



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ROLANDO ROBLES,
REPRESENTED BY
ATTY. CLARA C. ESPIRITU,
Petitioner,

- versus -

FERNANDO FIDEL YAPCINCO,
PATROCINIO B. YAPCINCO,
MARIA CORAZON B. YAPCINCO,
and **MARIA ASUNCION B.**
YAPCINCO-FRONDA,
Respondents.

G.R. No. 169568

Present:

SERENO, *C.J.*,
LEONARDO-DE CASTRO,
BERSAMIN,
*VILLARAMA, JR., and
PEREZ, *JJ.*

Promulgated:

OCT 22 2014

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DECISION

BERSAMIN, J.:

The dispute involves the ownership of a judicially-foreclosed parcel of land sold at a public auction, but which sale was not judicially confirmed. On one side is the petitioner, the successor in interest of the purchaser in the public auction, and, on the other, the heirs of the mortgagor, who never manifested interest in redeeming the property from the time of the foreclosure.

The Case

Assailed herein are the decision and resolution of the Court of Appeals (CA) respectively promulgated on February 24, 2005 and September 12, 2005 in CA-G.R. No. 79824 entitled *Rolando Robles,*

* Vice Associate Justice Estela M. Perlas-Bernabe, who inhibited due to personal relationship with one of the parties, pursuant to the raffle of October 8, 2014.

represented by Atty. Clara C. Espiritu v. Fernando Fidel Yapcinco, et al.,¹ reversing and setting aside the decision rendered on July 7, 2003 by the Regional Trial Court, Branch 63, in Tarlac City (RTC).²

Antecedents

The property *in litis* was originally registered under Transfer Certificate (TCT) No. 20458 of the Registry of Deeds of Tarlac in the name of Fernando F. Yapcinco, married to Maxima Alcedo.³ In May 4, 1944, Yapcinco constituted a mortgage on the property in favor of Jose C. Marcelo to secure the performance of his obligation. In turn, Marcelo transferred his rights as the mortgagee to Apolinario Cruz on October 24, 1944.⁴ When Yapcinco did not pay the obligation, Apolinario Cruz brought an action for judicial foreclosure of the mortgage in the Court of First Instance (CFI) of Tarlac, which rendered its decision on July 27, 1956 ordering Patrocinio Y. Kelly, the administratrix of the estate of Yapcinco, who died during the pendency of the action, to pay Apolinario Cruz the indebtedness secured by the mortgage plus interest; and in case of the failure to pay after 90 days from the date of the decision, the property would be sold at a public auction,⁵ to wit:

IN VIEW OF THE FOREGOING, the Court renders decision to the following effect:

A. Ordering the defendant Patrocinio Y. Kelly, as judicial administratrix of the intestate estate of Fernando Yapcinco, to pay to Apolinario Cruz the total amount of ₱6,000.00, representing the mortgage indebtedness of the defendant in favor of plaintiff, together with interest thereon at the rate of 8% per annum payable from May 4, 1944, until all payment thereof; and if after ninety (90) days from the date of this decision shall have become final and executory the defendant shall not have paid the obligation herein ordered paid, the properties mortgaged shall be sold by the Provincial Sheriff at Public Auction, and the proceeds thereof to be applied and disposed of in accordance with law.

B. Dismissing the third-party complaint of defendant Fernando Yapcinco against Jose C. Marcelo; and

C. Ordering the defendant to pay the costs of this suit.

SO ORDERED.

Apolinario Cruz was adjudged the highest bidder in the public auction held on March 18, 1959. In his favor was then issued the certificate of

¹ *Rollo*, pp. 56-66; penned by Associate Justice Japar B. Dimaampao, with Associate Justice Renato C. Dacudao (retired) and Associate Justice Edgardo F. Sundiam (deceased) concurring.

² *Id.* at 72-82; penned by Presiding Judge Arsenio P. Adriano.

³ *Records*, pp. 139-140.

⁴ *Id.* at 141.

⁵ *Id.* at 23-30.

absolute sale,⁶ and he took possession of the property in due course. However, he did not register the certificate of sale; nor was a judicial confirmation of sale issued.

On September 5, 1972, Apolinario Cruz donated the property to his grandchildren, namely: Carlos C. de la Rosa, Apolinario Bernabe, Ferdinand Cruz, and petitioner Rolando Robles.⁷ On August 29, 1991, however, Apolinario Bernabe falsified a deed of absolute sale, whereby he made it appear that Yapcinco had sold the property to him, Ma. Teresita Escopete, Orlando Santos and Oliver Puzon.⁸ As a consequence, the Register of Deeds cancelled Yapcinco's TCT No. 20458 and issued TCT No. 243719 in their names as co-vendees.⁹ The sale was annotated on TCT No. 20458. It appears that another instrument dated August 28, 1991 was annotated on TCT No. 20458 purportedly releasing and cancelling the mortgage. Both instruments were annotated on February 11, 1992.¹⁰

On February 3, 1993, Carlos C. dela Rosa and Ferdinand Cruz, the other donees, filed a complaint for the nullification of the contract of sale, cancellation of title and reconveyance against Apolinario Bernabe and his co-vendees, but the case was not aggressively pursued inasmuch as the parties were first degree cousins.¹¹

On January 2, 2000, the respondents, all heirs of the Spouses Yapcinco, instituted an action against Apolinario Bernabe and his co-vendees in the Regional Trial Court (RTC) in Tarlac City for the annulment of TCT No. 243719, document restoration, reconveyance and damages. They claimed that although the property had been mortgaged, the mortgage had not been foreclosed, judicially or extra-judicially;¹² that the property was released from the mortgage per Entry No. 32-2182 in the Memorandum of Incumbrances; and that the deed of absolute sale between Fernando Yapcinco and Bernabe, *et al.* was void and ineffectual because the Spouses Yapcinco had already been dead as of the date of the sale.¹³

Defendants Apolinario Bernabe and his co-vendees were declared in default.

On September 13, 2001, the RTC, Branch 64, in Tarlac City rendered its judgment declaring TCT No. 243719 and the deed of absolute sale dated

⁶ Id. at 32-33.

⁷ Id. at 34-35.

⁸ Id. at 38.

⁹ Id. at 39-40.

¹⁰ Id. at 142.

¹¹ Id. at 4.

¹² Id. at 46-47.

¹³ Id. at 100.

August 28, 1991 null and void. As a consequence, TCT No. 243719 was cancelled, and TCT No. 20458 in the name of Yapcinco was restored.¹⁴

On December 17, 2002, the petitioner filed an action for the nullification of document, cancellation of title, reconveyance and damages against the respondents (Civil Case No. 9436).¹⁵ He averred that the heirs of Yapcinco had acted in bad faith in causing the issuance of TCT No. 354061 because they had known fully well that the property had long been excluded from the estate of Yapcinco by virtue of the CFI decision dated July 27, 1956, and which the CA affirmed on April 25, 1958; that a certificate of absolute sale was issued in the name of Apolinario Cruz as early as 1959; and that he had a vested right in the property pursuant to the deed of donation executed on September 5, 1972 by Apolinario Cruz in his favor, among others.

The respondents countered that TCT No. 20458 contained an annotation to the effect that the property had been released from the mortgage by virtue of an instrument dated August 28, 2001; and that, in any case, the certificate of absolute sale and the deed of donation relied upon by the petitioner were not even inscribed in TCT No. 20458.¹⁶

Ruling of the RTC

On July 7, 2003, the RTC rendered its judgment, disposing thusly:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff by declaring the subject land covered by TCT No. 354067 to be owned by the late Apolinario Cruz and is part of his estate; and

1. declaring null and void TCT No. 354067 and that a new title be issued to Apolinario Cruz. Defendants should deliver to plaintiff or to this Court the owner's copy of TCT No. 354067; if they will not do so after finality of this judgment, the Registry of Deeds is nevertheless authorized to cancel TCT NO. 354067 and issue a new one in name [the] of Apolinario Cruz, even without the surrender of the owner's copy;
2. declaring as null and void the extra-judicial settlement of the estate of late the Fernando Yapcinco as far as the subject land is concerned;
3. claim for damages of both parties are denied.

SO ORDERED. ¹⁷

¹⁴ Id. at 50.

¹⁵ Id. at 1-8.

¹⁶ Id. at 111-113.

¹⁷ *Rollo*, pp. 81-82.

The RTC opined that the respondents could not claim to have no knowledge that the property *in litis* was no longer part of the estate of the late Fernando F. Yapcinco; that one of them had substituted the late Fernando F. Yapcinco in the judicial foreclosure proceedings, and even appealed the adverse decision to the CA; that they could not argue that they were not bound by the foreclosure of the mortgage due to the non-registration of the certificate of sale because as between the parties registration was not a requisite for the validity of the foreclosure; and that they did not redeem the property until the present.¹⁸

Decision of the CA

The respondents appealed to the CA, insisting that the RTC erred, as follows: (1) in declaring TCT No. 354061 as null and void, and issuing a new one to Apolinario Cruz and including the subject land in his estate; (2) in holding that *res judicata* applied; (3) in not honoring that the TCT No. 20458 was free from any lien and encumbrances; (4) in finding that they were aware of the proceedings in Civil Case No. CA-G.R. No. 19332-R; (5) in not considering prescription, laches and estoppels to bar the action; and (6) in not considering that they had the better right to the property.¹⁹

On February 24, 2005, the CA promulgated its assailed decision,²⁰ reversing the judgment of the RTC, and holding that due to the non-registration of the certificate of sale, the period of redemption did not commence to run. It also held that Apolinario Cruz never acquired title to the property and could not have conveyed and transferred ownership over the same to his grandchildren through the deed of donation;²¹ and that contrary to the RTC's finding, Patrocinio Yapcinco's knowledge of Apolinario Cruz' interest over the subject property was not tantamount to registration. It found that Patrocinio Yapcinco Kelly, the administratrix of the estate of Fernando F. Yapcinco, and Patrocinio B. Yapcinco, one of the respondents, were two different persons, such that it could not be concluded that the respondents had knowledge of the sale. Accordingly, it concluded that the heirs of Fernando F. Yapcinco had the right to include the property as the asset of the estate of Fernando F. Yapcinco.²²

The petitioner moved for reconsideration, but on September 12, 2005, the CA denied his motion for reconsideration, observing that there had been no order confirming the auction sale; hence, the respondents were never divested of their rights and interest in the property.²³

¹⁸ Id. at 72-82.

¹⁹ *Rollo*, pp. 89-90.

²⁰ *Supra* note 1.

²¹ *Rollo*, p. 63.

²² Id. at 65.

²³ Id. at 68-71.

Issues

In this appeal, the petitioner posits the following issues:

I

THE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT APOLINARIO CRUZ, AS PURCHASER IN A JUDICIAL FORECLOSURE OF SALE, NEVER ACQUIRED TITLE TO THE SUBJECT PROPERTY BY THE MERE OMISSION TO REGISTER THE CERTIFICATE OF SALE.

II

THE COURT OF APPEALS SERIOUSLY ERRED IN DECLARING THAT RESPONDENTS HAD NO KNOWLEDGE OF, AND THUS COULD NOT BE BOUND BY, THE FORECLOSURE OF MORTGAGE THAT WAS EARLIER CONDUCTED AS THE SAME WAS NOT SUPPORTED BY THE REAL FACTS AND CIRCUMSTANCES ATTENDANT TO THE INSTANT CASE.

III

THE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT WHATEVER RIGHTS BEING CLAIMED BY THE RESPONDENTS IN THE INSTANT CASE ARE ALREADY BARRED BY LACHES.²⁴

The petitioner insists that the rules and principles relied upon by the CA were applicable only to extra-judicial foreclosure, not to a judicial foreclosure like the one herein; that the importance of registration of the certificate of sale was true only in extrajudicial sale where it would be the reckoning point for the exercise of the right of redemption;²⁵ that the respondents were aware of the auction sale and even actually participated in the proceedings leading to the foreclosure, but they never tried to exercise their equity of redemption, before or even after the foreclosure sale;²⁶ that the family of Apolinario Cruz had been occupying the property for more than 40 years from the time of the foreclosure sale; and that the respondents should not be allowed to recover the lot on the basis of the non-registration of the certificate of sale.

The petitioner argues that the non-registration of the certificate of sale did not affect the title acquired by Apolinario Cruz as the purchaser in the judicial foreclosure of mortgage;²⁷ that the respondents' actual knowledge of the judicial foreclosure was equivalent to automatic registration; that the doctrine of indefeasibility of Torrens title was not absolute, and should yield to the right of another person based on equitable principles of laches;²⁸ that

²⁴ Id. at 27-28.

²⁵ Id. at 29-30.

²⁶ Id. at 31.

²⁷ Id. at 33-35.

²⁸ Id. at 38-39.

the finality of the judgment rendered in the judicial action for foreclosure of mortgage was valid and binding on the respondents as the successors-in-interest of the judgment debtor; and that whether or not respondent Patrocinio Yapcinco and Patrocinio Yapcinco Kelly were the same persons, or whether Patrocinio Yapcinco was only the daughter of the latter who was the administratrix was irrelevant because the respondents remained charged with knowledge of the foreclosure sale by virtue of their being the successors-in-interest of the mortgagor.²⁹

In contrast, the respondents maintain that they were lawfully entitled to the property *in litis* because there was no registration of the certificate of sale or confirmation from the court;³⁰ that even the deed of donation executed by Apolinario Cruz was not registered;³¹ that the issue revolved on whether or not there was a valid transfer of ownership;³² and that with the release of mortgage being validly registered in the Office of Registry of Deeds of Tarlac on February 11, 1992, thereby rendering the title free from any lien and encumbrances, they already had the right to transfer the property in their names.³³

Ruling of the Court

The petition for review is meritorious.

Before anything more, the Court clarifies that the failure of Apolinario Cruz to register the certificate of sale was of no consequence in this adjudication. The registration of the sale is required only in extra-judicial foreclosure sale because the date of the registration is the reckoning point for the exercise of the right of redemption. In contrast, the registration of the sale is superfluous in judicial foreclosure because only the equity of redemption is granted to the mortgagor, except in mortgages with banking institutions.³⁴ The equity of redemption is the right of the defendant mortgagor to extinguish the mortgage and retain ownership of the property by paying the secured debt within the 90-day period after the judgment becomes final, or even after the foreclosure sale but prior to the confirmation of the sale.³⁵ In this light, it was patent error for the CA to declare that: “By Apolinario Cruz’s failure to register the 18 March 1958

²⁹ Id. at 205.

³⁰ Id. at 172.

³¹ Id. at 177.

³² Id. at 176.

³³ Id. at 178.

³⁴ *E.g.*, Development Bank of the Philippines (Commonwealth Act No. 459); Philippine National Bank (Act 2747, Act 2938, now Section 30, Republic Act No. 1300); banks, banking or credit institutions (Section 78, Republic Act No. 1300 [General Banking Act], and for rural banks (Republic Act No. 2670).

³⁵ Pursuant to Section 2, Rule 68 of the *Rules of Court* (1997), the defendant-mortgagor is given a period of not less than 90 days nor more than 120 days “**from the entry of the judgment**” within which to exercise the equity of redemption. Under Section 2, Rule 70 of the *Rules of Court* (1940), however, the equity of redemption was “**within a period not less than ninety days from the date of the service of such order.**”

Certificate of Absolute Sale in the Office of the Register of Deeds, the period of redemption did not commence to run.”³⁶

The applicable rule on March 18, 1959, the date of the foreclosure sale, was Section 3, Rule 70³⁷ of the *Rules of Court*, which relevantly provided that: “Such sale shall not affect the rights of persons holding prior incumbrances upon the property or a part thereof, and when confirmed by an order of the court, it shall operate to divest the rights of all the parties to the action and to vest their rights in the purchaser, subject to such rights of redemption as may be allowed by law.” The records show that no judicial confirmation of the sale was made despite the lapse of more than 40 years since the date of the sale. Hence, it cannot be said that title was fully vested in Apolinario Cruz.

However, the Court will not be dispensing true and effective justice if it denies the petition for review on the basis alone of the absence of the judicial confirmation of the sale. Although procedural rules are not to be belittled or disregarded considering that they insure an orderly and speedy administration of justice, it is equally true that litigation is not a game of technicalities. Law and jurisprudence grant to the courts the prerogative to relax compliance with procedural rules of even the most mandatory character, mindful of the duty to reconcile both the need to speedily put an end to litigation and the parties’ right to an opportunity to be heard.³⁸ The *Rules of Court* itself calls for a liberal construction of its rules with the view of promoting their objective of securing a just, speedy and inexpensive disposition of every action and proceeding.³⁹

To better serve the ends of justice, the Court holds that the real issue to consider and resolve is who between the parties had the better right to the property, not whether there was a valid transfer of ownership to Apolinario Cruz.

It was not denied that Fernando F. Yapcinco, as the mortgagor, did not pay his obligation, and that his default led to the filing of the action for judicial foreclosure against him, in which he actively participated in the proceedings, and upon his death was substituted by the administratrix of his estate. In the end, the decision in the action for judicial foreclosure called for the holding of the public sale of the mortgaged property. Due to the subsequent failure of the estate of Fernando F. Yapcinco to exercise the equity of redemption, the property was sold at the public sale, and Apolinario Cruz was declared the highest bidder. Under the circumstances,

³⁶ *Rollo*, p. 63

³⁷ Under the *Rules of Court* (1940), judicial foreclosure was under Rule 70 (*Foreclosure of Mortgage*).

³⁸ *Barnes v. Padilla*, G.R. No. 160753. June 28, 2005, 461 SCRA 533, 539.

³⁹ Section 6, Rule 1, *Rules of Court*.

the respondents as the successors-in-interest of Fernando F. Yapcinco were fully bound by that decision and by the result of the ensuing foreclosure sale.

In this regard, determining whether Patrocinio Yapcinco Kelly, the administratrix of the estate, and respondent Patrocinio Yapcinco were one and the same person was not necessary. Even if they were not one and the same person, they were both bound by the foreclosure proceedings by virtue of their being both successors-in-interest of Fernando F. Yapcinco.

Although the respondents admitted the existence of the mortgage, they somehow denied knowledge of its foreclosure. Yet, in asserting their superior right to the property, they relied on and cited the entry dated February 11, 1992 concerning the release of mortgage inscribed on TCT No. 20458. This duplicity the Court cannot countenance. Being the heirs and successors-in-interest of the late Fernando F. Yapcinco, they could not repudiate the foreclosure sale and its consequences, and escape such consequences that bound and concluded their predecessor-in-interest whose shoes they only stepped into.⁴⁰ Given their position on the lack of judicial confirmation of the sale in favor of Apolinario Cruz, they should have extinguished the mortgage by exercising their equity of redemption through paying the secured debt. They did not do so, and, instead, they sought the annulment of TCT No. 243719 and caused the issuance of another title in their name.

Even assuming that there was no foreclosure of the mortgage, such that the respondents did not need to exercise the equity of redemption, the legal obligation to pay off the mortgage indebtedness in favor of Apolinario Cruz nonetheless devolved on them and the estate of Fernando F. Yapcinco. They could not sincerely rely on the entry about the release or cancellation of the mortgage in TCT No. 20458, because such entry appeared to be unfounded in the face of the lack of any showing by them that either they or the estate of Fernando F. Yapcinco had settled the obligation.

The petitioner did not tender any explanation for the failure of Apolinario Cruz to secure the judicial confirmation of the sale. He reminds only that Apolinario Cruz and his successors-in-interest and representatives have been in actual, notorious, public and uninterrupted possession of the property from the time of his purchase at the foreclosure sale until the present.

The effect of the failure of Apolinario Cruz to obtain the judicial confirmation was only to prevent the title to the property from being transferred to him. For sure, such failure did not give rise to any right in favor of the mortgagor or the respondents as his successors-in-interest to

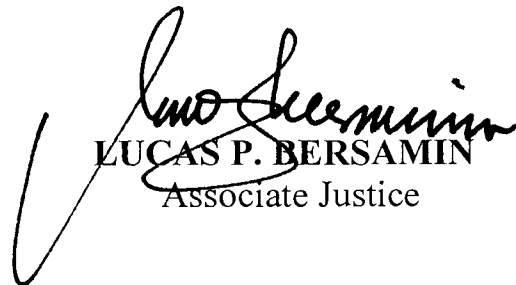
⁴⁰ *DKC Holdings Corporation v. Court of Appeals*, G.R. No. 118248, April 5, 2000, 329 SCRA 666, 674.

take back the property already validly sold through public auction. Nor did such failure invalidate the foreclosure proceedings. To maintain otherwise would render nugatory the judicial foreclosure and foreclosure sale, thus unduly disturbing judicial stability. The non-transfer of the title notwithstanding, Apolinario Cruz as the purchaser should not be deprived of the property purchased at the foreclosure sale. With the respondents having been fully aware of the mortgage, and being legally bound by the judicial foreclosure and consequent public sale, and in view of the unquestioned possession by Apolinario Cruz and his successors-in-interest (including the petitioner) from the time of the foreclosure sale until the present, the respondents could not assert any better right to the property. It would be the height of inequity to still permit them to regain the property on the basis alone of the lack of judicial confirmation of the sale. After all, under the applicable rule earlier cited, the judicial confirmation operated only “to divest the rights of **all the parties to the action and to vest their rights in the purchaser**, subject to such rights of redemption as may be allowed by law.”


Consequently, the late Fernando F. Yapcinco and the respondents as his successors-in-interest were divested of their right in the property, for they did not duly exercise the equity of redemption decreed in the decision of the trial court. With Yapcinco having thereby effectively ceased to be the owner of the property sold, the property was taken out of the mass of the assets of Yapcinco upon the expiration of the equity of redemption.

WHEREFORE, the Court **REVERSES** and **SETS ASIDE** decision promulgated on February 24, 2005 by the Court of Appeals; **REINSTATES** the decision rendered on July 7, 2003 by the Regional Trial Court, Branch 63, in Tarlac City; and **ORDERS** the respondents to pay the costs of suit.

SO ORDERED.


LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice



TERESITA J. LEONARDO-DE CASTRO
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


JOSE PORTUGAL PEREZ
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.


MARIA LOURDES P. A. SERENO
Chief Justice