



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**PHILIPPINE AMANAH BANK (NOW
AL-AMANAH ISLAMIC
INVESTMENT BANK OF THE
PHILIPPINES, ALSO KNOWN AS
ISLAMIC BANK),**

Petitioner,

G.R. No. 173168

Present:

CARPIO, J., Chairperson,
BRION,
DEL CASTILLO,
MENDOZA, and
LEONEN, JJ.

- versus -

EVANGELISTA CONTRERAS,
Respondent.

Promulgated:

SEP 29 2014 *Manila*

X-----X

DECISION

BRION, J.:

Before us is a petition for review on *certiorari* filed by petitioner Philippine Amanah Bank (now Al-Amanah Islamic Investment Bank of the Philippines)¹ against respondent Evangelista Contreras assailing the decision² and resolution³ of the Court of Appeals (CA) dated May 4, 2004 and May 26, 2006, respectively, in CA-G.R. CV No. 47053.

The Antecedents

On July 21, 1981, the respondent filed a complaint for *annulment of real estate mortgage, cancellation of original certificate of title, reconveyance, recovery of possession and damages*⁴ before the Regional

¹ A government-owned or controlled corporation.

² *Rollo*, pp. 37-48; penned by Associate Justice Teresita Dy-Liacco-Flores, and concurred in by Associate Justice Japar B. Dimaampao and Associate Justice Romulo V. Borja.

³ *Id.* at 49.

⁴ Records, pp. 1-7.

M

Trial Court (*RTC*), Branch 19, Cagayan de Oro City against spouses Calinico and Elnora Ilogon and the petitioner bank, docketed as Civil Case No. 7950.

The respondent alleged that he was the owner of Cadastral Lot No. 19316-D, a 640 square meter parcel of land located in Cagayan de Oro City. On August 1, 1980, the respondent went to the house of his brother-in-law, Calinico Ilogon, to seek assistance in obtaining a loan from the petitioner bank since he (Calinico) is a friend of the bank's Chief of the Loan Division. The respondent brought with him the documents of the subject lot, and told Calinico that he was willing to mortgage this property as security for the loan. Three days later, Calinico told the respondent that the petitioner bank could grant a loan up to ₱200,000.00 if the subject property would be titled.

On August 3, 1980, the respondent and Calinico, upon the suggestion of the Chief of the petitioner bank's Loan Division, entered into a *Deed of Confirmation of Sale*⁵ under which they transferred the title of the land to Calinico⁶ who, in turn, mortgaged it to the petitioner bank. On October 25, 1980, Calinico and the respondent executed an *Agreement*⁷ stating, among others, that the deed of sale they executed was for the purpose of securing a loan with the petitioner bank.

On May 20, 1981, the respondent wrote a letter and went to the petitioner bank directing the latter's manager not to release the loan to Calinico. The respondent handed a copy of the letter to the bank on the same day. On the next day, the respondent again went to the petitioner bank, but was informed that the loaned amount of ₱50,000.00 had already been given to Calinico earlier that morning. The respondent thereafter learned that the petitioner released another ₱50,000.00 as loan to Calinico.

That petitioner bank subsequently extrajudicially foreclosed the mortgage due to the Ilogon spouses' failure to pay the loan. On January 9, 1989, the Provincial Sheriff sold the mortgaged property at public auction to the petitioner bank as the highest bidder. On October 31, 1989, the Provincial Sheriff issued a Certificate of Sale in favor of the petitioner bank.

For the mortgagor's failure to redeem the mortgaged property within the period prescribed by law, the title to the property was consolidated in the petitioner bank's name. Consequently, Original Certificate of Title (*OCT*) No. P-2034⁸ was cancelled and Transfer

⁵ *Id.* at 319.

⁶ OCT No. P-2034 was issued in favor of Calinico Ilogon.

⁷ Records, p. 10.

⁸ *Id.* at 12-13.

Certificate of Title (*TCT*) No. T-63331⁹ was issued in the petitioner bank's name.

The RTC and the CA Rulings

In its decision dated September 13, 1993, the RTC dismissed the complaint for lack of merit. It held that the petitioner bank was not aware of the agreement between the respondent and the Ilogon spouses, and that the respondent failed to present any evidence as basis to annul the mortgage contract. To quote the RTC ruling:

X X X X

Plaintiff has not presented any evidence to be a basis for the annulment of the real estate mortgage, the bank's certificate of title, as well as justification for an order from this court to return the possession of the lot to the plaintiff. The agreement between plaintiff and defendant Ilogon spouses about the purpose(s) of the loan and how they would dispose of it had until the filing of this case, been unknown to the bank. The latter has been a lender in good faith, later a buyer in good faith.

The court finds that plaintiff has failed to prove his allegations, and that the preponderance of evidence has been in favor of the bank.¹⁰

X X X X

The respondent moved to reconsider this decision,¹¹ but the RTC denied his motion for having been filed out of time. Accordingly, the RTC declared its September 13, 1993 decision final and executory.

The respondent filed a petition for relief from judgment¹² before the RTC, claiming that he had been prevented from moving for the timely reconsideration of the trial court's decision or to appeal this decision on time due to the excusable negligence arising from the death of his wife on September 13, 1993.

He explained that his counsel, Atty. Bienvenido Valmorida, only informed him of the trial court's adverse decision thirty-seven (37) days from his counsel's receipt of the decision. The respondent also claimed that the petitioner bank was not a lender in good faith since it knew that the Ilogon spouses did not own the mortgaged property.

In its order¹³ dated July 1, 1994, the RTC denied the respondent's petition for relief from judgment for lack of merit.

⁹ *Id.* at 419.

¹⁰ *Rollo*, p. 51.

¹¹ Filed by respondent's new lawyer, Atty. Tommy Pacana.

¹² *Rollo*, pp. 61-66.

¹³ *Id.* at 71.

The respondent appealed to the CA and the appeal was docketed as CA-G.R. CV No. 47053. In its decision of May 4, 2004, the CA set aside the RTC's July 1, 1994 order, and declared the real estate mortgage null and void. It also ordered the petitioner bank to reconvey the land covered by TCT No. T-63331 to the respondent within sixty (60) days from entry of judgment.

It further directed the petitioner bank to pay the equivalent monetary value of the land based on the price of the property at the public auction, with 6% interest per annum from the date of the sheriff's auction sale or the amount of the sale of the lot by the bank to third persons plus 6% interest per annum, in the event that the property had already been conveyed by the petitioner bank to third persons.

The CA held that while the respondent was late in filing his motion for reconsideration, the rules of procedure should be relaxed since the matters he raised in his petition were meritorious.

It disagreed with the RTC's ruling that the respondent did not present any evidence that the petitioner bank had knowledge of the defect in Calinico's title to the mortgaged land. According to the CA, the petitioner bank knew that there were conflicting claims over the land, and that the OCT of this land carried a prohibition of any encumbrance on the lot for five (5) years. It added that the petitioner bank failed to exercise diligence in ascertaining the ownership of the land, and ignored the respondent's representations that Calinico's title was defective and was only for loan purposes.

The Ilogon spouses and the petitioner bank moved to reconsider this decision, but the CA denied their motion in its resolution dated May 26, 2006.

The Petition for Review on *Certiorari*

In the present petition, the petitioner bank alleged that the respondent's petition for relief from judgment is unmeritorious as it was filed only after the lapse of ninety-one (91) days from his (respondent's) notice of the adverse judgment. The bank also claimed that the failure of the respondent's counsel to file a timely motion for reconsideration from the RTC's judgment did not constitute excusable negligence so as to warrant the granting of the respondent's petition.

The petitioner bank further maintained that the real estate mortgage over the land was valid because: (1) its validity was never raised as an issue before the trial court; and (2) the petitioner bank is exempted from the 5-year prohibitory period since it is a Government branch, unit or institution.

In his comment, the respondent,¹⁴ represented by his heirs, maintained that his counsel's negligence was excusable, and that the petitioner bank was a mortgagee in bad faith.

Our Ruling

After due consideration, we resolve to grant the petition.

RTC judgment already final and executory

We note at the outset that the RTC's September 13, 1993 decision which dismissed the respondent's complaint for *annulment of real estate mortgage, cancellation of original certificate of title, reconveyance, recovery of possession and damages* had already become final and executory due to the failure of his counsel to file a timely motion for reconsideration. This fact was admitted by the respondent himself in his various pleadings before the lower and appellate courts, as well as in his comment before this Court.

Both the law and jurisprudence hold that the perfection of an appeal in the manner and within the period prescribed by law is mandatory. Failure to conform to the rules on appeal renders the judgment final, executory and unappealable. Finality means that the decision can no longer be disturbed or reopened no matter how erroneous the ruling might have been. The decision fully binds, and should be complied with by the parties and their successors in interest.

The Petition for Relief was filed out of time

We sustain the trial court's denial of the respondent's petition for relief from judgment to challenge its final and executory decision.

Section 3, Rule 38 of the 1997 Rules of Civil Procedure lays down the requirements for a petition for relief from judgment, thus:

Section 3. *Time for filing petition; contents and verification.* -

A petition provided for in either of the preceding sections of this Rule must be verified, filed within sixty (60) days after the petitioner learns of the judgment, final order, or other proceeding to be set aside, and not more than six (6) months after such judgment or final order was entered, or such proceeding was taken; and must be accompanied with affidavits showing the fraud, accident, mistake, or excusable negligence relied upon, and the facts constituting the petitioner's good and substantial cause of action or defense, as the case may be.

A party filing a petition for relief from judgment must strictly comply with two (2) reglementary periods: *first*, the petition must be filed within sixty (60) days from knowledge of the judgment, order or other

¹⁴ Died on April 25, 2000; see *rollo*, p. 78.

proceeding to be set aside; and *second*, within a fixed period of six (6) months from entry of such judgment, order or other proceeding.

Strict compliance with these periods is required because a petition for relief from judgment is a final act of liberality on the part of the State, which remedy cannot be allowed to erode any further the fundamental principle that a judgment, order or proceeding must, at some definite time, attain finality in order to put an end to litigation.¹⁵

In the present case, the respondent's counsel received a copy of the RTC's decision dated September 13, 1993 on September 15, 1993. Thus, the petition for relief from judgment should have been filed on or before November 14, 1993. However, the records showed that the petition was filed only on December 15, 1993, or ninety-one (91) days later.

Strict compliance with the periods stated under Rule 38 stems from the equitable character and nature of the petition for relief. Indeed, relief is allowed only in exceptional cases such as when there is no other available or adequate remedy. As a petition for relief is actually the "last chance" given by law to litigants to question a final judgment or order, the failure to avail of this final chance within the grace period fixed by the Rules is fatal.¹⁶

The respondent's cited circumstances are not the proper subject of a petition for relief from the judgment

Section 1, Rule 38 of the 1997 Rules of Civil Procedure provides that [w]hen a judgment or final order is entered, or any other proceeding is thereafter taken against a party in any court through fraud, accident, mistake, or excusable negligence, he may file a petition in the same court and in the same case praying that the judgment, order or proceeding be set aside.

Relief from judgment is a remedy provided by law to any person against whom a decision or order is entered through fraud, accident, mistake, or excusable negligence. It is a remedy, equitable in character, that is allowed only in exceptional cases when there is no other available or adequate remedy. When a party has another remedy available to him, which may either be a motion for new trial or appeal from an adverse decision of the trial court, and he was not prevented by fraud, accident, mistake, or excusable negligence from filing such motion or taking such appeal, he cannot avail of the remedy of petition for relief.¹⁷

In the present case, the respondent alleged that he had been prevented from moving for the timely reconsideration of the trial court's

¹⁵ See *Lynx Industries Contractor, Inc. v. Tala*, 557 Phil. 711, 716 (2007).

¹⁶ See *Quelnan v. VHF Philippines*, 507 Phil. 75, 83 (2005).

¹⁷ *Guevarra, et al. v. Sps. Bautista, et al.*, 593 Phil. 20, 26 (2008).

decision or to appeal this decision on time due to the death of his wife on September 13, 1993. He explained that his counsel, Atty. Valmorida, was the brother of his deceased wife, and could not bear to tell him that he had lost his case in the RTC given the circumstances. Atty. Valmorida only informed him of the court's adverse decision thirty-seven (37) days after his (Atty. Valmorida's) receipt of the adverse decision. This circumstance, according to the respondent, was a clear case of excusable negligence on the part of his counsel, warranting relief from judgment.

We do not find this explanation persuasive.

Negligence to be excusable must be one that ordinary diligence and prudence could not have guarded against. Atty. Valmorida's oversight in the present case can hardly be characterized as excusable, much less unavoidable.

We point out that the one who died was the respondent's wife, and not the respondent; nothing prevented Atty. Valmorida from filing an appeal to challenge the RTC ruling. That Atty. Valmorida took into account the emotions *vis-à-vis* the medical condition of the respondent, was beside the point. As a lawyer, he knew or ought to have known that failure to appeal the RTC decision would render it final. To be sure, the respondent could have easily prevented the RTC decision from becoming final and executory had he only exerted ordinary diligence by filing a timely motion for reconsideration or filing a notice of appeal.

It is settled that clients are bound by the mistakes, negligence and omission of their counsel. While, exceptionally, the client may be excused from the failure of counsel, the circumstances obtaining in the present case do not convince this Court to recognize the exception.

We likewise emphasize that procedural rules are designed to facilitate the adjudication of cases. Courts and litigants alike are enjoined to abide strictly by the rules. While in certain instances, we allow a relaxation in the application of the rules, we never intend to forge a weapon for erring litigants to violate the rules with impunity. The liberal interpretation and application of the rules apply only in proper cases of demonstrable merit and under justifiable causes and circumstances. While it is true that litigation is not a game of technicalities, it is equally true that every case must be prosecuted in accordance with the prescribed procedure to ensure an orderly and speedy administration of justice. Party litigants and their counsel are well advised to abide by, rather than flaunt, procedural rules; these rules illumine the path of the law and place the pursuit of justice in reasonable and orderly basis.

In his petition for relief, the respondent also claimed that the petitioner bank was not a lender in good faith since it knew that the mortgaged land was not owned by the Ilogon spouses. He added that the

petitioner bank and the Ilogon spouses connived with each other to release the loan to Calinico.

We stress that the mistake contemplated by Rule 38 of the Rules of Court pertains generally to one of fact, not of law. It does not refer to a judicial errors that the court might have committed. Such judicial errors may be corrected by means of an appeal. To recall, the respondent already raised these grounds in his complaint for *annulment of real estate mortgage, cancellation of original certificate of title, reconveyance, recovery of possession and damages* before the RTC. Indeed, relief will not be granted to a party who seeks avoidance from the effects of the judgment when the loss of the remedy at law was due to his own (or that of his counsel's) negligence; otherwise, the petition for relief can be used to revive the right to appeal which had been lost through inexcusable negligence.¹⁸

At any rate, the grounds raised by the respondent are unmeritorious.

We are aware of the rule that banks are expected to exercise more care and prudence than private individuals in their dealings, even those involving registered lands, since their business is impressed with public interest. The rule that persons dealing with registered lands can rely solely on the certificate of title does not apply to banks.¹⁹ Simply put, 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 a bank's operations.²⁰

In the present case, however, nothing in the documents presented by Calinico would arouse the suspicion of the petitioner bank to prompt a more extensive inquiry. When the Ilogon spouses applied for a loan, they presented as collateral a parcel of land evidenced by OCT No. P-2034 issued by the Office of the Register of Deeds of Cagayan de Oro, and *registered in the name of Calinico*. This document did not contain any inscription or annotation indicating that the respondent was the owner or that he has any interest in the subject land. In fact, the respondent admitted that there was no encumbrance annotated on Calinico's title at the time of the latter's loan application. Any private arrangement between Calinico and the respondent regarding the proceeds of the loan was not the concern of the petitioner bank, as it was not a privy to this agreement. If Calinico violated the terms of his agreement with the respondent on the *turn-over of the proceeds of the loan*, then the latter's proper recourse was to file the appropriate criminal action in court.

¹⁸ Id. at 27.

¹⁹ See *Philippine Trust Company v. Court of Appeals*, G.R. No. 150318, November 22, 2010, 635 SCRA 518, 530.

²⁰ See *Cruz v. Bancom Finance Corporation*, 429 Phil. 225, 239 (2002).

The respondent also failed to prove its allegation that the petitioner bank knew, thru a letter sent by the former's lawyer, Atty. Crisanto Mutya, Jr., that the sale of the subject land between him and Calinico was made only for loan purposes, and that failure of Calinico to turn over the proceeds of the loan will invalidate the sale. In his November 6, 1991 testimony, the respondent admitted that *it was his son* who gave the letter to the manager of the petitioner bank, thus:

ATTY. REYNALDO LLEGO:

Q: Mr. Contreras, may I just show to you Exhibit C, the letter addressed to Amanah Bank. You said that, this letter Exhibit C was received by the Manager of the bank. May I know from you the name of the Manager at that time?

EVANGELISTA CONTRERAS:

A: I did not know the name of the Manager at that time. **Because it was my son who brought this Exhibit C to the bank, and according to him it was the personnel of the bank who received Exhibit C.**

Q: And this was received on what date?

A: May 20, 1981.

Q: Directing your attention to Exhibit B which is the supposed counter agreement. You will of course agree with me that the bank has no knowledge of the execution of that agreement, is that correct?

A: When my lawyer wrote a letter to the bank at that time, he attached one of the Xerox copy of this Exhibit B.

X X X X

Q: The title of the land was already in the name of the spouses Ilogon. There was no encumbrance at the time it was offered for loan.

A: When Mr. Ilogon got the title, I did not see anymore because I trust him already.²¹ (Emphasis ours)

Clearly, the respondent testified on matters not of his own personal knowledge, hence hearsay. Corollarily, the respondent's son was never presented in court. Even assuming, for the sake of argument, that the petitioner bank received a copy of Atty. Mutya's letter,²² it was still well-within its discretion to grant or deny the loan application after evaluating the documents submitted for loan applicant. As earlier stated, OCT No. P-2034 issued in Calinico's favor was free from any

²¹ TSN, November 6, 1991, pp. 6-7.

²² The mark "5/20/81" was written on Atty. Mutya's letter, but it was not clear who wrote this mark. There was also no receiving stamp from the petitioner bank on this letter.

encumbrances. The petitioner bank is not anymore privy to whatever arrangements the owner entered into regarding the proceeds of the loan.

Finally, we point out that the petitioner bank is a government owned or controlled corporation. While OCT No. P-2034 (issued in favor of Calinico by virtue of the *deed of confirmation of sale*) contained a prohibition against the alienation and encumbrance of the subject land within five (5) years from the date of the patent, the CA failed to mention that by the express wordings of the OCT itself, the prohibition does not cover the alienation and encumbrance “in favor of the Government or any of its branches, units or institutions.”²³

WHEREFORE, in light of all the foregoing, we **GRANT** the present petition, and **SET ASIDE** the decision and resolution of the Court of Appeals dated May 4, 2004 and May 26, 2006, respectively, in CA-G.R. CV No. 47053. Accordingly, the decision of the Regional Trial Court, Branch 19, Cagayan de Oro City dated September 13, 1993 is **REINSTATED**.

SO ORDERED.

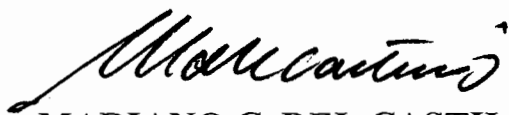


ARTURO D. BRION
Associate Justice

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson



MARIANO C. DEL CASTILLO
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice



MARVIC M.V.F. LEONEN
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.

A handwritten signature in black ink, appearing to read 'Antonio T. Carpio', with a stylized flourish at the end.

ANTONIO T. CARPIO
Acting Chief Justice