



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

SUPREME COURT OF THE PHILIPPINES
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PHILIPPINE DEVELOPMENT
AND INDUSTRIAL
CORPORATION,

G.R. No. 231545

Petitioner,

Present:

- versus -

THE HON. COURT OF
APPEALS, EQUITABLE PCI
BANK (now known as BANCO DE
ORO UNIBANK, INC.), THE
REGISTER OF DEEDS OF
MANILA, and M.N. AMOR B.
DAIT, in his capacity as Sheriff of
the Regional Trial Court of
Manila,

LEONEN, J.,
Chairperson,
HERNANDO,
INTING,
DELOS SANTOS, and
LOPEZ, J., JJ.

Respondents.

X-----X

G.R. No. 242868

PHILIPPINE DEVELOPMENT
AND INDUSTRIAL
CORPORATION,

Petitioner,

- versus -

EQUITABLE PCI BANK (now
known as BANCO DE ORO
UNIBANK, INC.), M.N. AMOR B.
DAIT, Sheriff IV of the RTC-
Manila, and THE REGISTER OF
DEEDS, CITY OF MANILA,

Promulgated:

Respondents.

April 28, 2021

Mi-9DCB-H

X-----X

in a Letter of Approval¹⁰ dated August 8, 1996. As security thereof, PDIC executed a Real Estate Mortgage¹¹ (REM) dated September 16, 1997 over the parcel of land covered by TCT No. 230861, the mother title of the condominium project. Thereafter, PDIC availed of the ₱100,000,000.00 clean credit line.¹²

In January 1997, since the clean credit line was already fully-utilized, PDIC requested EPCIB to release funds from the secured credit line. However, after evaluating PDIC's account and given the then market and economic condition, EPCIB decided to defer the granting of additional credit accommodation. EPCIB likewise refused to release the amount of ₱45,000,000.00 subsequently requested by PDIC, which it needed to complete the project. PDIC was thus constrained to resort to other sources of financing from other banks even with a higher interest rate.¹³

In the meantime, the amounts previously drawn by PDIC had become past due and EPCIB had intended to take legal action against PDIC to enforce its rights. PDIC, however, requested EPCIB to defer legal action and allow it to make payments on the obligations under such terms and conditions acceptable to EPCIB.¹⁴

Thus, in June 2000, PDIC and EPCIB agreed to enter into a Repayment Agreement.¹⁵ In the Repayment Agreement, PDIC acknowledged that it is indebted to EPCIB in the aggregate amount of ₱26,222,098.23 and \$2,777,686.69 as of November 30, 1999, and that the said obligations have become past due.¹⁶

On June 8, 2000, in accordance with the terms and conditions of the Repayment Agreement, PDIC executed REMs¹⁷ over 29 condominium units of the condominium project and a parcel of land covered by TCT No. 283102 located in Meycauayan, Bulacan (Bulacan property). In turn, EPCIB released the REM dated September 16, 1997 covering the mother title.¹⁸

When PDIC defaulted in its loan obligations under the Repayment Agreement, EPCIB sent a letter¹⁹ dated September 4, 2002 to PDIC demanding payment. In response to the demand letter, PDIC offered to settle its loan obligations by way of *dacion en pago*. However, the parties failed to

¹⁰ Id. at 352-354.

¹¹ Id. at 355-357.

¹² Id. at 323.

¹³ Id. at 9-10, 323.

¹⁴ Id. at 323.

¹⁵ Id. at 367-371.

¹⁶ Id. at 367.

¹⁷ Id. at 372-374, 385-387.

¹⁸ Id. at 325-326.

¹⁹ Not attached to the *rollo*.

In its complaint, PDIC alleged that the subject REMs dated June 8, 2000 are void. These were allegedly executed against its will and were merely consummated on account of EPCIB's machinations by using its advantaged position as PDIC was then not in a position to refuse.³² According to PDIC, EPCIB's unjustified refusal to release any amount from the secured credit line, coupled with the period of time it consumed in finding alternative financing sources, substantially delayed the construction of the project.³³ PDIC averred that since it was not able to avail of any amount from the secured credit line, it demanded for the release of the owner's duplicate title of TCT No. 230861, then in the possession of EPCIB. However, despite repeated requests, EPCIB refused to release the mother title to PDIC unless it executes a substitute REM covering the 29 units of the condominium project and Bulacan property. Thus, owing to the need for the cancellation of the mortgage on TCT No. 230861 to complete the project and allow PDIC to sell the condominium units, and the fact that certain fully-paid buyers had threatened to file civil and criminal cases against PDIC and its officers, PDIC was constrained to accede to EPCIB's demand and executed the subject REMs.³⁴ PDIC contended that EPCIB used intimidation and undue influence in the execution of the new REMs, which thus, effectively vitiated its consent.³⁵

PDIC then prayed that: (1) immediately upon filing the case, a TRO be issued, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the subject properties; (2) after due hearing, a writ of preliminary injunction (WPI) be issued, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the subject properties; (3) after due trial, judgment be rendered, declaring the REMs dated June 8, 2000 and the foreclosure of the subject properties on April 21, 2003 null and void, among others.³⁶

Thereupon, the RTC Manila issued a 72-hour TRO, enjoining EPCIB and the Register of Deeds of Manila from proceeding with the consolidation of EPCIB's title over the 29 condominium units and the Bulacan property, and from taking possession thereof. On June 20, 2003, after conducting a summary hearing, the RTC Manila issued an Order,³⁷ extending the 72-hour TRO for 17 days. Subsequently, on July 7, 2003, the RTC Manila issued an Order,³⁸ granting PDIC's application for the issuance of a WPI.³⁹

³² Id. at 412.

³³ Id. at 408.

³⁴ Id. at 409-410.

³⁵ Id. at 412-413.

³⁶ Id. at 416-417.

³⁷ Not attached to the *rollo*.

³⁸ Not attached to the *rollo*.

³⁹ *Rollo* (G.R. No. 231545), Vol. I, pp. 15-16.

The Ruling of the RTC

On June 30, 2015, after trial on the merits, the RTC Manila rendered a Decision,⁴⁴ the dispositive portion of which reads –

WHEREFORE, premises considered, judgment is hereby rendered:

1. **DISMISSING** the instant case.
2. **DECLARING** that the Foreclosure sale that took place on April 21, 2003 is regular and valid.
3. **DISMISSING** defendant's counterclaim for lack of merit to support its award.

Accordingly, the writ of preliminary injunction issued as per Order dated July 7, 2003 is hereby lifted.

No pronouncement as to cost.

So ordered.⁴⁵

The RTC Manila held that PDIC failed to convince the court that it was deceived through any act of machination or undue influence on the part of EPCIB into entering and signing the subject REMs. On the contrary, the RTC found that it was even PDIC that requested EPCIB to defer any legal action against it pertaining to its past due obligation and to instead allow it to pay under such terms and conditions acceptable to the bank. This thereby gave birth to the execution of the Repayment Agreement and the subject REMs as security thereof. According to the RTC Manila, the fact that PDIC may have felt compelled to execute and enter into the Repayment Agreement and the subject REMs will not negate the voluntariness of PDIC's act.⁴⁶

The RTC Manila likewise sustained the validity of the extrajudicial foreclosure sale of the subject properties. This was notwithstanding the fact that there was only one (1) bidder at the auction sale, ruling that the law applicable in the case is Act No. 3135.⁴⁷ The RTC held that Supreme Court Circular A.M. No. 99-10-05-0,⁴⁸ which requires at least two (2) bidders in the auction sale, is not found in Act No. 3135, but in Presidential Decree No. 1594.⁴⁹ The said Decree is the law that prescribes policies, guidelines, rules,

⁴⁴ Id. at 141-150.

⁴⁵ Id. at 150.

⁴⁶ Id. at 147.

⁴⁷ An Act to Regulate the Sale of Property under Special Powers Inserted in or Annexed to Real-Estate Mortgages; approved on March 6, 1924.

⁴⁸ Procedure in Extra-judicial Foreclosure of Mortgage; took effect on January 15, 2000, further amended on September 1, 2000.

⁴⁹ Prescribing Policies, Guidelines, Rules and Regulations for Government Infrastructure Contracts; approved on June 11, 1978.

PDIC filed a Motion for Reconsideration,⁶¹ which was denied by the CA in its Resolution⁶² dated October 25, 2018.

Aggrieved, PDIC filed before the Court a Petition for Review on *Certiorari*⁶³ under Rule 45 to assail the Decision dated April 23, 2018 and the Resolution dated October 25, 2018 of the CA, the subject for resolution under G.R. No. 242868.

The Issues

The issues for the Court's resolution are:

- I. Whether the CA committed grave abuse of discretion amounting to lack or excess of jurisdiction in denying PDIC's application for the issuance of a TRO to restrain EPCIB from consolidating its title over the subject properties.
- II. Whether the CA erred in sustaining the Decision dated June 30, 2015 of the RTC Manila finding that the REMs over PDIC's units in the condominium project and the Bulacan property and the subsequent extrajudicial foreclosure sale involving the said properties, are valid.

Arguments of petitioner PDIC

In assailing the denial of its application for issuance of TRO and/or WPI, PDIC insists that it has a clear legal right to retain title in its name over the subject properties until the final judgment on the case. It argued that: (1) the last, actual, peaceable, and uncontested situation in this case is PDIC's ownership and possession of the subject properties; (2) the validity of the REMs and the foreclosure over the subject properties remain contested since the appealed Decision dated June 30, 2015 of the RTC Manila has not yet attained finality; and (3) the CA has confirmed in an appeal from the Makati Case (CA-G.R. No. 95063) that PDIC's consent was vitiated in the execution of the Repayment Agreement.⁶⁴

PDIC maintains that the subject REMs are void for having been executed against its will and were only consummated on account of the undue influence exerted by EPCIB against PDIC. PDIC insists that its financial distress was brought about by EPCIB's wanton breach of the credit

⁶¹ Id. at 135-145.

⁶² Id. at 42-44.

⁶³ Id. at 81-109.

⁶⁴ *Rollo* (G.R. No. 231545), Vol. I, pp. 25-26.

There was no grave abuse of discretion in the denial of PDIC's application for issuance of TRO and/or WPI.

Section 3, Rule 58 of the Rules of Court enumerates the grounds for the issuance of a WPI, to wit:

SECTION 3. *Grounds for issuance of preliminary injunction.* – A preliminary injunction may be granted when it is established:

(a) That the applicant is entitled to the relief demanded, and the whole or part of such relief consists in restraining the commission or continuance of the act or acts complained of, or in requiring performance of an act or acts, either for a limited period or perpetually;

(b) That the commission, continuance or non-performance of the act or acts complained of during the litigation would probably work injustice to the applicant; or

(c) That a party, court, agency or a person is doing, threatening, or is attempting to do, or is procuring or suffering to be done, some act or acts probably in violation of the rights of the applicant respecting the subject of the action or proceeding, and tending to render the judgment ineffectual.

In *Sps. Lim v. Court of Appeals*,⁷¹ the Court held that:

[I]t is clear that to be entitled to an injunctive writ, the applicant must show that there exists a right to be protected which is directly threatened by an act sought to be enjoined. Furthermore, there must be a showing that the invasion of the right is material and substantial, and that there is an urgent and paramount necessity for the writ to prevent serious damage.⁷²

The Court further held in *Evy Construction and Development Corp. v. Valiant Roll Forming Sales Corp.*:⁷³

An injunctive writ is granted only to applicants with “actual and existing substantial rights” or rights *in esse*. Further, the applicant must show “that the invasion of the right is material and substantial and that there is an urgent and paramount necessity for the writ to prevent serious damage.” Thus, the writ will not issue to applicants whose rights are merely contingent or to compel or restrain acts that do not give rise to a cause of action.⁷⁴ (Citations omitted)

⁷¹ 763 Phil. 328 (2015).

⁷² Id. at 336.

⁷³ 820 Phil. 123 (2017).

⁷⁴ Id. at 136.

upon which it is imposed, whoever the possessor may be, to the fulfillment of the obligation for whose security it was constituted.⁸¹ “[T]he purchaser in an extrajudicial foreclosure sale is entitled to the possession of the property and can demand that [they] be placed in possession of the same either during (with bond) or after the expiration (without bond) of the redemption period therefor.”⁸² The pendency of the action for annulment of mortgage and foreclosure sale does not stay the issuance of a writ of possession and “the purchaser remains entitled to a writ of possession, without prejudice, of course, to the eventual outcome of the pending annulment case.”⁸³ In this case, as the sole bidder in the foreclosure sale upon whom a certificate of sale was issued by the sheriff, EPCIB obtained a better right to the possession of the subject properties.

More importantly, it bears emphasizing that PDIC never exercised its right to redeem the mortgaged properties within the redemption period, or even attempted to do so. It merely persisted in its theory that the subject REMs are null and void. It must be pointed out that the period of redemption is not interrupted by the filing of an action assailing the validity of the mortgage, so that at the expiration thereof, the mortgagee who acquires the property at the foreclosure sale can proceed to have the title consolidated in their name and a writ of possession issued in their favor.⁸⁴ Hence, the consolidation of ownership over the mortgaged properties in favor of EPCIB and the issuance of a new title in its name during the pendency of the appeal of the decision dismissing its action for the annulment of mortgage and foreclosure sale will not cause irreparable injury to PDIC that warrants the protection of an injunctive writ. PDIC’s failure to redeem the mortgaged properties within the period of redemption had lost for it any right in the properties.

Indeed, in an attempt to mislead the Court, PDIC claims that the CA has confirmed the decision of the RTC Makati in CA-G.R. No. 95063 that its consent was vitiated in the execution of the Repayment Agreement. The decision of the RTC Makati in Civil Case No. 03-401, in the action for Damages filed by PDIC against EPCIB based on the alleged malicious refusal of the bank to release funds under the previously approved Secured Credit Line, has no bearing in this case. As aptly raised by EPCIB, the decision of the RTC Makati in the action for Damages could not have annulled the Repayment Agreement since the validity of the Repayment Agreement was not one of the issues resolved by the RTC Makati.

At any rate, the validity of the Repayment Agreement and the corresponding subject REMs has been unanimously upheld by both the RTC

⁸¹ CIVIL CODE, Article 2126.

⁸² *Sps. Marquez v. Sps. Alindog*, 725 Phil. 237, 246 (2014).

⁸³ *Sps. Tolosa v. United Coconut Planters Bank*, 708 Phil. 134, 144 (2013).

⁸⁴ See *Sps. Vaca v. Court of Appeals*, 304 Phil. 313 (1994) (Resolution).

SEVEN THOUSAND SIX HUNDRED EIGHTY SIX and SIXTY NINE CENTAVOS (US\$2,777,686.69) (the "Dollar Loan") as of November 30, 1999, exclusive of interest, penalties and other charges, as per Statement of Account x x x.

WHEREAS, the Obligations have become past due and the BANK had intended to take legal action against the BORROWER and the SURETIES to enforce its rights;

WHEREAS, the BORROWER and the SURETIES requested the BANK to defer legal action and allow them instead to make payments on the Obligations under such terms and conditions acceptable to the BANK, and the BANK has agreed thereto under the terms thereof;

NOW THEREFORE, for and in consideration of the foregoing premises and other good and valuable consideration, the parties hereto hereby agree and stipulate as follows:

x x x x

B. COLLATERALS

1. **As security for the prompt and full payment by the BORROWER when due (whether at stated maturity, by acceleration or otherwise) of all amounts payable to the BANK under this Agreement, whether of principal, interest or otherwise, as well as for the faithful performance of all other terms and conditions of this Agreement, the BORROWER agrees to execute and deliver, or cause to be executed and delivered, to the BANK a duly executed and registered real estate mortgage (the "Collateral") in the form and substance acceptable to the BANK not later than May 31, 2000 over the following properties:**

x x x x

4. **The BANK agrees to release the Real Estate Mortgage dated September 16, 1997, executed by the BORROWER in favor of the BANK over that parcel of land covered by Transfer Certificate of Title No. 230861 of the Register of Deeds of Manila upon the due execution, completion and registration of the mortgages x x x.**⁸⁸ (Emphases supplied)

Verily, the execution of the Repayment Agreement was entered into for the purpose of accommodating the request for a restructuring of payment by PDIC. Restructuring, as applied to a debt, implies a postponement of the maturity, modification of the essential terms of the debt (*e.g.*, conversion of debt into bonds or into equity, or a change in or amendment of collateral security) in order to make the account of the debtor current.⁸⁹ With the execution of the Repayment Agreement wherein PDIC undertook to execute

⁸⁸ *Rollo* (G.R. No. 231545), Vol. I, pp. 367-369.

⁸⁹ *Development Bank of the Philippines v. Court of Appeals*, 526 Phil. 525, 540 (2006). (Citations omitted)

The Court finds PDIC's imputation that it was EPCIB's breach of the credit line grant coupled by its refusal to release the mother title that brought about its financial distress and vitiated its consent into executing the Repayment Agreement and the subject REMs as a futile subterfuge to avoid the inevitable implication of a legal and binding contract. The Court simply cannot allow PDIC to feign ignorance of its contractual obligations under the Repayment Agreement and the subject REMs.

"Parties who have validly executed a contract and have availed themselves of its benefits may not, to escape their contractual obligations, invoke irregularities in its execution to seek its invalidation."⁹² It must be stressed that "a party to a contract cannot deny its validity after enjoying its benefits without outrage to one's sense of justice and fairness."⁹³ Where parties have entered into a well-defined contractual relationship, it is imperative that they should honor and adhere to their rights and obligations as stated in their contracts because obligations arising from them have the force of law between the contracting parties and should be complied with in good faith.⁹⁴

In any case, as correctly held by the CA, even assuming *arguendo* that PDIC was forced into executing the Repayment Agreement and the subject REMs, such would only make the contract voidable, in which case, the proper remedy would have been to annul the contract. Significantly, PDIC never questioned the validity of the Repayment Agreement from which the subject REMs arose. As emphasized by the Court in *Development Bank of the Philippines v. Court of Appeals*:⁹⁵

A mortgage is a mere accessory contract and its validity would depend on the validity of the loan secured by it. Hence, the consideration of the mortgage contract is the same as that of the principal contract from which it receives life, and without which it cannot exist as an independent contract. The debtor cannot escape the consequences of the mortgage contract once the validity of the loan is upheld.⁹⁶

EPCIB's right to foreclose the mortgaged properties in case of default in the payment of the principal obligation under the Repayment Agreement is clearly stated in the subject REMs.

⁹² *Vitug v. Abuda*, 776 Phil. 540, 544 (2016).

⁹³ *Toledo v. Hyden*, 652 Phil. 70, 83 (2010).

⁹⁴ CIVIL CODE, Article 1159.

⁹⁵ 526 Phil. 525 (2006).

⁹⁶ *Id.* at 544.

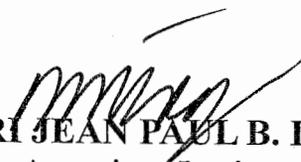
WE CONCUR:



MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson



RAMON PAUL L. HERNANDO
Associate Justice



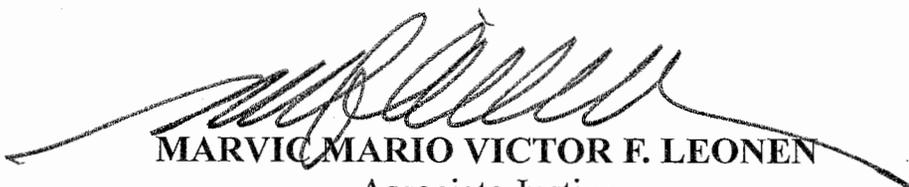
HENRI JEAN PAUL B. INTING
Associate Justice



JHOSEP Y. LOPEZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.



MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson, Third Division

CERTIFICATION

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



ALEXANDER G. GESMUNDO
Chief Justice