilty of laches and whether his claim is now barred by estoppel.

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<sup>21</sup> Id. at 30.

<sup>22</sup> Id. at 30.

<sup>23</sup> Id. at 32.

<sup>24</sup> Id. at 33.s

<sup>25</sup> Id. at 32–33.

<sup>26</sup> Id. at 59–69.

<sup>27</sup> Id. at 62–63.

<sup>28</sup> Id. at 66.

<sup>29</sup> Id. at 64.

## I

The real estate mortgage over a conjugal property is void if the non-contracting spouse did not give consent.

The Court of Appeals committed no reversible error in affirming the ruling of the Regional Trial Court. The real estate mortgage over the conjugal properties is void for want of consent from respondent. The Family Code is clear: the written consent of the spouse who did not encumber the property is necessary before any disposition or encumbrance of a conjugal property can be valid.<sup>30</sup>

It is not disputed that the Reyes Spouses were married in 1973,<sup>31</sup> before the Family Code took effect. Under the Family Code, their property regime is Conjugal Partnership of Gains; thus, Article 124 is the applicable provision regarding the administration of their conjugal property. It states:

Art. 124. The administration and enjoyment of the conjugal partnership shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy, which must be availed of within five years from the date of the contract implementing such decision.

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the conjugal properties, the other spouse may assume sole powers of administration. These powers do not include disposition or encumbrance without authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors.

Any disposition or encumbrance of a conjugal property by one spouse must be consented to by the other; otherwise, it is void.<sup>32</sup>

Petitioner points to respondent's signature on the Promissory Notes and Deed of Mortgage to prove that he consented to the transactions.<sup>33</sup> For his part, respondent alleges that his signature was forged and offers testimony from a handwriting expert to prove that his signature on the bank documents were falsified.<sup>34</sup> The Regional Trial Court and the Court of Appeals both agreed that respondent presented clear and convincing

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<sup>30</sup> FAMILY CODE, art. 124.

<sup>31</sup> *Rollo*, p. 26.

<sup>32</sup> FAMILY CODE, art. 124.

<sup>33</sup> *Rollo*, p. 31.

<sup>34</sup> *Id.* at 60.

evidence that his signature, as it appeared on the mortgage contract, was forged.

Respondent offered the expert testimony of Efren B. Flores (Flores) of the Questioned Document Section of the National Bureau of Investigation. Flores, a handwriting expert, compared the signature on the loan documents with the standard signatures of respondent.<sup>35</sup> He concluded that they were not written by the same person through the following observations:

First, the signatures on the loan documents were executed in a slowly drawn motion of a pen. This can be observed in the hidden portion of the signature because the changes in pen pressure were abrupt.<sup>36</sup>

Second, respondent's standard signature is written with free and well-coordinated strokes.<sup>37</sup>

Lastly, there were discrepancies in the structural pattern of letter formation of the two (2) sets of signatures. With the signatures in the loan documents, both the upper and lower loops were elongated. On the standard signatures, the upper loop was shorter while the lower loop was bigger.<sup>38</sup>

Flores was convinced that the variations he noted is "due to the operation of a different personality and not merely an expected and inevitable variation found in genuine handwriting of the same writer."<sup>39</sup>

Likewise telling was petitioner's inability to prove that respondent took part in the transactions. Efren Agustin (Agustin), Loan and Discount Division Chief of Philippine National Bank, admitted that he merely relied on the documents presented to him,<sup>40</sup> and that he never actually saw respondent sign the documents, follow up, or inquire about the loan's status or the mortgage. Agustin only testified to seeing Lilia, but not respondent, within the bank's premises.<sup>41</sup>

This Court is not a trier of facts. In *Manotok Realty, Inc. v CLT Realty Development Corp.*,<sup>42</sup> "[w]here . . . the findings of fact of the trial courts are affirmed by the Court of Appeals, the same are accorded the

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<sup>35</sup> Id. at 15.

<sup>36</sup> Id.

<sup>37</sup> Id.

<sup>38</sup> Id. at 16.

<sup>39</sup> Id.

<sup>40</sup> Id.

<sup>41</sup> Id. at 17.

<sup>42</sup> 512 Phil. 679 (2005) [Per J. Sandoval-Gutierrez, Third Division].



highest degree of respect and, generally, will not be disturbed on appeal. Such findings are binding and conclusive on this Court.”<sup>43</sup>

We see no compelling reason to overturn the lower courts’ factual findings that the forgery was proven with clear and convincing evidence. Having established that his signature was forged, respondent proved that he did not consent to the real estate mortgage. The mortgage unilaterally made by his wife over their conjugal property is void and legally inexistent.

## II

The lower courts may have declared the mortgage void, but the principal obligation is not affected. It remains valid.

Petitioner contends that the conjugal partnership should be made liable to the extent that it redounded to the benefit of the family under Article 122 of the Family Code.

Petitioner’s reliance on Article 122 to support the validity of the mortgage is misplaced.

Article 122 provides:

ARTICLE 122. The payment of personal debts contracted by the husband or the wife before or during the marriage shall not be charged to the conjugal partnership except insofar as they redounded to the benefit of the family.

Neither shall the fines and pecuniary indemnities imposed upon them be charged to the partnership.

However, the payment of personal debts contracted by either spouse before the marriage, that of fines and indemnities imposed upon them, as well as the support of illegitimate children of either spouse, may be enforced against the partnership assets after the responsibilities enumerated in the preceding Article have been covered, if the spouse who is bound should have no exclusive property or if it should be insufficient; but at the time of the liquidation of the partnership, such spouse shall be charged for what has been paid for the purposes above-mentioned.

Article 122 applies to debts that were contracted by a spouse and redounded to the benefit of the family. It applies specifically to the loan that respondent’s wife Lilia contracted, but not to the mortgage.

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<sup>43</sup> Id. at 706.

To be clear, nowhere in the Decision did the Court of Appeals state that the principal obligation secured by the mortgage was void. The Court of Appeals affirmed the May 27, 2009 Decision of the Regional Trial Court ordering respondent's wife to reimburse the petitioner the total loan amount<sup>44</sup> "of P3,324,771.18 with interest at 6% per annum from the date of the foreclosure sale until finality of this decision."<sup>45</sup> The Regional Trial Court further imposed interest at 12% per annum on the principal and interest, or any part thereof, after the decision had attained finality and until full payment.<sup>46</sup>

*Ayala Investment & Development Corp. v. Court of Appeals*<sup>47</sup> has explained how Article 121 should be applied:

From the foregoing jurisprudential rulings of this Court, we can derive the following conclusions:

(A) *If the husband himself is the principal obligor in the contract, i.e., he directly received the money and services to be used in or for his own business or his own profession, that contract falls within the term "x x x obligations for the benefit of the conjugal partnership."* Here, no actual benefit may be proved. It is enough that the benefit to the family is apparent at the time of the signing of the contract. From the very nature of the contract of loan or services, the family stands to benefit from the loan facility or services to be rendered to the business or profession of the husband. It is immaterial, if in the end, his business or profession fails or does not succeed. *Simply stated, where the husband contracts obligations on behalf of the family business, the law presumes, and rightly so, that such obligation will redound to the benefit of the conjugal partnership.*

(B) On the other hand, if the money or services are given to another person or entity, and the husband acted only as a surety or guarantor, that contract cannot, by itself, alone be categorized as falling within the context of "obligations for the benefit of the conjugal partnership." The contract of loan or services is clearly for the benefit of the principal debtor and not for the surety or his family. No presumption can be inferred that, when a husband enters into a contract of surety or accommodation agreement, it is "for the benefit of the conjugal partnership." Proof must be presented to establish benefit redounding to the conjugal partnership.<sup>48</sup> (Emphasis supplied)

There are two scenarios considered: one is when the husband, or in this case, the wife, contracts a loan to be used for the family business and the other is when she acts as a surety or guarantor. If she is a mere surety or guarantor, evidence that the family benefited from the loan need to be presented before the conjugal partnership can be held liable. On the other

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<sup>44</sup> *Rollo*, p. 19.

<sup>45</sup> *Id.* at 13.

<sup>46</sup> *Id.*

<sup>47</sup> 349 Phil. 942 (1998) [Per J. Martinez, Second Division].

<sup>48</sup> *Id.* at 952-953.

hand, if the loan was taken out to be used for the family business, there is no need to prove actual benefit. The law presumes the family benefited from the loan and the conjugal partnership is held liable.

According to petitioner, the Regional Trial Court found<sup>49</sup> that the loan was used as additional working capital for respondent's printing business. As held in *Ayala Investment*, since the loaned money is used in the husband's business, there is a presumption that it redounded to the benefit of the family; hence, the conjugal partnership may be held liable for the loan amount.<sup>50</sup> Since there is a legal presumption to this effect, there is no need to prove actual benefit to the family.

What the lower courts declared void was the real estate mortgage attached to the conjugal property of the Reyes Spouses. Since the real estate mortgage was an encumbrance attached to a conjugal property without the consent of the other spouse, it is void and legally inexistent. Although petitioner cannot foreclose the mortgage over the conjugal property in question, it can still recover the loan amount from the conjugal partnership.

In *Philippine National Bank v. Banatao*,<sup>51</sup> "a mortgage is merely an accessory agreement and does not affect the principal contract of loan. The mortgages, while void, can still be considered as instruments evidencing the indebtedness[.]"<sup>52</sup>

### III

Laches does not apply where the delay is within the period prescribed by law.

Petitioner contends that respondent's action to annul the Deed of Real Estate Mortgage is already barred by laches.<sup>53</sup> This is erroneous.

As found by the trial court, records show that upon learning about the mortgage, respondent immediately informed the bank about his forged signature.<sup>54</sup> He filed the Complaint for Annulment of Certificate of Sale and Real Estate Mortgage against petitioner on September 22, 1998, which was still within the prescribed period to redeem a mortgaged property.<sup>55</sup>

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<sup>49</sup> *Rollo*, p. 35.

<sup>50</sup> *Ayala Investment & Development Corp. v. Court of Appeals*, 349 Phil. 942, 952-953 (1998) [Per J. Martinez, Second Division].

<sup>51</sup> 602 Phil 508 (2009) [Per J. Brion, Second Division].

<sup>52</sup> *Id.* at 521.

<sup>53</sup> *Rollo*, p. 36.

<sup>54</sup> *Id.* at 19.

<sup>55</sup> *Id.*

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In *Torbela v. Rosario*:<sup>56</sup>

Laches means the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exercising due diligence could or should have been done earlier. It is negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned it or declined to assert it. As the Court explained in the preceding paragraphs, the Torbela siblings instituted Civil Case No. U-4359 five years after Dr. Rosario's repudiation of the express trust, still within the 10-year prescriptive period for enforcement of such trusts. This does not constitute an unreasonable delay in asserting one's right. *A delay within the prescriptive period is sanctioned by law and is not considered to be a delay that would bar relief. Laches apply only in the absence of a statutory prescriptive period.*<sup>57</sup> (Emphasis supplied)

Since respondent filed the Complaint for Annulment of Certificate of Sale and Real Estate Mortgage within the period of redemption prescribed by law, petitioner fails to convince that respondent slept on his right.

The mortgage over the conjugal property is void and cannot be foreclosed. However, petitioner can still hold the conjugal partnership liable for the principal obligation since the loan is presumed to have redounded to the benefit of the family. If the conjugal partnership is insufficient to cover the liability, the husband is solidarily liable with the wife for the unpaid balance.<sup>58</sup>

The last paragraph of Article 121 of the Family Code is instructive:

Art. 121. The conjugal partnership shall be liable for:

- (1) The support of the spouse, their common children, and the legitimate children of either spouse; however, the support of illegitimate children shall be governed by the provisions of this Code on Support;
- (2) All debts and obligations contracted during the marriage by the designated administrator-spouse for the benefit of the conjugal partnership of gains, or by both spouses or by one of them with the consent of the other;
- (3) Debts and obligations contracted by either spouse without the consent of the other to the extent that the family may have benefited;

<sup>56</sup> 678 Phil. 1 (2011) [Per J. Leonardo-De Castro, First Division].

<sup>57</sup> Id. at 44-45.

<sup>58</sup> FAMILY CODE, art. 121 provides:

....

If the conjugal partnership is insufficient to cover the foregoing liabilities, the spouses shall be solidarily liable for the unpaid balance with their separate properties.

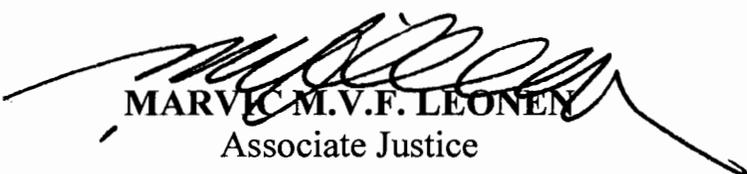
- (4) All taxes, liens, charges, and expenses, including major or minor repairs upon the conjugal partnership property;
- (5) All taxes and expenses for mere preservation made during the marriage upon the separate property of either spouse;
- (6) Expenses to enable either spouse to commence or complete a professional, vocational, or other activity for self-improvement;
- (7) Ante-nuptial debts of either spouse insofar as they have redounded to the benefit of the family;
- (8) The value of what is donated or promised by both spouses in favor of their common legitimate children for the exclusive purpose of commencing or completing a professional or vocational course or other activity for self-improvement; and
- (9) Expenses of litigation between the spouses unless the suit is found to groundless.

*If the conjugal partnership is insufficient to cover the foregoing liabilities, the spouses shall be **solidarily liable for the unpaid balance** with their separate properties. (Emphasis supplied)*

The last paragraph points to the “subsidiary but solidary liability of the separate properties”<sup>59</sup> of the spouses for liabilities enumerated in the Article. This Article, similar to Article 94 of the Family Code governing the Absolute Community of Property regime, explicitly holds the spouses solidarily liable with each other if the conjugal properties are not enough to answer for the liabilities. In this case, if the conjugal properties of the Reyes Spouses are not enough to answer for the loan, petitioner can recover the remaining unpaid balance from the separate properties of either respondent or his wife Lilia.

**WHEREFORE**, the Petition is **DENIED** for failure to show the Court of Appeals committed a reversible error in the assailed Decision. The Decision of the Court of Appeals dated August 22, 2013 in CA-G.R. CV No. 94018 is **AFFIRMED** with **MODIFICATION**, in that Spouses Venancio C. Reyes, Jr. and Lilia Reyes are declared jointly and solidarily liable with each other with their separate properties if their conjugal partnership is insufficient to fully pay for the loan.

**SO ORDERED.**

  
MARVIC M.V.F. LEONEN  
Associate Justice

<sup>59</sup> EDGARDO L. PARAS, CIVIL CODE OF THE PHILIPPINES ANNOTATED 577 (16th ed., 2008).

WE CONCUR:



**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson



**PRESBITERO J. VELASCO, JR.**  
Associate Justice



**MARIANO C. DEL CASTILLO**  
Associate Justice



**JOSE CATRAL MENDOZA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**ANTONIO T. CARPIO**  
Acting Chief Justice