



SUPREME COURT OF THE PHILIPPINES  
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Republic of the Philippines  
Supreme Court  
Baguio City

**SECOND DIVISION**

**BUREAU OF INTERNAL REVENUE,**

**G.R. No. 204226**

*Petitioner,*

Present:

PERLAS-BERNABE, S.A.J.,  
*Chairperson,*

HERNANDO,  
LOPEZ, J.Y.,\*  
DIMAAMPAO,\* and  
MARQUEZ, JJ.

- versus -

**TICO INSURANCE COMPANY, INC., GLOWIDE ENTERPRISES, INC., and PACIFIC MILLS, INC.,**

Promulgated:

*Respondents.*

**APR 18 2022** 

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**DECISION**

**HERNANDO, J.:**

This resolves a Petition for Review on *Certiorari*<sup>1</sup> filed by petitioner Bureau of Internal Revenue (BIR) assailing the December 16, 2011 Decision<sup>2</sup> and October 22, 2012 Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CV. No. 91856. The CA reversed and set aside the March 25, 2008 Decision<sup>4</sup> of Regional Trial Court of Makati, Branch 147 (RTC Makati), thereby ruling that

\* Designated additional Members per March 7, 2022 Raffle vice J. Zalameda and J. Rosario, respectively, who recused from participating in this case due to prior action in the Court of Appeals.

<sup>1</sup> *Rollo*, pp. 10-39.

<sup>2</sup> Id. at 43-58. Penned by Associate Justice Hakim S. Abdulwahid and concurred in by Associate Justices Marlene Gonzales-Sison and Leonica Real-Dimagiba.

<sup>3</sup> Id. at 59-60.

<sup>4</sup> Id. at 181-182. Penned by Presiding Judge Maria Cristina J. Cornejo.

the claim of Glowide Enterprises, Inc. (Glowide) and Pacific Mills, Inc. (PMI), over the subject condominium units, is superior to the BIR's claim.

**The Antecedent Facts:**

Respondent TICO Insurance Company, Inc. (TICO) is an insurance company duly organized and existing under Philippine laws. It is engaged in the sale of life insurance until it was placed under liquidation by the Insurance Commission in 2002. Respondents Glowide and PMI are clients of TICO that took out a fire insurance policy over several properties in 1997.<sup>5</sup>

On August 7, 2006, respondent TICO filed a Complaint<sup>6</sup> for interpleader with the RTC Makati to determine who between respondents Glowide and PMI, on one hand, and petitioner BIR on the other, has a superior right over Units 7A and 7B of the Trafalgar Plaza Condominium covered by Condominium Certificates of Title (CCT) Nos. 39452 and 39453 and registered under TICO's name. TICO alleged that Glowide and PMI had attached the condominium units to cover their claim for the balance of their insurance proceeds after they had obtained a judgment in their favor, while the BIR issued a warrant of distraint and/or levy on the real and personal properties of TICO, and a notice of tax lien covering the condominium units, to answer for TICO's tax liabilities. The case was docketed as Special Civil Action No. 06-667 and heard by the RTC Makati.<sup>7</sup>

**Glowide and PMI's Claims:**

While Glowide and PMI's fire insurance policy with TICO over certain properties was in effect, a fire broke out that destroyed the said properties.<sup>8</sup> Due to TICO's failure to pay the full amount of the insurance proceeds despite demand, Glowide and PMI filed a Complaint for sum of money and damages, with prayer for a writ of preliminary attachment against TICO before the RTC of Quezon City, Branch 98 (RTC QC), docketed as Civil Case No. Q-00-42328.<sup>9</sup>

The RTC QC, in its November 23, 2000 Order, granted Glowide and PMI's application for the issuance of a writ of preliminary attachment to attach all properties of TICO as would be sufficient to satisfy its principal claim. On December 22, 2000, the corresponding notice of levy on attachment was issued on TICO's condominium units covered by CCT Nos. 39452 and 39453.<sup>10</sup>

In its October 3, 2001 Judgment, the RTC QC ordered TICO to pay Glowide and PMI the amount of ₱5,442,209.97 plus interest, attorney's fees, and costs of suit.<sup>11</sup> On January 8, 2002, Glowide and PMI moved for execution

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<sup>5</sup> Id. at 43, 98.

<sup>6</sup> Id. at 44.

<sup>7</sup> Id. at 13-14.

<sup>8</sup> Id. at 98.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Id. at 156-157.

of the October 3, 2001 Judgment as a matter of right, averring that TICO has received a copy of the October 3, 2001 Judgment, and has not filed a motion for reconsideration or appeal from the said judgment. The motion for execution of the said judgment was granted, the corresponding writ of execution was issued on June 3, 2002, and the notices of levy on execution were subsequently annotated on CCT Nos. 39452 and 39453 on June 13, 2002.<sup>12</sup>

Meanwhile, on April 22, 2002, the Insurance Commission placed TICO under liquidation, and appointed Atty. Rommel A. Frias as liquidator. TICO moved to hold in abeyance the implementation of the writ of execution, and filed a petition for relief from judgment and writ of execution. In its September 3, 2003 Order, the RTC QC ruled that the petition for relief was filed out of time. TICO moved for reconsideration claiming, among others, that it has tax assessments from 1996-1998 which enjoy preference above all other credits, and the enforcement of the writ of execution would prejudice TICO's other creditors, and violate the laws on preference of credits, which was denied by the RTC QC in its February 16, 2004 Order.<sup>13</sup> In so ruling, the RTC QC noted that Glowide and PMI's claims are preferred over the BIR's claims since tax assessments are not preferred credits in reference to specific immovable property.<sup>14</sup>

TICO assailed the September 3, 2003 and February 16, 2004 Orders of the RTC QC *via* a Petition for *Certiorari*. In its August 23, 2007 Decision, the CA in CA-G.R. SP No. 83365 dismissed TICO's petition, finding that the RTC QC did not commit grave abuse of discretion when it issued the assailed Orders. TICO no longer appealed the said CA Decision.<sup>15</sup>

In the meantime, the sheriff issued on March 17, 2004 a notice of sheriff's sale covering the condominium units, and set the auction sale on April 14, 2004. The condominium units were sold to Glowide and PMI as the highest bidders, and the corresponding certificate of sale was issued. The certificate of sale was annotated on CCT Nos. 39452 and 39453 on April 15, 2004. After the lapse of the redemption period without any redemption being made, the sheriff of RTC QC executed the corresponding final deed of sale in favor of Glowide and PMI on April 15, 2005.<sup>16</sup>

Moreover, Glowide and PMI questioned the propriety of the interpleader case. They contended that they had acquired all rights and interests of TICO over the condominium units on June 3, 2002, at which date the notices of levy

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<sup>12</sup> Id. at 161, 172 and 259-260.

<sup>13</sup> Id. at 183-186 and 260.

<sup>14</sup> Id.

<sup>15</sup> Id at 169-180 and 261.

<sup>16</sup> Id. at 166-167 and 260-261.

on execution were annotated on the CCTs of the condominium units, after the one-year period of redemption expired without TICO having redeemed the same.<sup>17</sup>

### **The BIR's Claims:**

For its part, the BIR alleged that on January 31, 2000, it served on TICO several final assessment notices for its alleged deficiency in internal revenue taxes, namely income tax, annual registration fee, value-added tax, percentage tax, withholding tax on wages, expanded withholding tax, and documentary stamp tax, for the calendar years 1996 and 1997, amounting to a total amount of ₱73,020,590.12. TICO protested the said deficiency tax assessment on March 2, 2000, but the protest was denied for lack of merit. However, in view of the protest, TICO's tax liabilities was reduced to ₱69,479,440.59.<sup>18</sup>

The BIR averred that TICO's tax liabilities remained unpaid. Thus, it resorted to the issuance and service to TICO, and the Register of Deeds of Makati City, of a warrant of distraint and/or levy on the real and personal properties of TICO, and a notice of tax lien covering CCT Nos. 39452 and 39453. On February 15, 2005, the BIR caused the annotation of the notice of tax lien on CCT Nos. 39452 and 39453.<sup>19</sup> Moreover, the BIR posited that it has a superior claim over the condominium units, considering its claim for unpaid revenue taxes enjoys absolute preference under Articles 2241(1), 2242 (1), and 2246-2249 of the New Civil Code, and a tax lien over TICO's properties had already attached at the time the assessments were made.<sup>20</sup>

### **Ruling of the RTC Makati:**

On March 25, 2008, RTC Makati rendered a Decision<sup>21</sup> holding that the claim of BIR over the condominium units is superior to that of Glowide and PMI. The relevant portion of the RTC Makati's March 25, 2008 Decision provides:

What remains in issue is: to whom should the properties subject of this action, be given in payment of plaintiff's obligation. In the resolution of this issue the provisions of the Civil Code on concurrence and preference of credits apply. Under Article 2242 of the Civil Code (with respect to specific real property), Taxes are given preference with respect to claims enumerated in Art. 2241 and 2242, only the claims for taxes are given preference over the other enumerated claims. The latter shall have the same preference and rank will accordingly be paid pro rata xxx. Except for taxes, the credits listed in Art. 2242 when they concur with respect to specific real properties, shall be satisfied pro rata x x x.

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<sup>17</sup> Id. at 45.

<sup>18</sup> Id. at 45-46.

<sup>19</sup> Id. at 46 and 97.

<sup>20</sup> Id. at 46.

<sup>21</sup> Id. at 181-182.

On the basis of and pursuant to the foregoing, defendant BIR has the preferred claim to the subject properties. With respect to costs and expenses recoverable in the action, plaintiff is deemed to have waived the same when it failed to pursue the same and instead, filed a Manifestation stating that plaintiff's purpose in filing his action is for the Court to determine who as between the two defendants is entitled to the properties subject hereof, hence, dispensing with the submission if the M[e]morandum agreed upon.

SO ORDERED.<sup>22</sup> (Citations omitted)

Glowide and PMI filed a Motion for Reconsideration of the RTC's Decision, which was denied in its July 19, 2008 Order.<sup>23</sup> Aggrieved, Glowide and PMI appealed the case to the CA.<sup>24</sup>

### **Ruling of the Court of Appeals:**

In its December 16, 2011 Decision,<sup>25</sup> the CA ruled in favor of Glowide and PMI. The dispositive portion states:

**WHEREFORE**, the assailed March 25, 2008 Decision and June 19, 2008 Order of the RTC of Makati City, Branch 145 in Special Civil Case No. 06-667 are **REVERSED** and **SET ASIDE**. In lieu thereof, a new one is rendered declaring the validity of auction sale of the Condominium Units subject of the instant case, which retroacts to the date of the annotation of the Notice of Levy on Attachment, and that GLOWIDE and PMI, as against BIR, have superior right over the subject condominium units, hence, entitled to the same.

**SO ORDERED.**<sup>26</sup>

The CA ruled that Glowide and PMI are entitled to the possession and conveyance of the condominium units, since their rights over the condominium units which revert to the date of the annotation of the levy on attachment, *i.e.*, December 22, 2000, are superior to the BIR's claim, since the latter's notice of tax lien on CCT Nos. 39452 and 39453 was annotated only on February 15, 2005.<sup>27</sup> The CA further opined that TICO's resort to an action for interpleader is improper since Glowide and PMI had already succeeded in securing a favorable final judgment against TICO, and the institution of the complaint for interpleader gave occasion for the RTC Makati and RTC QC to render conflicting rulings.<sup>28</sup>

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<sup>22</sup> Id.

<sup>23</sup> Id. at 47.

<sup>24</sup> Id. at 47.

<sup>25</sup> Id. at 43-58.

<sup>26</sup> Id. at 57.

<sup>27</sup> Id. at 48-51.

<sup>28</sup> Id. at 53-54.

The BIR belatedly filed its Motion for Reconsideration. In its October 22, 2012 Resolution,<sup>29</sup> the CA denied the BIR's Motion for Reconsideration for lack of merit.

Hence, this petition.<sup>30</sup>

### Issues

The main issues for resolution are:

1. Whether the BIR's petition should be dismissed on technical grounds;
2. Whether TICO's complaint for interpleader is improper; and
3. Which between the BIR, on the one hand, and Glowide and PMI, on the other, is entitled to ownership of the condominium units.

### Our Ruling

The Court denies the petition.

**The BIR's failure to timely file a motion for reconsideration of the CA's December 16, 2011 Decision rendered the same final and immutable.**

GLOWIDE and PMI assert that the BIR's failure to timely file a motion for reconsideration rendered the CA's December 16, 2011 Decision final and executory.<sup>31</sup> While the BIR admits that it filed its motion for reconsideration with the CA one day after the expiration of the period for filing such motion, it maintains that the issue has been settled by the CA in its February 21, 2012 Resolution, which admitted the motion for reconsideration in the interest of justice, and its October 22, 2012 Resolution which dismissed the motion for lack of merit.<sup>32</sup> Moreover, the BIR maintains that the Court may still give due course to the instant petition, and resolve the case according to its merits in the interest of substantial justice.<sup>33</sup>

We agree with Glowide and PMI.

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<sup>29</sup> Id. at 59-60.

<sup>30</sup> Id. at 29-31 and 301-329.

<sup>31</sup> Id. at 103-107.

<sup>32</sup> Id. at 61-62, 67-68 and 306-307.

<sup>33</sup> Id. at 307-311.

It is settled that the perfection of an appeal in the manner and within the period prescribed by law is not only mandatory but jurisdictional. This means that the failure to interpose a timely appeal deprives the appellate body of any jurisdiction to alter the final judgment, more so to entertain the appeal. Once a decision attains finality, it becomes the law of the case irrespective of whether the decision is erroneous or not, and no court — not even the Supreme Court — has the power to revise, review, change or alter the same.<sup>34</sup> The right to appeal is not a part of due process of law, but is a mere statutory privilege to be exercised only in the manner, and in accordance with, the provisions of the law. After a decision is declared final and executory, vested rights are acquired by the winning party.<sup>35</sup>

In the same vein, “a motion for reconsideration must necessarily be filed within the period to appeal. When filed beyond such period, the motion for reconsideration *ipso facto* forecloses the right to appeal.”<sup>36</sup> “Under Section 1, Rule 52 of the Rules of Court, a motion for reconsideration of a judgment or final resolution should be filed within 15 days from notice. If no appeal or motion for reconsideration is filed within this period, the judgment or final resolution shall forthwith be entered by the clerk in the book of entries of judgment, as provided under Section 10 of Rule 51. The 15-day reglementary period for filing a motion for reconsideration is non-extendible.”<sup>37</sup>

Provisions of the Rules of Court prescribing the time within which certain acts must be done, or certain proceedings taken, are absolutely indispensable to the prevention of needless delays, and to the orderly and speedy discharge of judicial business. While this Court has previously allowed the liberal application of procedural rules, these are exceptions that are sufficiently justified by meritorious and exceptional circumstances attendant therein, which are notably not present in the instant petition. Not every plea for relaxation of rules of procedure shall be granted by the Court for it will render such rules inutile.<sup>38</sup>

Significantly, the BIR failed to adduce any cogent or exceptional reason that would warrant the liberal application of the rules. It merely invoked the inadvertence of its counsel’s Document Management Division in failing to file its motion for reconsideration on time. However, a counsel’s tardiness in complying with reglementary periods for filing pleadings that are attributed to the negligence of said counsel’s secretary or clerk is not a valid reason.<sup>39</sup> “It is

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<sup>34</sup> See *Mitsubishi Motors Phils. Corp. v. Bureau of Customs*, 760 Phil. 954, 963-964 (2015).

<sup>35</sup> See *Allied Banking Corp. v. Spouses Eserjose*, 484 Phil. 159, 170-171 (2004).

<sup>36</sup> *Ponciano, Jr. v. Laguna Lake Development Authority*, 591 Phil. 194, 212 (2008).

<sup>37</sup> *Barrio Fiesta Restaurant v. Beronia*, 789 Phil. 520, 534-535 (2016).

<sup>38</sup> See *Ponciano, Jr. v. Laguna Lake Development Authority*, *supra* at 209.

<sup>39</sup> *Id.* at 210-211.

the counsel's duty to adopt and to strictly maintain a system that ensures that all pleadings should be filed and duly served within the period; and if he fails to do so, the negligence of his secretary or clerk to file such pleading is imputable to the said counsel."<sup>40</sup>

That the motion for reconsideration was filed only one day late is immaterial; the Court has similarly refused to admit motions for reconsideration which were filed late without sufficient justification.<sup>41</sup> Indeed, "[j]ust as a losing party has the right to appeal within the prescribed period, the winning party has the correlative right to enjoy the finality of the case."<sup>42</sup>

In fine, the BIR's failure to seasonably file its motion for reconsideration rendered the December 16, 2011 Decision of the CA final and executory, and beyond the courts' power to amend or revoke. Moreover, even if the petition is not dismissed due to its procedural infirmity, a careful study of the other issues clearly shows that the petition should be denied for lack of merit.

**TICO's interpleader complaint is improper since it amounts to a collateral attack on the final and executed judgment in favor of Glowide and PMI.**

Glowide and PMI assert that TICO's complaint for interpleader is improper since it collaterally attacks a final and executed judgment in favor of Glowide and PMI.<sup>43</sup> The BIR counters that the suit for interpleader is proper since it is only intended to determine which of TICO's creditors had a better right to its condominium units, which are the only properties left that TICO may dispose of to pay its outstanding debts to different creditors, in contrast to the earlier case which only determined TICO's liability to Glowide and PMI.<sup>44</sup>

The special civil action of interpleader is designed to protect a person against double vexation in respect of a single liability. It requires, as an indispensable requisite, that conflicting claims upon the same subject matter are or may be made against the stakeholder (the possessor of the subject matter) who claims no interest whatsoever in the subject matter or an interest which in whole or in part is not disputed by the claimants. Through this remedy, the stakeholder can join all competing claimants in a single proceeding to determine conflicting claims without exposing the stakeholder to the possibility of having

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<sup>40</sup> *Spouses Sumndad v. Friday's Holdings, Inc.*, G.R. No. 235586, January 22, 2020.

<sup>41</sup> See *Rivera-Avante v. Rivera*, G.R. No. 224137, April 3, 2019, citing *Ponciano, Jr. v. Laguna Lake Development Authority*, supra note 36 at 209.

<sup>42</sup> *Allied Banking Corp. v. Spouses Eserjose*, supra at 171.

<sup>43</sup> *Rollo*, pp. 279-280.

<sup>44</sup> *Id.* at 35.



to pay more than once on a single liability. “In short, the remedy of interpleader, when proper, merely provides an avenue for the conflicting claims on the same subject matter to be threshed out in an action.”<sup>45</sup>

However, a successful litigant who has secured a final judgment in its favor cannot later be impleaded by its defeated adversary in an interpleader suit, and compelled to prove its claim anew against other adverse claimants, as that would in effect be a collateral attack upon the judgment.<sup>46</sup> In other words, an action for interpleader may not be utilized to circumvent the immutability of a final and executory judgment. It is settled that when a decision has attained finality, it “may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law.”<sup>47</sup> The doctrine is grounded on the public policy that at the risk of occasional errors, litigation should end at some definite date fixed by law.<sup>48</sup> “This is a fundamental principle in our justice system, without which there would be no end to litigations. Utmost respect and adherence to this principle must always be maintained by those who exercise the power of adjudication. Any act, which violates such principle, must be immediately struck down.”<sup>49</sup> While the rule admits of exceptions, none obtains in this case.<sup>50</sup>

Thus, in *Wack Wack Golf & Country Club, Inc. v. Won*,<sup>51</sup> we ruled that an interpleader suit to determine the ownership of a membership fee certificate is barred by laches since the party who initiated the suit filed the same when it had already been held independently liable in a final and executory suit by one of the claimants. The Court observed therein that the suit for interpleader may not prosper since it is a collateral attack upon a final judgment in favor of one of the claimants:

A stakeholder should use reasonable diligence to hale the contending claimants to court. He need not await actual institution of independent suits against him before filing a bill of interpleader. **He should file an action of interpleader within a reasonable time after a dispute has arisen without**

<sup>45</sup> *Bank of Commerce v. Planters Development Bank*, 695 Phil. 627, 671-672 (2012). Section 1, Rule 62 of the Rules of Court provides:

SECTION 1. *When interpleader proper.* — Whenever conflicting claims upon the same subject matter are or may be made against a person who claims no interest whatever in the subject matter, or an interest which in whole or in part is not disputed by the claimants, he may bring an action against the conflicting claimants to compel them to interplead and litigate their several claims among themselves.

<sup>46</sup> See *Wack Wack Golf & Country Club, Inc. v. Won*, 162 Phil. 233, 247-249 (1976).

<sup>47</sup> *FGU Insurance Corp. v. Regional Trial Court of Makati City, Branch 66*, 659 Phil. 117, 123 (2011).

<sup>48</sup> See *Filipro, Inc. v. Permanent Savings & Loan Bank*, 534 Phil. 551, 560 (2006), citing *Ramos v. Combong Jr.*, 510 Phil. 277, 282 (2005).

<sup>49</sup> *Aromin v. Heirs of Somis*, G.R. No. 204447, May 3, 2021.

<sup>50</sup> The following are exceptions to the doctrine of finality or immutability of judgments: (1) the correction of clerical errors, (2) *nunc pro tunc* entries that cause no prejudice to any party, (3) void judgments, and (4) whenever circumstances transpire after the finality of the decision that render its execution unjust and inequitable (*FGU Insurance Corp. v. Regional Trial Court of Makati City, Branch 66*, supra, citing *Villa v. Government Service Insurance System*, 619 Phil. 740, 750 [2009]).

<sup>51</sup> Supra.

**waiting to be sued by either of the contending claimants. Otherwise, he may be barred by laches or undue delay.** But where he acts with reasonable diligence in view of the environmental circumstances, the remedy is not barred.

Has the Corporation in this case acted with diligence, in view of all the circumstances, such that it may properly invoke the remedy of interpleader? We do not think so. **It was aware of the conflicting claims of the appellees with respect to the membership fee certificate 201 long before it filed the present interpleader suit. It had been recognizing Tan as the lawful owner thereof. It was sued by Lee who also claimed the same membership fee certificate. Yet it did not interplead Tan. It preferred to proceed with the litigation (civil case 26044) and to defend itself therein. As a matter of fact, final judgment was rendered against it and said judgment has already been executed. It is now therefore too late for it to invoke the remedy of interpleader.**

It has been held that a stakeholder's action of interpleader is too late when filed after judgment has been rendered against him in favor of one of the contending claimants, especially where he had notice of the conflicting claims prior to the rendition of the judgment and neglected the opportunity to implead the adverse claimants in the suit where judgment was entered. This must be so, because once judgment is obtained against him by one claimant he becomes liable to the latter xxx.

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**Indeed, if a stakeholder defends a suit filed by one of the adverse claimants and allows said suit to proceed to final judgment against him, he cannot later on have that part of the litigation repeated in an interpleader suit.** In the case at hand, the Corporation allowed civil case 26044 to proceed to final judgment. And it offered no satisfactory explanation for its failure to implead Tan in the same litigation. In this factual situation, it is clear that this interpleader suit cannot prosper because it was filed much too late.

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**In fine, the instant interpleader suit cannot prosper because the Corporation had already been made independently liable in civil case 26044 and, therefore, its present application for interpleader would in effect be a collateral attack upon the final judgment in the said civil case; the appellee Lee had already established his rights to membership fee certificate 201 in the aforesaid civil case and, therefore, this interpleader suit would compel him to establish his rights anew, and thereby increase instead of diminish litigations, which is one of the purposes of an interpleader suit, with the possibility that the benefits of the final judgment in the said civil case might eventually be taken away from him; and because the Corporation allowed itself to be sued to final judgment in the said case, its action of interpleader was filed inexcusably late, for which reason it is barred by laches or unreasonable delay.<sup>52</sup> (Emphases supplied)**

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<sup>52</sup> Id. at 241-250.

In light of the foregoing, the Court agrees with the findings of the CA that the filing of the instant complaint is improper, since it is a belated attempt on TICO's part to assail the final and executed judgment in favor of Glowide and PMI. Aside from the October 3, 2001 Judgment in Civil Case No. Q-00-42328, which ruled in favor of Glowide and PMI, the RTC QC in its February 16, 2004 Order had previously ruled that Glowide and PMI's credits enjoy preference over BIR's claim over the condominium units. This was then affirmed by the CA in its August 23, 2007 Decision, which became final and executory. Moreover, despite knowledge of its unpaid tax liabilities with the BIR, TICO failed to implead the BIR in the proceedings before the RTC QC, and initiated the complaint for interpleader only after it was defeated in the said proceedings. As a result, the interpleader suit has forced Glowide and PMI to defend their rights anew over the condominium units, and has unduly deferred their right to a satisfaction of their claims under a final court decision in their favor. Verily, the RTC Makati should not have allowed TICO to disturb the final and executed ruling in Glowide and PMI's favor through an interpleader suit.

Moreover, it is settled that a court has no power to modify or interfere with the judgment or order of another co-equal court, "as that action may lead to confusion, and seriously hinder the administration of justice."<sup>53</sup> Here, the improper filing of the subject complaint gave occasion for RTC Makati – a co-equal court — to render a conflicting ruling against the RTC QC's February 16, 2004 Order, which already ruled that Glowide and PMI's credits enjoy preference over the condominium units *vis-à-vis* the claims of other creditors of TICO. True enough, RTC Makati's decision in the subject complaint where it held that the BIR's claim should be preferred over those of Glowide and PMI, is clearly inconsistent to that of RTC QC's February 16, 2004 Order.

For the foregoing reasons, RTC Makati should have already dismissed TICO's complaint for interpleader. Even assuming that TICO's filing of the interpleader complaint is proper, a review of the applicable laws inevitably shows that Glowide and PMI has superior rights over the condominium units.

**GLOWIDE and PMI's rights over the condominium units are superior to the BIR's claim, and are thus entitled to possession and conveyance of the condominium units.**

The BIR avers that its annotation of the notice of tax lien before the Register of Deeds on February 15, 2005, retroacts to the date when the BIR assessed TICO of tax liabilities, *i.e.*, January 31, 2000, which is earlier than the notice of levy annotated by GLOWIDE and PMI on December 22, 2000.<sup>54</sup>

<sup>53</sup> *Genato Investments, Inc. v. Barrientos*, 739 Phil. 642, 650 (2014).

<sup>54</sup> *Rollo*, pp. 25-34.

GLOWIDE and PMI maintain that they have valid and superior rights to the condominium units, since BIR's tax lien was annotated on the titles of the condominium units when the properties had already been purchased by GLOWIDE and PMI in an auction sale. Moreover, since the auction or execution sale retroacts to the date of levy of the lien on attachment, GLOWIDE and PMI acquired all rights, title, and claim over the condominium units on December 22, 2000, before the same was burdened with any registered claim of the BIR.<sup>55</sup>

On the other hand, TICO manifests that the condominium units are in the possession of the Insurance Commission for its preservation. It reiterates that TICO filed the action for interpleader since Glowide and PMI have attached the properties while the BIR issued a warrant of distraint and levy for TICO's aggregate tax liabilities, and leaves the resolution of the case to the sound judgment of the Court.<sup>56</sup>

We rule for Glowide and PMI.

It is settled that execution is enforced by the fact of levy and sale. As a result of such execution, title over the subject property vests immediately in the purchaser, subject only to the right to redeem the property within the period provided by law. While the right acquired by the purchaser at an execution sale is inchoate, and does not become absolute until after the expiration of the redemption period without the right of redemption having been exercised, the purchaser's right is still entitled to protection, and must be respected until extinguished by redemption. If there is a failure to redeem the subject property within the period allowed by law, the redemptioner is divested of its rights over the property.<sup>57</sup>

In the case at bench, the judgment in Civil Case No. Q-00-42328 in favor of Glowide and PMI has already attained finality, and enforced through the sale of the condominium units to Glowide and PMI. The corresponding certificate of sale was issued, and also annotated on the certificates of title of the condominium units in April 2004. As a result of the execution sale, title to the condominium units vested immediately in Glowide and PMI, subject only to TICO's right to repurchase.<sup>58</sup> When TICO failed to redeem the property after the expiration of the redemption period, it was divested of its rights over the condominium units, and the sheriff of RTC QC executed the corresponding final deed of sale in favor of Glowide and PMI on April 15, 2005.

Moreover, "the prior registration of a lien creates a preference as the act of registration is the operative act that conveys and affects the land, even against subsequent judgment creditors."<sup>59</sup> An auction sale conducted pursuant to an

<sup>55</sup> Id. at 96 and 107-118.

<sup>56</sup> Id. at 203-204.

<sup>57</sup> See *Spouses Ching v. Family Savings Bank*, 649 Phil. 84, 98 (2010).

<sup>58</sup> See *Heirs of Blancaflor v. Court of Appeals*, 364 Phil. 454, 462-463 (1999).

<sup>59</sup> *G Holdings, Inc. v. National Mines and Allied Workers Union Local 103*, 619 Phil. 69, 102-103 (2009).

order of execution retroacts to the date of annotation of the levy on attachment, and the purchaser in the auction sale has the concomitant right to have a certificate of title issued in his favor on the basis thereof as if it were annotated on the same date. Further, the annotation of the levy on attachment, or on execution, creates a preference that retroacts to the date of the levy.<sup>60</sup> Hence, even if a prior unregistered sale is subsequently registered before the sale on execution but after the levy is made, the validity of the execution sale should be upheld because it retroacts to the date of levy. “The priority enjoyed by the levy on attachment extends, with full force and effect, to the buyer at the auction sale conducted by virtue of such levy.”<sup>61</sup> When the condominium units were sold on execution to Glowide and PMI in 2004, the sale – and the rights acquired by Glowide and PMI when it purchased the condominium units - retroacted to the date of inscription of their notice of levy on December 22, 2000.

On the other hand, the Tax Code<sup>62</sup> provides that a tax lien is enforceable against all property and rights to property belonging to the taxpayer, and retroacts to the time when the tax assessment was made. However, the tax lien shall not be valid against any judgment creditor until notice of such lien is filed with the Register of Deeds of the city, or province, where the taxpayer’s properties are located:

Section 219. *Nature and Extent of Tax Lien.* — If any person, corporation, partnership, joint-account (*cuentas en participacion*), association or insurance company liable to pay an internal revenue tax, neglects or refuses to pay the same after demand, **the amount shall be a lien in favor of the Government** of the Philippines from the time when the assessment was made by the Commissioner until paid, with interests, penalties, and costs that may accrue in addition thereto **upon all property and rights to property belonging to the taxpayer**: Provided, **That this lien shall not be valid against any mortgagee, purchaser or judgment creditor until notice of such lien shall be filed by the Commissioner in the office of the Register of Deeds of the province or city where the property of the taxpayer is situated or located.** (Emphasis supplied)

The proviso in Section 219 of the Tax Code precludes any effect of the tax lien against any judgment creditor prior to the annotation of the tax lien on the title of the property concerned. In other words, it is only after the notice of tax lien is annotated on the pertinent title that a judgment creditor’s rights can be affected and the tax lien may be considered to retroact to the date of assessment. Guided by the foregoing, the BIR’s tax lien could only have been enforceable against Glowide and PMI when it annotated its tax lien on February 15, 2005, which was already after the annotation of their levy on attachment and sale of the condominium units in Glowide and PMI’s favor. At this point, Glowide and PMI already had rights over the condominium units, subject only to TICO’s right of redemption. Moreover, considering GLOWIDE and PMI’s rights over

<sup>60</sup> See *Spouses Caviles v. Spouses Bautista*, 377 Phil. 25, 35-36 (1999); *Guerrero v. Agustin*, 117 Phil. 784, 788 (1963).

<sup>61</sup> *Biñan Steel Corp. v. Court of Appeals*, 439 Phil. 688, 699-701 (2002).

<sup>62</sup> Entitled “AN ACT AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES.” Approved: December 11, 1997.

the condominium units retroact to December 22, 2000, the condominium units may no longer be considered TICO's property when the BIR annotated its tax lien in 2005. Glowide and PMI could no longer be bound by the BIR's tax lien, which only became valid against judgment creditors after Glowide and PMI had already taken effective rights, control, and possession over the property in question.

Notwithstanding the foregoing, the BIR maintains that it has a superior right over the claim of Glowide and PMI, since the proceedings which gave rise to the latter's claim, and alleged ownership over the condominium units, are void. It avers that the liquidator of TICO was not furnished with any notice commanding it to pay the judgment obtained by Glowide and PMI in Civil Case No. Q-00-42328, in violation of Section 9, Rule 39 of the Rules of Court, and was not aware of such claim prior to the levy of the condominium units; thus, the levy of properties of TICO by Glowide and PMI could not have produced a lien on the said properties.<sup>63</sup> However, the question of whether or not the sheriff demanded payment of the judgment credit from TICO or its liquidator, is a factual issue beyond the purview of a Rule 45 petition.<sup>64</sup> The BIR also failed to adduce evidence to prove this contention. In the absence of contrary evidence, what will prevail is the presumption that the sheriff regularly performed his or her official duties.<sup>65</sup>

The BIR also maintains that the writ of execution varied the order that it seeks to enforce since the writ was addressed to the sheriff, in contrast to the May 15, 2002 Order of RTC QC which provides that "all monetary claims against defendant should be coursed thru the "conservator[,] and "a writ of execution be issued against [TICO] thru Atty. Rommel A. Frias, appointed Conservator."<sup>66</sup> This contention is misplaced. It is basic that a sheriff or other proper officer to whom the writ was issued has the duty to enforce the writ according to its terms.<sup>67</sup> Sheriffs play an important part in the administration of justice, because they are tasked to execute the final judgments of courts. "When a writ is placed in the hands of the sheriff, it is his or her duty, in the absence of any instructions to the contrary, to proceed with reasonable celerity and promptness to implement it in accordance with its mandate."<sup>68</sup>

<sup>63</sup> *Rollo*, pp. 17-25.

<sup>64</sup> This Court is not a trier of facts. The function of the Court in petitions for review on certiorari under Rule 45 of the Rules of Court is limited to reviewing errors of law that may have been committed by the lower courts. As a matter of sound practice and procedure, the Court defers and accords finality to the factual findings of trial courts. To do otherwise would defeat the very essence of Rule 45 and would convert the Court into a trier of facts, which is not its intended purpose under the law (*Daniel v. Magkaisa*, G.R. No. 203815, December 7, 2020).

<sup>65</sup> See *De la Cruz v. Bato*, 491 Phil. 512, 519 (2005).

<sup>66</sup> *Rollo*, pp. 17-25.

<sup>67</sup> Section 8, Rule 39 of the Rules of Civil Procedure reads, in part:

Section 8. *Issuance, form and contents of a writ of execution.* — The writ of execution shall: (1) issue in the name of the Republic of the Philippines from the court which granted the motion; (2) state the name of the court, the case number and title, the dispositive part of the subject judgment or order; and (3) **require the sheriff or other proper officer to whom it is directed to enforce the writ according to its terms**, in the manner hereinafter provided x x x (Emphasis supplied)

<sup>68</sup> *De La Cruz v. Bato*, supra at 518.

Here, the writ of execution was properly addressed to the sheriff who duly implemented it by levying on the condominium units, and selling the condominium units to Glowide and PMI. Moreover, TICO's conservator may not be considered as an "other proper officer" who should carry out the writ of execution. As observed by the CA, it would be highly irregular if the writ of execution was addressed to the conservator, who was appointed by the Insurance Commission, and who acted as TICO's counsel-representative during the proceedings before RTC QC. He certainly could not be expected to implement a final judgment of the RTC QC, the validity of which was subsequently assailed by TICO, the party he represents, before the CA. In truth, the RTC QC's May 15, 2002 Order merely intended that the sheriff, in implementing the writ of execution, should notify or deal solely with TICO's conservator, and not any other officers of TICO. Thus, contrary to the BIR's assertion, the writ of execution conformed to the RTC QC's May 15, 2002 Order in Civil Case No. Q-00-42328.

Even assuming *arguendo* that the proceedings were valid, the BIR maintains that its claim is still preferred over Glowide and PMI's claim, since it enjoys absolute preference over any other claims pursuant to Articles 2241, 2242 (1), and 2246 to 2249, of the Civil Code, which provide that tax claims have preference over any other claim of any other creditor in respect of any, and all properties, of the insolvent.<sup>69</sup> This contention has no merit.

Under the system of concurrence and preference of credits, which finds application in insolvency proceedings, "credits are classified into three general categories: (a) special preferred credits listed in Articles 2241<sup>70</sup> and 2242,<sup>71</sup> (b) ordinary preferred credits listed in Article 2244, and (c) common credits under Article 2245. The special preferred credits enumerated in Articles 2241 (with respect to movable property) and 2242 (with respect to immovable property) are considered as mortgages or pledges of real or personal property, or liens within the purview of Act No. 1956.<sup>72</sup> These credits, which enjoy preference with respect to a specific movable or immovable property, exclude all others to the extent of the value of the property. x x x x Credits which are specially

<sup>69</sup> *Rollo*, pp. 25-34.

<sup>70</sup> CIVIL CODE, Art. 2241 reads, in part:

ART. 2241. With reference to specific movable property of the debtor, the following claims or liens shall be preferred:

(1) Duties, taxes and fees due thereon to the State or any subdivision thereof; x x x

<sup>71</sup> CIVIL CODE, Art. 2242 reads, in part:

ART. 2242. With reference to specific immovable property and real rights of the debtor, the following claims, mortgages and liens shall be preferred, and shall constitute an encumbrance on the immovable or real right:

(1) Taxes due upon the land or building;

x x x x

(7) Credits annotated in the Registry of Property, in virtue of a judicial order, by attachments or executions, upon the property affected, and only as to later credits[.]

<sup>72</sup> Entitled "AN ACT PROVIDING FOR THE SUSPENSION OF PAYMENTS, THE RELIEF OF INSOLVENT DEBTORS, THE PROTECTION OF CREDITORS, AND THE PUNISHMENT OF FRAUDULENT DEBTORS," approved May 20, 1909.

preferred because they constitute liens (tax or non-tax) in turn take precedence over ordinary preferred credits so far as [they concern] the property to which the liens have attached. The specially preferred credits must be discharged first out of the proceeds of the property to which they relate, before ordinary preferred creditors may lay claim to any part of such proceeds. In contrast with Articles 2241 and 2242, Article 2244 creates no liens on determinate property which follow such property. What Article 2244 creates are simply rights in favor of certain creditors to have the cash and other assets of the insolvent applied in a certain sequence or order of priority.”<sup>73</sup>

Guided by the foregoing, the Court finds no reason to depart from the CA’s findings that Glowide and PMI’s claim is preferred over the BIR’s. TICO’s tax claim is only an ordinary preferred credit under Article 2244 since it is not based on taxes due on the condominium units but on TICO’s deficiency in payment of its income tax, annual registration fees, value-added tax, percentage tax, withholding tax on wages, expanded withholding tax, and documentary stamp tax. On the other hand, Glowide and PMI’s claim is a special preferred credit under Article 2242 (7) of the Civil Code, and thus superior to BIR’s tax claim which is only an ordinary preferred credit. Indeed, “[d]uties, taxes, and fees due the Government enjoy priority only when they are with reference to a specific movable property, under Article 2241(1) of the Civil Code, or immovable property, under Article 2242(1) of the same Code. However, with reference to the other real and personal property of the debtor, sometimes referred to as “free property,” the taxes and assessments due the National Government, other than those in Articles 2241(1) and 2242(1) of the Civil Code, will come only in ninth place in the order of preference.”<sup>74</sup>

All told, the Court finds no cogent reason to reverse the CA’s Decision. More than two decades have passed since Glowide and PMI sought legal recourse to recover their claim from TICO, which was unduly and grossly delayed by TICO’s interpleader complaint. It is about time to write *finis* to the present dispute.

**WHEREFORE**, the petition for review is **DENIED**. The December 16, 2011 Decision and the October 22, 2012 Resolution of the Court of Appeals in CA-G.R. CV. No. 91856 are hereby **AFFIRMED**.

<sup>73</sup> *Metropolitan Bank and Trust Company v. S.F. Naguiat Enterprises, Inc.*, 756 Phil. 229, 244-248 (2015).

<sup>74</sup> *In Re: Petition for Assistance in the Liquidation of the Rural Bank of Bokod (Benguet), Inc.*, 540 Phil. 142, 168 (2006). Civil CODE, Art. 2244 reads, in part:


Art. 2244. With reference to other property, real and personal, of the debtor, the following claims or credits shall be preferred in the order named:

x x x x

- (9) Taxes and assessments due the national government, other than those mentioned in Articles 2241, No. 1, and 2242, No. 1;




**SO ORDERED.**



**RAMON PAUL L. HERNANDO**  
*Associate Justice*

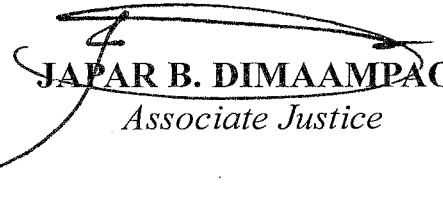
WE CONCUR:



**ESTELA M. PERLAS-BERNABE**  
*Senior Associate Justice*  
*Chairperson*



**JHOSELYN LOPEZ**  
*Associate Justice*



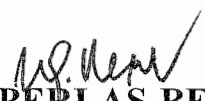
**JAPAR B. DIMAAMPAO**  
*Associate Justice*



**JOSE MIDAS P. MARQUEZ**  
*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*

### 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.

  
**ALEXANDER G. GESMUNDO**  
*Chief Justice*