



Republic of the Philippines
Supreme Court
Baguio City

SECOND DIVISION

ALJEM'S CREDIT INVESTORS
CORPORATION,

Petitioner,

- versus -

SPOUSES CATALINA AND
PORFERIO BAUTISTA,

Respondents.

G.R. No. 215175

Present:

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

*Acting Chairperson,***
ZALAMEDA,
ROSARIO, and
MARQUEZ, JJ.

Promulgated:

APR 25 2022

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DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*¹ assails the September 25, 2013 Decision² and October 9, 2014 Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 02287-MIN, which affirmed the July 11, 2007 Order⁴ of the Regional Trial Court (RTC), Branch 10, Davao City, that denied the Motion for Summary Judgment⁵ filed by petitioner Aljem's Credit Investors Corporation, in a civil action it initiated against respondent-spouses Catalina and Porferio Bautista (spouses Bautista).

* On official leave.

** Per Special Order No. 2887 dated April 8, 2022.

¹ *Rollo*, pp. 5-28.

² *Id.* at 70-75. Penned by Associate Justice Henri Jean Paul B. Inting (now a Member of this Court), and concurred in by Associate Justices Edgardo A. Camello and Jhosep Y. Lopez (now a Member of this Court).

³ *Id.* at 85-87. Penned by Associate Justice Henri Jean Paul B. Inting (now a Member of this Court), and concurred in by Associate Justices Romulo V. Borja and Edgardo A. Camello.

⁴ *CA rollo*, p. 100. Penned by Judge Jaime V. Quitain.

⁵ *Id.* at 78-85.

The Factual Antecedents:

This case is an offshoot of an action⁶ for *accion publiciana*, rescission of contract to sell, with damages and attorney's fees, filed by petitioner against the spouses Bautista.

Petitioner alleged that a parcel of land owned by the spouses Bautista was mortgaged to it as security for a loan.⁷ The Bautistas failed to pay the loan; thus, petitioner foreclosed the mortgage.⁸ As the spouses Baustista did not redeem the property within the reglementary period, title to the property was consolidated in petitioner's name.⁹

When petitioner was about to take possession of the property, Catalina Bautista (Catalina), the wife, offered to repurchase the property.¹⁰ Petitioner accepted the offer, so they entered into a Contract to Sell on August 29, 2000.¹¹ The Spouses Bautista, however, failed to comply with the Contract to Sell resulting to its cancellation.¹² The parties entered into another Contract to Sell on September 27, 2001; however, despite several demands to pay or vacate the property, the spouses Bautista still failed to comply even with a new contract.¹³

Thus, petitioner sent demand letters to Catalina to vacate the property.¹⁴ The last demand letter to vacate was sent on January 18, 2006.¹⁵ All demands were to no avail, resulting to petitioner's filing of the complaint.¹⁶

The spouses Bautista alleged that the mortgage contract is void as it did not bear the conformity of Porferio Bautista (Porferio), the husband.¹⁷ They also contended that the contract to sell contains a provision on *pactum commissorium*, which is illegal, and that the contract should be considered as an equitable mortgage.¹⁸ They likewise contested the high interest rates imposed.¹⁹

⁶ *Rollo*, pp. 29-36 (Complaint).

⁷ *Id.* at 71.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

Petitioner filed its Reply.²⁰

Subsequently, petitioner filed a Motion for Summary Judgment,²¹ alleging that there is no genuine issue of fact because: (a) the spouses Bautista admitted that the Transfer Certificate of Title (TCT) of the property is in petitioner's name; (b) there were no specific denials of the material allegations of the complaint; (c) the defense of the spouses Bautista are legal issues, not factual; and, (d) there is no genuine issue of fact.²²

The spouses Bautista opposed the motion contending that a full-blown trial is necessary to determine: (a) whether there is an equitable mortgage; (b) the propriety of the imposition of the interest rates; (c) presence of *pactum commissorium*; and, (d) whether Porferio's signature was forged.²³

Ruling of the Regional Trial Court:

In its July 11, 2007 Order,²⁴ the RTC denied petitioner's Motion for Summary Judgment. It held that there are genuine issues of facts that should be threshed out in a full-blown trial, such as whether: (a) the contract to sell is an equitable mortgage; (b) the contract to sell is in the nature of *pactum commissorium*; (c) the imposition of interest is proper; and (d) the signature of Porferio was forged.²⁵

Aggrieved, petitioner filed a Petition for *Certiorari* and Prohibition²⁶ before the CA.

Ruling of the Court of Appeals:

In its September 25, 2013 Decision,²⁷ the CA affirmed the RTC. It held that the defenses raised by the spouses Bautista are triable issues. One of the defenses raised is the invalidity of the mortgage due to the lack of Porferio's conformity. Pursuant to the Family Code, a disposition of a property without the consent of the other spouse is void. Petitioner's right of ownership on the subject property is linked to the mortgage; if the mortgage is invalid due to the lack of Porferio's conformity, petitioner did not validly acquire ownership over

²⁰ CA rollo, pp. 66-76

²¹ Id. at 78-85.

²² Rollo, p. 72.

²³ Id.

²⁴ CA rollo, p. 100.

²⁵ Id.

²⁶ Id. at 4-37.

²⁷ Rollo, pp. 70-75.

the property.²⁸ The CA also held that there is a need to receive evidence on the allegation of forgery.²⁹

Petitioner moved for reconsideration but it was denied by the CA in its October 9, 2014 Resolution.³⁰

Still aggrieved, petitioner elevated the case to this Court. Petitioner argues that the CA erred in: (a) ruling that the mortgage contract is void despite not being the subject matter of the complaint; (b) failing to rule on the issues relating to *accion publiciana* and rescission of the contract to sell, which are the subject matter of the complaint; and, (c) not holding that there is absolutely no *pactum commissorium* or equitable mortgage to speak of.³¹ Nonetheless, petitioner prays for the reversal of the CA Decision and the rendering of judgment in its favor.

In their Comment,³² the Bautista couple argue that petitioner raised factual issues to be resolved during trial; this in fact reinforces the propriety of the denial of the Motion for Summary Judgment.³³

Petitioner filed its Reply,³⁴ and reiterated its arguments.

Issue

The issue here is whether the RTC's denial of petitioner's Motion for Summary Judgment is proper.

Our Ruling

The petition lacks merit. The Court affirms the ruling of the CA; the RTC properly denied the Motion for Summary Judgment.

Preliminarily, the Court emphasizes that the CA did not rule that the mortgage contract is void; it merely stated the legal basis (Family Code) that a contract is void without the consent of the other spouse. The appellate court found it necessary to discuss the concept in determining the propriety of the denial of the Motion for Summary Judgment. Further, contrary to petitioner's statements in its Petition, the CA Decision did not touch upon the issues of

²⁸ Id. at 73.

²⁹ Id.

³⁰ Id. at 85-87.

³¹ Id. at 19-24.

³² Id. at 100-107.

³³ Id. at 105-106.

³⁴ Id. at 116-125.

accion publiciana, rescission of the contract to sell, *pactum commissorium*, and equitable mortgage. This does not mean, however, that the appellate court held that the instant case does or does not involve these matters. The CA deemed it not necessary to discuss these in determining the propriety of the denial. Because, again, the issue in the *certiorari* and the instant appeal pertains to the propriety of the denial of the motion.

Even if petitioner did not expressly raise in its Petition the issue of the propriety of the denial of the motion, the Court sees that this is subsumed in the errors assigned in the Petition. Thus, the Court shall resolve the question.

The Rules of Court allow for parties to move for a summary judgment of the case:

RULE 35
Summary Judgments

Section 3. *Motion and proceedings thereon.* — The motion shall be served at least ten (10) days before the time specified for the hearing. The adverse party may serve opposing affidavits, depositions, or admissions at least three (3) days before the hearing. After the hearing, the judgment sought shall be rendered forthwith if the pleadings, supporting affidavits, depositions, and admissions on file, show that, except as to the amount of damages, there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.³⁵

Summary judgment is a procedural device that allows parties to avoid long litigation and delays, where the pleadings show that there are no genuine issues of fact to be tried.³⁶ A genuine issue of fact is “such issue of fact which requires the presentation of evidence as distinguished from a sham, fictitious,

³⁵ The 1997 Rules of Civil Procedure are applicable in this case as the case was filed before May 1, 2020, the date when the 2019 Amendments will start to apply on cases filed. For reference, the amended Section 3, Rule 35 reads:

Section 3. *Motion and proceedings thereon.* – The motion shall cite the supporting affidavits, depositions or admissions, and the specific law relied upon. The adverse party may file a comment and serve opposing affidavits, depositions, or admissions within a non-extendible period of five (5) calendar days from receipt of the motion. Unless the court orders the conduct of a hearing, judgment sought shall be rendered forthwith if the pleadings, supporting affidavits, depositions and admissions on file, show that, except as to the amount of damages, there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

Any action of the court on a motion for summary judgment shall not be subject of an appeal or petition for certiorari, prohibition or mandamus.

³⁶ See *Philippine Racing Commission v. Manila Jockey Club, Inc.*, G.R. No. 228505, June 16, 2021, citing *First Leverage and Services Group, Inc. v. Solid Builders, Inc.*, 690 Phil. 1, 13 (2012).

contrived[,] or false claim.”³⁷ As such, an issue of fact is genuine if it requires presentation of evidence to be resolved.

To determine if genuine issues of fact exist, the Court stated in *Philippine Racing Commission v. Manila Jockey Club, Inc.*:³⁸

In *Calubaquib v. Republic*, the Court explained how trial courts may determine genuine issues in this manner:

“A summary judgment is permitted only if there is no genuine issue as to any material fact and [the] moving party is entitled to a judgment as a matter of law.” The test of the propriety of rendering summary judgments is the existence of a genuine issue of fact, “as distinguished from a sham, fictitious, contrived[,] or false claim.” “[A] factual issue raised by a party is considered as sham when[,] by its nature[,] it is evident that it cannot be proven[,] or it is such that the party tendering the same has neither any sincere intention nor adequate evidence to prove it. This usually happens in denials made by defendants merely for the sake of having an issue[,] and thereby gaining delay, taking advantage of the fact that their answers are not under oath anyway.

In determining the genuineness of the issues, and hence the propriety of rendering a summary judgment, **the court is obliged to carefully study and appraise, not the tenor or contents of the pleadings, but the facts alleged under oath by the parties and/or their witnesses in the affidavits that they submitted with the motion and the corresponding opposition.** Thus, it is held that, even if the pleadings on their face appear to raise issues, a summary judgment is proper so long as “the affidavits, depositions, and admissions presented by the moving party show that such issues are not genuine.” (Emphasis supplied; citations omitted)

Additionally, in order for summary judgment to be granted in lieu of a full-blown trial, the party moving for summary judgment must establish unequivocally the absence of genuine issues of fact or that the issue posed is so patently insubstantial as to constitute a genuine issue.³⁹

When a party moves for a summary judgment, the trial court is duty-bound to examine the motion and the supporting documents, as well as the corresponding opposition thereto, to determine if there are genuine issues of fact that should be resolved by the trial court.

³⁷ Id.

³⁸ Id.

³⁹ Id.

Petitioner's Motion for Summary Judgment claims that: (a) the spouses Bautista admitted that the TCT of the property is in petitioner's name; (b) the Bautistas did not specifically deny the material allegations of the complaint; and (c) the defenses of the spouses Bautista (*pactum commissorium*, equitable mortgage), are legal issues, not factual.⁴⁰

On the other hand, the spouses Bautista's Opposition (to the Motion) insists that there are genuine issues of facts in the case, such as the existence of equitable mortgage, imposition of interest, and whether the contract to sell is *pactum commissorium*, and forgery.⁴¹ These issues are likewise reflected in the spouses Bautista's Answer.

The Court finds that summary judgment will be improper. The RTC is correct in holding that there are genuine issues of fact to be threshed out in the trial.

On petitioner's argument that the spouses Bautista admitted that the TCT is already in its name, the Court finds that this is just one of the pieces of evidence for the trial court to assess in making a ruling for this case.

On the argument on the lack of specific denials in the Answer, the Court is not convinced. Rule 8, Section 10 provides:

Section 10. *Specific denial.* — A defendant must specify each material allegation of fact the truth of which he does not admit and, whenever practicable, shall set forth the substance of the matters upon which he relies to support his denial. Where a defendant desires to deny only a part of an averment, he shall specify so much of it as is true and material and shall deny only the remainder. Where a defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment made to the complaint, he shall so state, and this shall have the effect of a denial.

"A specific denial is made by specifying each material allegation of fact, the truth of which the defendant does not admit, and whenever practicable, setting forth the substance of the matters upon which he relies to support his denial. The purpose of requiring the defendant to make a specific denial is to make him briefly disclose the matters alleged in the complaint which he intends to disprove at the trial, together with the matter which he relied upon to support the denial."⁴² An examination of the Answer reveals that the spouses Bautista made specific denials of the allegations in the Complaint:

⁴⁰ CA *rollo*, pp. 78-85.

⁴¹ Id. at 89-92.

⁴² *Seconds To Go v. Fabriano Societa Per Azioni, Inc.*, G.R. No. 213698, November 12, 2014.

ANSWER

DEFENDANTS, through counsel, in answer to the Complaint, unto this Honorable Court, respectfully state that:

x x x x

3. They deny the allegations in pars. 4 to 7 the truth being that as stated in the Special and Affirmative Defenses and in the Compulsory Counterclaims;

4. They deny the allegations in par. 8 for being inapplicable to the case at bar as explained in the Special and Affirmative Defenses and in the Compulsory Counterclaims;

5. They deny the allegations in pars. 9 and 10 the truth being that as stated in the Special and Affirmative Defenses and in the Compulsory Counterclaims and they also deny the allegations in par. 10 with respect to entitlement for attorney's fees and appearance fees for being inapplicable to the case at bar as explained in the Special and Affirmative Defenses and in the Compulsory Counterclaims;

6. They deny the allegations in par. 11, the property being located in a prime subdivision in Davao City, it is worth several millions of pesos;

7. They deny the allegations in par. 12 for lack of knowledge sufficient to form a belief as to the truth thereof;⁴³

The foregoing statements in the Answer suffice as specific denials as required by the Rules of Court. The spouses Bautista were able to point out the exact allegations in the Complaint that they intend to deny, even without expressly using the word "specific," (or any of the word's derivatives), in the wording of the Answer. It is not required for them to set out the substance of the matters on which they rely to support their denial. The Rules state that the defendant can set out their basis for denial whenever practicable—there is no stringent requirement.

As regards petitioner's contention that the spouses Bautista's defenses of equitable mortgage and *pactum commissorium* are legal issues and not factual, We hold that the question of whether a contract is an equitable mortgage is a question of fact.⁴⁴ There is a need for the trial court to review evidence, including the assailed document itself, and the intent of the parties, to determine if there is an equitable mortgage, considering that the law provides for instances when a contract can be presumed to be an equitable mortgage.⁴⁵ The same goes

⁴³ CA rollo, pp. 55-56.

⁴⁴ See *Spouses Basa v. De Leon*, G.R. No. 197503, October 9, 2019.

⁴⁵ CIVIL CODE (1949), Art. 1602. Article 1602 reads:

Article 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

with the existence of *pactum commissorium*: it is a question of fact as the trial court needs to look into the contractual stipulations, and the intent of the parties to determine, if there is such.⁴⁶ Though these defenses pertain to the preceding mortgage contract, resolving these in the trial will affect the resolution on the rescission of the contract to sell because, as alleged by the Bautistas, the former document is the basis of the latter.⁴⁷

Lastly, the spouses Bautista raise the defense that Porferio's signature in the contract to sell is forged. It is well-settled that the question of whether forgery exists is a question of fact.⁴⁸

Based on the foregoing, it is clear that there are still genuine issues of fact that need to be resolved in the trial. Hence, this Court holds that the denial of petitioner's Motion for Summary Judgment is proper (which, again, is the issue here in this appeal). Petitioner's recourse now is to participate in the trial proper.

Also worth mentioning is that the Court's pronouncement here is in line with the provisions of the 2019 Amended Rules of Civil Procedure on motions for summary judgment, which provides that "[a]ny action of the [trial] court on a motion for summary judgment shall not be subject of an appeal or petition for *certiorari*, prohibition or *mandamus*."⁴⁹

WHEREFORE, the petition is **DENIED**. The September 25, 2013 Decision and October 9, 2014 Resolution of the Court of Appeals in CA-G.R. SP No. 02287-MIN are **AFFIRMED**. The Regional Trial Court, Branch 10, Davao City is **ORDERED** to continue the trial with **DISPATCH**.

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- (1) When the price of a sale with right to repurchase is unusually inadequate;
 - (2) When the vendor remains in possession as lessee or otherwise;
 - (3) When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;
 - (4) When the purchaser retains for himself a part of the purchase price;
 - (5) When the vendor binds himself to pay the taxes on the thing sold;
 - (6) In any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as rent or otherwise shall be considered as interest which shall be subject to the usury laws. (n)


⁴⁶ See *Spouses Pen v. Spouses Julian*, 776 Phil. 50, 61 (2016).

⁴⁷ *CA rollo*, p. 56.

⁴⁸ See *Philippine Savings Bank v. Sakata*, G.R. No. 229450, June 17, 2020.

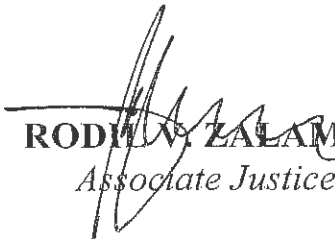
⁴⁹ *Supra* note 35.

SO ORDERED.

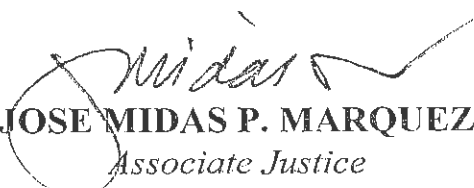

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:

On official leave.
ESTELA M. PERLAS-BERNABE
Senior Associate Justice


RODULFO ZALAMEDA
Associate Justice


RICARDO ROSARIO
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.


~~RAMON PAUL L. HERNANDO~~
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting 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