



Republic of the Philippines
Supreme Court
Baguio City

EN BANC

MERLINDA PLANA,
Petitioner,

G.R. No. 250636

Members:

GESMUNDO, *Chief Justice,*
LEONEN,
CAGUIOA,
HERNANDO,*
LAZARO-JAVIER,
INTING,
ZALAMEDA,
LOPEZ, M.,
GAERLAN,
ROSARIO,
LOPEZ, J.,
DIMAAMPAO,
MARQUEZ,
KHO, JR., *and*
SINGH, JJ.

- versus -

LOURDES TAN CHUA AND
HEIRS OF RAMON CHIANG,
Respondents.

Promulgated:

January 10, 2023

X-----*Antonio Reyes* X

DECISION

LAZARO-JAVIER, J.:

The Case

This Petition for Review on *Certiorari*¹ assails the following dispositions of the Court of Appeals in CA-G.R. CEB-CV No. 04831:

* On leave.
¹ *Rollo*, pp. 23-41.

1. Decision² dated June 25, 2018, granting respondent Lourdes Tan Chua's (Lourdes) petition to inscribe her real estate mortgage on Transfer Certificate of Title (TCT) No. T-57961 in the name of Nelson Plana married to petitioner Merlinda Relano; and
2. Resolution³ dated October 16, 2019, denying petitioner's motion for reconsideration.

Antecedents

On August 25, 2000, petitioner Merlinda Relano (Merlinda) filed a Complaint for **Reconveyance** of Lot 10031 against Ramon Chiang (Ramon) and Lourdes Tan Chua (Lourdes) before the Regional Trial Court (RTC) – Iloilo City. The case was docketed **Civil Case No. 00-26387** and raffled to Branch 39.

Merlinda alleged that she and her first husband (now deceased) Nelson Plana (Nelson) owned five (5) lots covered by TCT Nos. T-57960, T-57961, T-57962, T-57963 and T-57864 located in Santa Barbara, Iloilo.⁴ On December 15, 1971, Nelson died. Four (4) years later, or on March 17, 1975, she got married to Ramon. But in 1979, they got separated from bed and board.⁵

While she and Ramon were still together, the latter fraudulently made her sign a *Deed of Definite Sale*⁶ dated December 17, 1975 purportedly selling the five (5) lots to him. Consequently, TCT Nos. T-57960, T-57961, T-57962, T-57963 and T-57864 were all cancelled and five (5) new titles were issued in the name of Ramon alone, *viz.*: TCT Nos. T-86912, T-86913, T-86914, T-86915, and T-86916.⁷

In 1980, she sued Ramon for recovery of the **four (4) lots** under TCT Nos. T-86912, T-86913, T-86914, T-86915 which Ramon sold to one Serafin Modina (Serafin). On October 29, 1999, the Court in *Modina v. Court of Appeals*⁸ declared as void the *Deed of Definite Sale* over the **four (4) lots** for being simulated and without consideration. Hence, the Court also declared as void the subsequent sale of these four (4) lots to Serafin.⁹

On June 25, 1996, Ramon mortgaged the **5th lot (Lot 10031)** covered by TCT No. T-86916 to Lourdes to secure the amount of ₱130,000.00 which

² *Id.* at 45-58. Penned by Associate Justice Geraldine Fiel-Macaraig and concurred in by Associate Justices Pamela Ann Abella Maxino and Louis P. Acosta.

³ *Id.* at 78-82. Penned by Associate Justice Pamela Ann Abella Maxino and concurred in by Associate Justices Gabriel T. Ingles and Dorothy P. Montejo-Gonzaga.

⁴ *Id.* at 29. See Petition for Review on Certiorari.

⁵ *Id.* at 29.

⁶ *Id.* at 197-198

⁷ *Id.*

⁸ 376 Phil. 44 (1999).

⁹ *Rollo*, p. 29.

he borrowed from Lourdes. On July 15, 1996, the mortgage was annotated on the back of TCT No. T-86916 under Entry No. 656728.¹⁰

Since the *Deed of Definite Sale* through which Ramon was supposedly able to secure ownership of Lot 10031 was already declared void by the Court with finality, Ramon did not have the right to mortgage Lot 10031 to Lourdes. Too, Lourdes was not a mortgagee in good faith because she knew of this defect when she executed the mortgage contract with Ramon.¹¹

In his Answer,¹² Ramon riposted that he was the lawful and registered owner of Lot 10031. In fact, the lot remained in his possession as owner, he had every right to mortgage it to Lourdes as security for his loan.¹³

On the other hand, Lourdes claimed she was an innocent mortgagee for value. She honestly believed that Ramon was the sole owner of Lot 10031 as TCT No. T-86916 bore the entry “single” pertaining to the civil status of Ramon. By law, she was not required to go beyond the face of the title.¹⁴ In addition, the title contained Entry No. 271220 indicating that in 1976, the lot was mortgaged to the Development Bank of the Philippines (DBP) and that mortgage was cancelled on November 11, 1980. As a banking institution, DBP was expected under the law to have observed strict procedure in its property ownership investigation. Thus, she could not have suspected the title of Ramon to be improper or irregular when the same was subsequently mortgaged to her.¹⁵ At any rate, Lot 10031 was never mentioned in the *Modina* Decision dated October 29, 1999. Finally, Merlinda failed to challenge the validity of TCT No. T-86916 in the name of Ramon for more than twenty-five (25) years since December 17, 1975. Merlinda’s action, therefore, was already barred by laches.

Ruling of the Regional Trial Court (RTC)

After due proceedings, the RTC rendered its Decision¹⁶ dated November 12, 2012, (1) declaring as void the sale of Lot 10031 to Ramon and the subsequent mortgage thereof to Lourdes; (2) ordering the cancellation of TCT No. T-86916 issued in the name of Ramon, as well as the annotation thereon of “Entry No. 656728 – Real Estate Mortgage in favor of Lourdes;” (3) ordering the reinstatement of TCT No. T-57961 in the name of “Nelson Plana married to Merlinda Relano;” (4) directing Ramon to pay Merlinda ₱100,000.00 as moral damages, ₱100,000.00 as exemplary damages, and ₱50,000.00 as attorney’s fees; and (7) pronouncing no cost against Lourdes.¹⁷

¹⁰ *Id.* at 50-51.

¹¹ *Id.*

¹² *Records*, pp. 39-44.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Rollo*, pp. 181-182.

¹⁶ *CA rollo*, pp. 61-67. Penned by Judge Edgardo R. Catilo.

¹⁷ *Id.* at 67.

Lourdes alone appealed. She insisted that the mortgage was valid because she was a mortgagee in good faith. Merlinda, on the other hand, countered anew that Lourdes had prior knowledge that Ramon was not the real owner of Lot 10031.¹⁸

Ruling of the Court of Appeals

Under Decision¹⁹ dated June 25, 2018, the Court of Appeals **affirmed with modification. It found that there was no preponderant evidence to show that Lourdes had prior knowledge of the defect in the title of Ramon.** Merlinda's claim that Lourdes used to be an acquaintance of both herself and her late first husband Nelson; and that Lourdes and the son of Ramon were both Chinese members of the Lion's Club -- hardly demonstrated that Lourdes acted in bad faith.²⁰

These circumstances did not necessarily require Lourdes to look beyond what appeared on the certificate of title, particularly since Ramon was able to present to her a copy of the TCT No. T-86916 which bore his name as the owner. According to the Court of Appeals, "*it would be pushing the rule too far to burden the mortgagee with the expectation of doing a background check of his mortgagor, simply because the former has a remote social connection with the latter.*"²¹ Thus, Lourdes cannot be faulted for merely relying on what appeared on TCT No. T-86916 indicating that Ramon, the mortgagor, was indeed the owner of the mortgaged property.²²

The Court of Appeals though ruled that since Lourdes was a mortgagee in good faith, the real estate mortgage should be deemed valid. In a contract of mortgage, the mortgagor, as a rule, should be the absolute owner of the property, otherwise the mortgage is void. The exception is the doctrine of a mortgagee in good faith, where even if the mortgagor is not the owner of the mortgaged property, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy.²³

Consequently, the Court of Appeals ordered the annotation of the Real Estate Mortgage dated June 25, 1996 on TCT No. T-57961 under the name of "Nelson Plana married to petitioner Merlinda Relano."²⁴

Merlinda's Motion for Reconsideration was denied under Resolution²⁵ dated October 16, 2019.

¹⁸ *Rollo*, p. 51.

¹⁹ *Id.* at 45-58.

²⁰ *Id.* at 52.

²¹ *Id.* at 52-53.

²² *Id.* at 53.

²³ *Torbela v. Spouses Rosario*, 678 Phil.1, 45 (2011).

²⁴ *Rollo*, pp. 57-58.

²⁵ *Id.* at 78-82.

The Present Petition

Merlinda now faults the Court of Appeals for declaring Lourdes as a mortgagee in good faith, and the real estate mortgage between her (Lourdes) and Ramon, as valid. She reiterates that (1) Lourdes was a mortgagee in bad faith; and (2) considering the invalid sale, the mortgage was also invalid.²⁶

Notably, Merlinda, for the first time, mentions in her petition before the Court that on July 13, 1998, Ramon filed a Complaint for Accounting and Damages against Lourdes docketed **Civil Case No. 25285**. It was also raffled to the same RTC Branch 39, Iloilo City which heard and resolved Civil Case No. **25285**.²⁷

In his Complaint,²⁸ Ramon allegedly asserted that out of his ₱130,000.00 loan, he already paid Lourdes ₱46,500.00. Hence, his remaining debt was now only ₱83,500.00. By way of consignment and as payment therefor, he deposited the amount of ₱83,500.00 with Branch 39, with due notice to Lourdes.²⁹

Lourdes filed her Answer with Counterclaim for Judicial Foreclosure of Real Estate Mortgage and Damages in **Civil Case No. 25285**.³⁰ She claimed that Ramon's deposit with Branch 39 was not enough to fully satisfy the loan in view of the 3% monthly interest attached to it. Ramon never paid interest since December of 1997. Thus, reckoned from December 1997, Ramon's debt already accumulated to ₱300,000.00 as of the filing of the complaint in 1998. Lourdes prayed that Lot 10031 be foreclosed to satisfy Ramon's indebtedness. Too, Ramon should pay her ₱500,000.00 as moral damages, ₱200,000.00 as exemplary damages, attorney's fees equivalent to 25% of the amount collectible in the counterclaim plus ₱50,000.00, and ₱15,000.00 as litigation expense.³¹

Merlinda also attached to the present petition a **certified true copy** of the following Partial Compromise Agreement³² which according to Merlinda was jointly executed and signed by Ramon and Lourdes in **Civil Case No. 25285**, viz.:

PARTIAL COMPROMISE AGREEMENT
FOR THE RELEASE OF COURT DEPOSIT

xxx xxx

1. THE DEFENDANTS will accept the amount of [₱]83,500.00 deposited by the plaintiff in court under Official Receipt No. 9043772 (photocopy

²⁶ *Id.* at 27-40.

²⁷ *Id.*

²⁸ *Id.* at 90-95.

²⁹ *Id.* at 90-92.

³⁰ *Id.* at 113-122.

³¹ *Id.* at 116-120.

³² *Id.* at 135-136.

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of the receipt was attached as Annex "C" to the complaint)", subject and without prejudice to, all other defenses and allegations in their answer.

2. PLAINTIFF ON the other hand (agrees) to the conditional acceptance of the defendants as stated in paragraph 1 above.
3. CONSEQUENTLY, PARTIES jointly request the Honorable Court for an order releasing the same [P]83,500.00 deposit to the defendants, through defendant Lourdes Tan Chua.

WHEREFORE, the parties most respectfully and jointly pray that the foregoing partial compromise agreement be APPROVED. That, consequently, the Honorable Court issues an order ordering the Clerk of Court, Regional Trial Court, 6th Judicial Region, Iloilo City to RELEASE the amount of [P]83,500.00 court deposit, covered by Official Receipt No. 9043772 dated July 8, 1998 to defendants, through defendant Lourdes Tan Chua, upon the surrender of the original of the said official receipt and compliance with the usual procedure for the said release.

Iloilo City, March 15, 2001.

(signed)
RAMON CHIANG
CHUA and
Plaintiff

(signed)
LOURDES TAN

EMILIO TAN CHUA
Defendants

xxx xxx³³

In her Comment,³⁴ Lourdes and her counsel did not refute the existence, due execution, and contents of the Partial Compromise Agreement in **Civil Case No. 25285**. They simply reiterated that she had no knowledge of the defect in the title of Ramon over Lot 10031.

Meantime, Ramon had passed on, thus, he was substituted by his surviving heirs, his children. Despite the Court's directive, they did not file their comment on the petition. Consequently, they are deemed to have waived the right to do so.

Issues

- (1) Was Lourdes a mortgagee in good faith?
- (2) What are the respective rights of Merlinda as owner of the property and Lourdes as mortgagee thereof?
- (3) What is the effect of the failure of Lourdes and her counsel to promptly and candidly inform the Court about **Civil Case No. 25285** and the material facts attendant thereto?

³³ *Id.* at 135-136.

³⁴ *Id.* at 180-196.

Our Ruling

Lourdes was a mortgagee in good faith

The Court has time and again ruled that the issue of whether a person is a mortgagee in good faith is factual, thus, outside the scope of Petition for Review on *Certiorari*.³⁵ Notably, both the RTC and the Court of Appeals found that Lourdes was a mortgagee in good faith, and for that matter, petitioner failed to adduce any special compelling reason to depart from this concurrent finding.

In *Cavite Development Bank v. Lim*,³⁶ the Court explained the doctrine of a mortgagee in good faith, *viz.*:

There is, however, a situation where, despite the fact that the mortgagor is not the owner of the mortgaged property, his title being fraudulent, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy. This is the doctrine of “the mortgagee in good faith” based on the rule that all persons dealing with property covered by a Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of a certificate of title, as evidence of the lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.³⁷ (Emphasis supplied.)

The recent case of *Jimenez v. Jimenez*³⁸ reiterated that the doctrine only applies when the following requisites concur, *viz.*: (a) the mortgagor is not the rightful owner of, or does not have valid title to, the property; (b) the mortgagor succeeded in obtaining a Torrens title over the property; (c) the mortgagor succeeded in mortgaging the property to another person; (d) the mortgagee relied on what appears on the title and there exists no facts and circumstances that would compel a reasonably cautious man to inquire into the status of the property; and (e) the mortgage contract was registered.

These requisites are all present here, thus, (a) in 1999, the Court decreed as void the *Deed of Definite Sale* dated December 17, 1975 where Ramon derived his title to Lot 10031;³⁹ (b) prior to this ruling, however, TCT No. T-86916 covering Lot 10031 had already been issued in the name of Ramon; (c) on June 25, 1996, Ramon mortgaged to Lourdes Lot 10031 covered by TCT No. T-86916 bearing his name as the registered owner as well as his civil status as “Single;” (d) Lourdes relied on Ramon’s title and no circumstance was adduced which would have caused her to doubt its validity;

³⁵ *Ruiz v. Dimailig*, 799 Phil. 273, 281 (2016); See also *Claudio v. Spouses Saraza*, 767 Phil. 857, 866 (2015), citing *Arguelles v. Malarayat Rural Bank, Inc.*, 730 Phil. 226, 234 (2014).

³⁶ 381 Phil. 355 (2000).

³⁷ *Id.*

³⁸ G.R. No. 228011, February 10, 2021, citations omitted.

³⁹ *Modina v. Court of Appeals*, *supra* note 8.

and (e) she immediately caused the registration of the mortgage under Entry No. 656728 on the back of TCT No. T-86916.⁴⁰

In *Claudio v. Spouses Saraza*,⁴¹ the Court pronounced that one who enters into a mortgage contract with a mortgagor holding a certificate of title under his name over the property, is a mortgagee in good faith. For a mortgagee has the right to rely in good faith on the certificate of title of the mortgagor of the property given as security and has no obligation to undertake further investigation in the absence of any sign that might arouse suspicion.⁴²

More, prior to the mortgage of Lot 10031 to Lourdes, Ramon had already mortgaged the same lot to DBP using the same TCT No. T-86916 under his name. As a banking institution, DBP is presumed to have conducted its due diligence prior to entering into any transaction involving real property with the general public. In *Prudential Bank v. Rapanot*,⁴³ the Court stressed that banks are expected to have exercised a higher degree of diligence than private individuals in dealing with registered lands, *viz.*:

It bears stressing that banks are required to exercise the highest degree of diligence in the conduct of their affairs. The Court explained this exacting requirement in the recent case of *Philippine National Bank v. Vila*, thus:

In *Land Bank of the Philippines v. Belle Corporation*, the Court exhorted banks to exercise the highest degree of diligence in its dealing with properties offered as securities for the loan obligation:

When the purchaser or the mortgagee is a bank, the rule on innocent purchasers or mortgagees for value is applied more strictly. Being in the business of extending loans secured by real estate mortgage, banks are presumed to be familiar with the rules on land registration. Since the banking business is impressed with public interest, they are expected to be more cautious, to exercise a higher degree of diligence, care and prudence, than private individuals in their dealings, even those involving registered lands. Banks may not simply rely on the face of the certificate of title. Hence, they cannot assume that, x x x the title offered as security is on its face free of any encumbrances or lien, they are relieved of the responsibility of taking further steps to verify the title and inspect the properties to be mortgaged. As expected, the ascertainment of the status or condition of a property offered to it as security for a loan must be a standard and indispensable part of the bank's operations.⁴⁴ x x x (Citations omitted)

Indeed, the fact that DBP had previously accepted Lot 10031 as security for the loan extended by the bank to Ramon speaks volumes of the reason

⁴⁰ *Rollo*, p. 51.

⁴¹ 767 Phil. 857, 867 (2015).

⁴² *Homeowners' Association of Talayan Village, Inc. v. JM Tuason & Co.*, 772 Phil. 556, 573 (2015). Also see *Naawan Community Rural Bank, Inc. v. Court of Appeals*, 443 Phil. 56, 66 (2003) and *Republic of the Philippines v. Limbonhai and Sons*, 800 Phil. 163, 179 (2016).

⁴³ 803 Phil. 294 (2017).

⁴⁴ *Id.* at 311-312.

Lourdes believed in the validity of his title when the lot covered thereby was subsequently mortgaged to her, also by Ramon. To repeat, there was no reason at all for Lourdes to suspect that she was not dealing with the true owner of the property. She had every right to rely on what appeared on the title of the property.

As aptly observed by the Court of Appeals, the fact that Lourdes was a friend of both Merlinda and her first husband Nelson; and that Lourdes and Ramon's son were both members of the Lion's Club did not *ipso facto* mean that Lourdes knew of the defect in Ramon's title.

***The real estate mortgage
should be cancelled***

True, we have ruled in several cases that a void title may be the source of a valid title in the hands of an innocent purchaser for value.⁴⁵ In *Spouses Bautista v. Spouses Jalandoni (Spouses Bautista)*,⁴⁶ however, the Court clarified that where the **true** owner has not been found negligent or has not committed an act which could have brought about the issuance of another title relied upon by the purchaser or mortgagee for value, then **the true innocent owner, whether still registered or deemed registered, has a better right over the mortgagee in good faith.** For "the law protects and prefers the lawful holder of registered title over the transferee of a vendor bereft of any transmissible rights."⁴⁷

In *Spouses Bautista*, the Spouses Bautista acquired fraudulent titles to the real properties of Spouses Jalandoni and had successfully mortgaged these properties to Manila Credit Corporation (MCC). The Court found MCC to be a mortgagee in good faith. **But** the Court also found that Spouses Jalandoni had not been negligent nor performed any act which had otherwise led MCC itself to rely on the validity of the impostors' titles. Consequently, the Court ruled that **whatever rights MCC may have acquired over the real properties as a mortgagee-in-good-faith cannot prevail over the superior rights of Spouses Jalandoni as true owners thereof.**⁴⁸

Here, insofar as the issuance of TCT No. T-86916 is concerned, Merlinda was not shown to have been directly or indirectly caused it through her fault or negligence. Nor was it shown that, in one way or another, she led Lourdes, a mortgagee in good faith, to believe in, let alone, rely on the said title. **It did not matter that Merlinda had by then been eased out, or erased, as the lot's registered owner due to the fraud perpetrated on her by Ramon.**

⁴⁵ See *Spouses Bautista v. Spouses Jalandoni*, 722 Phil. 144, 158 (2013), citing *Tan v. De la Vega*, 519 Phil. 515, 529 (2006), *PNB v. Court of Appeals*, 265 Phil. 703, 708 (1990).

⁴⁶ *Id.* at 158-159.

⁴⁷ *Id.* at 159.

⁴⁸ *Id.* at 160.

In the earlier case of *Modina*⁴⁹ which involved the same *Deed of Definite Sale* dated December 17, 1975 used by Ramon to cause five TCTs, including TCT No. T-86916 to be registered in his name, the Court sustained Merlinda's claim that Ramon employed fraudulent acts to obtain these Torrens titles over Merlinda's properties. Note that the case only involved four titles, TCT Nos. T-86912, T-86913, T-86914, T-86915, simply because Merlinda at that time was seeking to recover only the properties under these titles. It was only much later that she also sought to recover the property subject of the present case under TCT No. T-86916.

Even then, the ruling of the Court on the invalid *Deed of Definite Sale* dated December 17, 1975, which was the root of all evils that befell Merlinda; and the fact that no fault may be properly attributed to Merlinda in the issuance of the fraudulent titles nor in causing third parties to rely thereon, applies with equal force to the present case involving TCT No. T-86916, *viz.*:⁵⁰

The Court of Appeals, on the other hand, adopted the following findings *a quo*: that **there is no sufficient evidence establishing fault on the part of MERLINDA**, and therefore, the principle of *in pari delicto* is inapplicable and the sale was void for want of consideration. In effect, MERLINDA can recover the lots sold by her husband to petitioner MODINA. x x x (Emphasis supplied)

Applying *Spouses Bautista* and *Modina* here, Merlinda's title over Lot 10031 should prevail over the right of Lourdes as a mortgagee in good faith. In other words, whatever right Lourdes may have acquired over Lot 10031 must yield to the superior right of Merlinda as the true owner thereof. For no one can acquire a better right than what the transferor has.⁵¹ To rule otherwise would be the height of injustice. For then, registered owners without the least fault on their part could be divested of their title and deprived of their property.⁵²

As the Court aptly elucidated in *Baltazar v. Court of Appeals*,⁵³ "*such disastrous results which would shake and destroy the stability of land titles had not been foreseen by those who had endowed with indefeasibility land titles issued under the Torrens system.*"⁵⁴ In fine, the appellate court correctly decreed the reinstatement of TCT No. T-57961 in the name of Nelson Plana, married to Merlinda Relano **free from any lien or encumbrance in favor of Lourdes Tan Chua.**

⁴⁹ *Modina v. Court of Appeals*, *supra* note 8.

⁵⁰ *Id.* at 51.

⁵¹ *Id.* at 160.

⁵² *Id.* at 159.

⁵³ 250 Phil. 349 (1988).

⁵⁴ *Id.* at 361.

***Merlinda is entitled to damages
from the Estate of Ramon Chiang
through his heirs***

Moral damages are treated as compensation to alleviate physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury caused by the defendant's culpable action.⁵⁵ Exemplary damages, on the other hand, may be imposed by way of example or correction for the public good. They are "imposed not to enrich one party or impoverish another, but to serve as a deterrent against or as a negative incentive to curb socially deleterious actions."⁵⁶

Meanwhile, Article 2208 of the *Civil Code* states the policy that should guide the courts when awarding attorney's fees to a litigant, viz.:

Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) **When exemplary damages are awarded;**
- (2) **When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;**
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

⁵⁵ *Spouses Bautista v. Jalandoni*, *supra* note 45 at 157.

⁵⁶ *Id.* at 158.

In all cases, the attorney's fees and expenses of litigation must be reasonable. (Emphasis supplied)

As aptly found by the appellate court, Merlinda had long suffered from Ramon's fraudulent acts which resulted in the undue deprivation of her property. Though incapable of pecuniary estimation, we find reasonable the award of ₱100,000.00 as moral damages to be reasonable. We also affirm the award of ₱100,000.00 as exemplary damages in favor of Merlinda. Lastly, since Merlinda was compelled to litigate to protect her interest, the award of ₱50,000.00 as attorney's fees is likewise affirmed. The total amount shall earn legal interest at six percent (6%) *per annum* in accordance with *Nacar v. Gallery Frames*.⁵⁷

Appropriate Remedy for Lourdes

Curiously, Lourdes has not claimed any relief from the trial court, nor from the appellate court, or even from this Court. She and her counsel simply maintain that she is a mortgagee in good faith.

Notably, Lourdes and her counsel do not deny the veracity of the material information brought to fore for the first time by Merlinda in this proceeding. This is with respect to the existence of **Civil Case No. 25285** for accounting and damages filed by Ramon against Lourdes way back in 1998. The case involved the same loan subject of the present case. Lourdes and her counsel do not deny either that she filed an answer to the complaint admitting Ramon's payment, and her receipt of ₱46,500.00 out of the ₱130,000.00 loan amount. Nor do they deny that a deposit by way of consignment with RTC, Branch 39 was made by Ramon as payment for the remaining amount of ₱83,500.00 he still owed Lourdes. Most of all, they do not refute the genuineness and due execution of the Partial Compromise Agreement which Lourdes jointly signed with Ramon in that case.

By their silence, Lourdes and her counsel are considered to have admitted every piece of information Merlinda has revealed in her petition regarding **Civil Case No. 25285**. It is clear, therefore, that long before the present case arose in 2001, Ramon already paid Lourdes a substantial, if not full settlement of the loan. And after the lapse of twenty-four (24) years since it was filed in 2001, in all probability, the case already got terminated. But even in the remote possibility that the case is still alive, whatever remedy or remedies Lourdes may still be seeking relative to the loan and the mortgage were already brought into that case where she prayed for the following awards:

4. *By way of moral damages, the amount of ₱500,000.00.*
5. *By way of exemplary damages, the amount of ₱500,000.00.*
6. *By way of attorney's fees, the amount of 25% of the amount collectible in the counterclaim, plus ₱50,000.00 for the defense in the main case.*

⁵⁷ 716 Phil. 267, 278-279 (2013).

7. *By way of litigation expense, the amount of ₱15,000.00.*⁵⁸

Obviously, **Civil Case No. 25285** is the reason Lourdes has never asked for any affirmative relief in the present case. She already received a substantial, if not full satisfaction of the loan or that which rightfully belonged to her as mortgagee of Ramon. Verily, she has been amply protected and will still be even with the consequent cancellation of the mortgage. We, therefore, delete the award of damages decreed by the Court of Appeals in her favor.

Lourdes and her counsel must show cause why they should not be cited in contempt of court for failing to disclose material facts dispositive of this case

We express our collective disappointment with the cavalier attitude of Lourdes and her counsel in not disclosing facts that are material to the just resolution of the instant case. We reiterate that had the facts been adequately revealed, as Lourdes and her counsel are ethically obliged to do, the issue about how to deal fairly with Lourdes as a mortgagee would have already been expeditiously settled.

As stated, from the facts we have unearthed, Lourdes had already received a substantial, if not full satisfaction of the loan or that which was rightfully due her as a mortgagee of Ramon. **Civil Case No. 25285** was the appropriate forum for her claims and this should have been disclosed by her. The deliberate withholding of the facts surrounding this civil case and the concomitant Partial Compromise Agreement nearly led to an award that did not rightfully benefit her. She would have been compensated twice for a single obligation to pay her.

For these reasons, we have no choice but to require Lourdes and her counsel to show cause why each of them should not be cited in contempt of court for failing to disclose material facts dispositive of her allegations before the Court. This measure should serve as warning as well to litigants and their counsel seeking relief before the Court to be always candid and forthright in pleading facts in all matters involving them. For a single lie could delay the speedy disposition of cases and bring the entire administration of justice to disrepute and embarrassment if not unwanted and unnecessary convolutions.

ACCORDINGLY, the Petition is **PARTLY GRANTED**. The Decision dated June 25, 2018 and Resolution dated October 16, 2019 of the Court of Appeals in CA-G.R. CEB-CV No. 04831 are **AFFIRMED with MODIFICATION**, thus:

(1) TCT No. T-86916 issued in the name of Ramon Chiang is cancelled;

⁵⁸ *Id.* at 118-120.

(2) The annotation of the Real Estate Mortgage on the back of TCT No. T-86916 under Entry No. 656728 in favor of Lourdes Tan Chua is likewise cancelled;

(3) TCT No. T-57961 issued in the name of Nelson Plana married to Merlinda Relano is reinstated;

(4) The Estate of Ramon Chiang, through his heirs is ordered to pay Merlinda Plana the following amounts:

- a. ₱100,000.00 as moral damages;
- b. ₱100,000.00 as exemplary damages;
- c. ₱50,000.00 as attorney's fees; and
- d. six percent (6%) interest *per annum* on these amounts from finality of this Decision until fully paid.

(5) Respondent Lourdes Tan Chua and her counsel are ordered to show cause within ten (10) non-extendible days from notice to show cause why they should not be cited in contempt of court for their deliberate withholding of material facts as above-mentioned and for delaying the speedy disposition of the present case and nearly bringing the administration of justice to disrepute.

SO ORDERED.


AMY C. LAZARO-JAVIER
Associate Justice

WE CONCUR:

*See separate
Opinion*

[Signature]
ALEXANDER G. GESMUNDO
Chief Justice

*See separate concurring
opinion*

[Signature]
MARVIC M.V.F. LEGNEN
Senior Associate Justice

*See separate
Concurring
Opinion*

[Signature]
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

(on leave)
RAMON PAUL L. HERNANDO
Associate Justice

[Signature]
HENRI JEAN PAUL B. INTING
Associate Justice

[Signature]
RODIL V. ZALAMEDA
Associate Justice

[Signature]
MARIO V. LOPEZ
Associate Justice

[Signature]
SAMUEL H. GAERLAN
Associate Justice

[Signature]
RICARDO R. ROSARIO
Associate Justice

[Signature]
JHOSEP V. LOPEZ
Associate Justice

[Signature]
JAPAR B. DIMAAMPAO
Associate Justice

[Handwritten mark]

Midas
JOSE MIDAS P. MARQUEZ
 Associate Justice

with concurring and dissenting opinion
~~XXXXXXXXXX~~
ANTONIO T. KHO, JR.
 Associate Justice

I join the Concurring Opinion of Justice Caguioa
~~XXXXXXXXXX~~
MARIA FELOMENA D. SINGH
 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 En Banc.

Alexander G. Gesmundo
ALEXANDER G. GESMUNDO
 Chief Justice