



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

CEFERINO BAUTISTA
 (substituted by his son and legal
 representative, **PHILIP DE VERA**
BAUTISTA), **FELISA BAUTISTA**,
 and **NEHEMIAS BAUTISTA**,
Petitioners,

G.R. No. 243296

Present:

PERLAS-BERNABE, J.,
 Chairperson,
HERNANDO,
INTING,
DELOS SANTOS, and
BALTAZAR-PADILLA, JJ.

- versus -

SPOUSES FRANCIS and MINDA
BALOLONG, **METROPOLITAN**
BANK AND TRUST COMPANY,
 and **THE REGISTER OF DEEDS**,
LINGAYEN, PANGASINAN,
Respondents.

Promulgated:

29 JUL 2020

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DECISION

DELOS SANTOS, J.:

The Case

Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assailing the Decision² dated June 7, 2018 and the Resolution³ dated November 12, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 108449, which affirmed *in toto* the Decision⁴ of the Regional Trial Court (RTC) of San Carlos City, Pangasinan, Branch 56, in finding respondent Metropolitan Bank and Trust Company (Metrobank) a mortgagee in good faith.

¹ *Rollo*, pp. 10-42.

² Penned by Associate Justice Ricardo R. Rosario, with Associate Justices Eduardo B. Peralta, Jr. and Ronaldo Roberto B. Martin, concurring; *id.* at 45-52.

³ *Id.* at 53-54.

⁴ Penned by Presiding Judge Hermogenes C. Fernandez; *id.* at 55-66.

Facts and Procedural Antecedents

The present case originated from a Complaint⁵ for cancellation of title/declaration of nullity of title, declaration of nullity of mortgage and damages, with prayer for writ of preliminary injunction filed by Spouses Ceferino and Felisa Bautista (Spouses Bautista), and their son Nehemias Bautista (Nehemias; collectively, petitioners), against respondents Spouses Francis Balolong (Francis) and Minda Balolong y Bautista (Minda; collectively, Spouses Balolong), Metrobank, and the Register of Deeds of Lingayen, Pangasinan before the RTC.

Spouses Bautista were the registered owners of two (2) parcels of land situated in Lingayen, Pangasinan covered by Transfer Certificate of Title (TCT) Nos. 139362⁶ and 163938.⁷

Sometime in the 1980s, Spouses Bautista and their son Nehemias migrated to Canada leaving the subject properties to the care of their daughter, Minda. Later, Minda married co-respondent Francis and they built their home on the subject properties.

On June 17, 2003, Spouses Bautista's other son, Philip, who was based in Marikina City, received a call from a Metrobank branch manager informing him that the property, which was mortgaged by Minda to the bank was due for foreclosure.⁸

Upon investigation by petitioners, TCT Nos. 139362 and 163938 under the name of Spouses Bautista were cancelled and the subject parcels of land were subdivided into the following: (1) Lot 1 covered by TCT No. 262244⁹ in the name of respondents Minda and Francis; (2) Lot 2 covered by TCT No. 262245¹⁰ in the name of William Bautista (Minda's brother); and (3) Lot 3 covered by TCT No. 262246¹¹ in the name of Nehemias.¹² Minda and Francis obtained a ₱1,500,000.00 loan from Metrobank secured by a mortgage on Lot 1.

Petitioners then filed a complaint before the RTC to stop the foreclosure of Lot 1. They alleged that Minda and Francis, through fraud and forgery, made it appear that Spouses Bautista sold Lot 1 to them. Spouses Bautista belied the execution of the Deed of Absolute Sale¹³ dated

⁵ Id. at 84-101.

⁶ Id. at 102.

⁷ Id. at 103.

⁸ TSN, August 22, 2005, pp. 167-168 and November 14, 2005, pp. 182-183 (Philip de Vera Bautista).

⁹ *Rollo*, p. 104.

¹⁰ Id. at 105.

¹¹ Id. at 106.

¹² Id. at 46.

¹³ Id. at 107-108.

March 9, 2002 and submitted proof that they were in Canada at that time.

Minda, on her part, denied any participation in the fraud and forgery committed by her husband Francis. Minda further claimed that her husband made her sign the mortgage under the belief that they were for a chattel mortgage of their vehicle and that her signatures appearing on the promissory notes and mortgage are forgeries.¹⁴

Francis did not file an answer so the RTC declared him in default.

Metrobank, however, insisted that they are a mortgagee in good faith. They conducted due diligence and approved the loan based on Spouses Balolong's capacity to pay the loan and on the identity of the subject property offered as a collateral. The bank has examined the Certificate of Title and found no defect on the title nor a reason to believe that there was fraud involved.¹⁵

The Ruling of the RTC

The RTC declared that the questioned Deed of Absolute Sale allegedly executed by Spouses Bautista was void and that their signatures thereon were forgeries. The falsity of the sale was also proven beyond reasonable doubt when Francis was charged with and convicted for the crime of Falsification of Public Documents by the Municipal Trial Court in Cities (MTCC)¹⁶ of San Carlos City in Criminal Case No. 7874 pertaining to the subject Deed of Absolute Sale. However, the RTC deemed Metrobank as a mortgagee in good faith. Metrobank exercised due diligence in its dealing with Francis with respect to the subject mortgaged property. The ocular inspection of the bank on the subject property and its verification of title in the Register of Deeds showed no indicia of suspicion. The RTC dismissed the case with respect to Minda and declared that only Francis is liable to petitioners and he should be made liable for his manifest fraudulent acts to petitioners based on the principle that no person shall enrich himself on the expense of another and also for damages.¹⁷

The *fallo* of the RTC Decision reads as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

1. DISMISSING the case with respect to defendant Minda Balolong and defendant Metrobank[;]
2. DECLARING the Real Estate Mortgage and TCT No. 262244 in the name of defendants spouses Francis and Minda Balolong that

¹⁴ Id. at 142-146.

¹⁵ Id. at 119-126.

¹⁶ Id. at 118.

¹⁷ Id. at 55-66.



was used as collateral in the real estate mortgage to be valid[,] binding[,] and effective on the ground of the principle of innocent mortgagee or buyer in good faith applicable to the defendant bank[;]

3. DECLARING TCT No. 262245 in the name of William Bautista as null and void;
4. DECLARING TCT No. 262246 in the name of plaintiff Nehemias Bautista as null and void;
5. ORDERING defendant Francis Balolong to pay the plaintiffs spouses Bautista an amount equivalent to the principal amount of the loan, which is Php1,500,000.00 as well as legal interest therein;
6. ORDERING defendant Francis Balolong to pay the plaintiffs spouses Php50,000.00 as moral damages, Php50,000.00 as exemplary damages[,] and Php50,000.00 as attorney's fees.

SO ORDERED.¹⁸

Aggrieved, petitioners appealed the case before the CA asserting that the RTC erred in dismissing the case against Minda and Metrobank. Petitioners argued that the RTC erred in declaring the Real Estate Mortgage¹⁹ and TCT No. 262244 under the name of Spouses Balolong on the ground of the principle of mortgagee in good faith applicable to Metrobank.

The Ruling of the CA

The CA affirmed the findings of the RTC *in toto*. The CA held that despite its finding that the Deed of Absolute Sale dated March 9, 2002 was void, the RTC correctly upheld the validity of the mortgaged property (Lot 1) and its foreclosure with Metrobank. Unlike ordinary mortgagees, banks are required to exercise a higher degree of care when dealing with registered lands. The CA opined that Metrobank had conducted the necessary due diligence in dealing with the property mortgaged to secure the loan of Francis and Minda. Metrobank was able to present sufficient evidence that the mortgage contract emanated from a valid and regular transaction, and that no fraud can be attributed to it in approving the real estate mortgage and in foreclosing it. The CA further held that the RTC properly ordered Francis to pay petitioners ₱1,500,000.00 by way of actual damages, in addition to moral damages, exemplary damages, and attorney's fees in the total amount of ₱150,000.00.²⁰

The CA denied the motion for its reconsideration,²¹ thus prompting petitioners to take recourse to this Court.

¹⁸ Id. at 65-66.

¹⁹ Id. at 114.

²⁰ Id. at 49-52.

²¹ Id. at 54.

Issues

I.

Whether the CA committed serious and reversible error in ruling that Metrobank is a mortgagee in good faith.

II.

Whether the CA committed serious and reversible error in upholding the validity of the mortgage constituted over the subject property, as well as the foreclosure thereof, under the principle of mortgagee in good faith.

Our Ruling

A petition for review on *certiorari* shall only raise questions of law. At the outset, the Court notes that the issue on whether Metrobank is a mortgagee in good faith generally cannot be entertained in a petition under Rule 45 since the ascertainment of good faith or lack thereof is a factual matter. The Court is not a trier of facts and is not into re-examination and re-evaluation of testimonial and documentary evidence on record. Though this rule admits of some exceptions,²² none is present in the case at bench.

Herein petitioners submit that the CA committed reversible error in affirming the Decision of the RTC that Metrobank is a mortgagee in good faith despite the lack of evidence on record to prove that it has exercised extraordinary diligence before approving the loan and mortgage contract. Petitioners further asseverate that other than the lone testimony of Marlon Magali (Magali), Branch Manager of Metrobank San Carlos City Branch, that he conducted credit investigation and ocular inspection over the subject property, Metrobank failed to present any credit investigation report, ocular inspection report or any document which would prove that the branch manager personally conducted neighborhood checking.

On the other hand, both the RTC and the CA ascertained good faith on the part of Metrobank. In its assailed Decision, the CA concurred with the RTC that Metrobank conducted the necessary due diligence in dealing with the property mortgaged to secure the loan of Spouses Balolong and that there was sufficient evidence to prove that the mortgage contract emanated

²² *Prudential Bank v. Rapanot*, 803 Phil. 294 (2017) : (1) when the findings, are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.



from a valid and regular transaction.

Procedurally, each party in a case is required to present his or her own affirmative assertions by the degree of evidence required by law. In civil cases, a preponderance of evidence is the required quantum of evidence. Preponderance of evidence means an evidence which is of greater weight, or more convincing than that which is offered in opposition to it.²³ Thus, while it is incumbent upon a plaintiff to prove his or her case, the respondent or defendant must also prove his or her own allegations or defenses.

It is the discretion of each party to present all evidence at his or her disposal as part of the procedural strategy to advance his or her case.

Now to the issue of sufficiency of evidence raised by petitioners, there is no rule which requires that for testimonial evidence to be convincing, it must be corroborated by documentary or object evidence. As long as the testimonial evidence meet the required evidentiary quantum and is sufficiently persuasive, it can be given credence and accorded probative weight.

The testimony of Magali underwent the duress of cross-examination and likewise the perusal of the trial court. During the proceedings before the RTC, petitioners were given the opportunity to rebut the testimonies of Magali and to impugn the actual conduct of the ocular inspection and background check. It has not escaped the attention of this Court that in their appeal before the CA, petitioners acknowledged that Magali conducted an investigation although they insisted that such was conducted in haste. Petitioners only raised the issue of lack of documentary evidence when they moved for the reconsideration of the CA's Decision, which was rendered against them.

Magali's testimony dwelt on the specificities of the standard operating procedure of background checking Metrobank's loan applicants. Magali established that he conducted the due diligence required of bank officers before approving loan and mortgage applications. Both the RTC and the CA agreed that Metrobank, through Magali, conducted a thorough background check on the subject properties by conducting an ocular inspection on the property, verification of authenticity of the title with the Register of Deeds in Lingayen, Pangasinan, and the neighborhood check. Petitioners admitted that indeed Spouses Balolong resided on the subject land and that it was registered under their name in the fraudulently acquired TCT No. 262244.

Therefore, on the issue on whether Metrobank is a mortgagee in good faith, like the CA, this Court rules for respondent Metrobank.

²³ *Quintos v. Development Bank of the Philippines*, 766 Phil. 601, 643 (2015).



As declared in *Andres v. Philippine National Bank*,²⁴ the doctrine of protecting mortgagees in good faith emanates from the public interest embedded in the legal concept of granting indefeasibility of titles. Thus, a mortgagee has a right to rely in good faith on the Certificate of Title of the mortgagor of the property offered as security, and in the absence of any sign that might arouse suspicion, the mortgagee has no obligation to undertake further investigation.²⁵

However, such rule does not apply to banks, which businesses are impressed with public interest. Thus, banks are expected to exercise a higher degree of care and diligence compared to private individuals before entering a mortgage contract.²⁶

In *Arguelles v. Malarayat Rural Bank, Inc.*,²⁷ this Court held that:

Since its business is impressed with public interest, the mortgagee-bank is duty-bound to be more cautious even in dealing with registered lands. Indeed, the rule that [a] person dealing with registered lands can rely solely on the certificate of title does not apply to banks. Thus, before approving a loan application, it is a standard operating practice for these institutions to conduct an ocular inspection of the property offered for mortgage and to verify the genuineness of the title to determine the real owners thereof. The apparent purpose of an ocular inspection is to protect the “true owner” of the property as well as innocent third parties with a right, interest or claim thereon from a usurper who may have acquired a fraudulent certificate of title thereto.²⁸

Again, this Court may only delve into the facts of the case if there is a clear misapprehension of facts or when the inference drawn from the facts is manifestly mistaken. It is likewise settled that factual findings of the trial court, when affirmed by the CA, are generally binding on this Court. In the case at bench, the Court finds no cogent reason to deviate from the findings of both the RTC and the CA that respondent Metrobank was able to successfully discharge its burden of proving its status as a mortgagee in good faith. Thus, the Court quotes, with approval, the ruling of the CA which affirms the factual findings of the RTC, to wit:

In this case, We find that Metrobank had conducted the necessary due diligence in dealing with the property mortgaged to secure the loan of Francis and Minda. As correctly found by the trial court, Metrobank had conducted a background check to find out if Minda and Francis had the means to pay their loan, and found that they did. They also conducted a neighborhood check to confirm the same. They visited the mortgaged lot and found only Francis and Minda to be living thereon. They went to the Register of Deeds of Lingayen, Pangasinan and verified that the title

²⁴ 745 Phil. 459 (2014).

²⁵ *Bank of Commerce v. Spouses San Pablo, Jr.*, 550 Phil. 805, 821 (2007).

²⁶ *Ursal v. Court of Appeals*, 509 Phil. 628, 642 (2005).

²⁷ 730 Phil. 226 (2014).

²⁸ *Id.* at 237.




covering Lot 1 is authentic. Thus, Metrobank presented sufficient evidence that the mortgage contract emanated from a valid and regular transaction, and that no fraud can be attributed to it in approving the real estate mortgage and, later, in foreclosing Lot 1.

Indeed, there was nothing that could have put Metrobank on alert that there was something suspicious about the entire transaction. Hard as it might be to believe, even Minda herself did not suspect that her husband Francis had committed the fraud that he did. Metrobank already did everything possible to verify the information given by Francis, and had gone out of its way to confirm the ownership of the lot mortgaged x x x.²⁹

As such, Metrobank, as a mortgagee in good faith, is entitled to the protection such that its Real Estate Mortgage Contract with Spouses Balolong, as well as the registration of the subject parcel of land under TCT No. 262244 will no longer be nullified.

WHEREFORE, premises considered, this Court resolves to **DENY** the petition. The Decision dated June 7, 2018 and the Resolution dated November 12, 2018 of the Court of Appeals in CA-G.R. CV No. 108449 are hereby **AFFIRMED**.

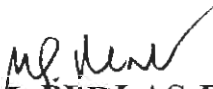
SO ORDERED.

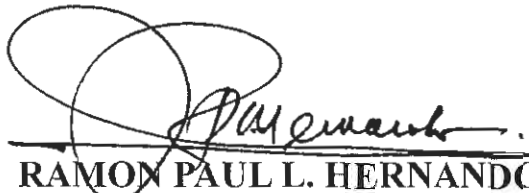



EDGARDO L. DELOS SANTOS
Associate Justice

²⁹ *Rollo*, p. 51.

WE CONCUR:


ESTELA M. PERLAS-BERNABE
 Senior Associate Justice
 Chairperson

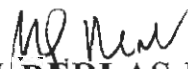

RAMON PAUL L. HERNANDO
 Associate Justice


HENRI JEAN PAUL B. INTING
 Associate Justice


PRISCILLA J. BALTAZAR-PADILLA
 Associate Justice

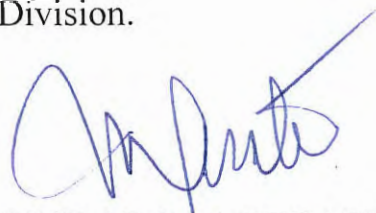
ATTESTATION

I attest 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.


ESTELA M. PERLAS-BERNABE
 Senior Associate Justice
 Chairperson, Second 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 case was assigned to the writer of the opinion of the Court's Division.


DIOSDADO M. PERALTA
 Chief Justice