



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

CATHERINE HIPONIA-
MAYUGA,

Petitioner,

- versus -

METROPOLITAN BANK AND
TRUST CO., and its Branch Head,
THELMA T. MAURICIO, and
BELLE U. AVELINO,

Respondents.

G.R. No. 211499

Present:

CARPIO, J., Chairperson,
DEL CASTILLO,
PEREZ,*
MENDOZA, and
JARDELEZA,** JJ.

Promulgated:

12 2 JUN 2015

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DECISION

MENDOZA, J.:

Before the Court is a petition for review on *certiorari* seeking to reverse and set aside the October 10, 2013 Decision¹ and the February 24, 2014 Resolution² of the Court of Appeals (CA), in CA-G.R. CV No. 95249, which affirmed with modification the September 25, 2009 Decision³ of the Regional Trial Court, Branch 274, Paranaque City (RTC) in Civil Case No. 98-0299, a case for cancellation of real estate mortgage.

The Facts

Petitioner Catherine Hiponia-Mayuga (*Catherine*) was married to the late Fernando J. Mayuga (*Fernando*). They owned the subject parcel of land

* Designated Acting Member in lieu of Associate Justice Arturo D. Brion, per Special Order No. 2067, dated June 22, 2015.

** Designated Acting Member in lieu of Associate Justice Marvic M.V.F. Leonen, per Special Order No. 2056, dated June 10, 2015.

¹ Penned by Associate Justice Florito S. Macalino with Associate Justice Sesonando E. Villon and Associate Justice Pedro B. Corales, concurring; *rollo*, pp. 45-55.

² *Id.* at 77-79.

³ *Id.* at 91-100.

covered by Transfer Certificate of Title (*TCT*) No. 116396 (70508) located in Barangay Tambo, Paranaque City. Fernando was engaged in the business of buy and sell of motorcycles and repair. In the course of his business dealings, Fernando met Belle Avelino (*Belle*), who proposed to him to secure a loan so they could proceed with their businesses, which included neon advertisement and meat delivery.⁴

Consequently, on March 28, 1996, Fernando, with Catherine's consent,⁵ obtained a loan from Metropolitan Bank and Trust Co. (*Metrobank*) in the amount of ₱2,200,000.00 and, as security thereof, he executed a real estate mortgage (*REM*) over the subject property.⁶

On July 3, 1996, the loan from Metrobank was increased to ₱3,200,000.00 with Fernando executing an amendment to the *REM*.⁷ Catherine claimed that the proceeds of the loan went directly to Belle. She admitted, however, that on two occasions Belle gave Fernando the amount of ₱100,000.00.⁸

On November 17, 1996 Fernando passed away. Catherine then inquired from Metrobank if the subject property could be released from the mortgage because it was covered by a mortgage redemption insurance (*MRI*) that paid off the obligation upon the mortgagor's death. Metrobank, however, replied that Belle was the principal borrower.⁹

On August 5, 1998, Catherine instituted a complaint¹⁰ for the cancellation of the real estate mortgage and the release of *TCT* No. 116396 (70508) with damages against Belle, Metrobank and Thelma Mauricio (*Thelma*), the branch head of Metrobank who allowed the loan.¹¹

Meanwhile, the mortgaged property was foreclosed by Metrobank because Belle failed to pay the loan.¹² During the foreclosure sale, Metrobank was the sole and highest bidder. Thus, a Certificate of Sale, dated October 16, 1998, was issued in its favor.¹³

In her complaint, Catherine argued that the mortgage contract should be annulled because there was collusion between Belle and Thelma, who

⁴ Id. at 46.

⁵ Id. at 102-103.

⁶ Id. at 46, 200.

⁷ Id. at 208-209.

⁸ Id. at 46, 202-203.

⁹ Id. at 47, 122.

¹⁰ Id. at 101-108.

¹¹ Id. at 46.

¹² Id. at 210-211.

¹³ Id at 210.

were purportedly good friends. Catherine claimed that they conspired to execute documents with legal import, of which Catherine and Fernando were unaware. Catherine also averred that Metrobank failed to exercise prudence in supervising the acts of Thelma.¹⁴

For her part, Belle denied being a good friend of Thelma. She asserted that she only agreed to be the principal borrower because Fernando could not convince the bank to approve the loan, and that the property of Fernando and Catherine served as collateral for the loan. She further alleged that the loan was applied to the businesses set up by Fernando. These endeavors, however, did not flourish.¹⁵

On the other hand, Metrobank and Thelma denied the existence of collusion and explained that it was Belle who obtained the loan, not Fernando. Hence, Catherine had no cause of action against them because they relied on the duly signed REM with good faith. In addition, there was no valid MRI executed by Fernando, and even if there was one, it did not extinguish the loan.¹⁶

The RTC Ruling

In its September 25, 2009 Decision, the RTC ruled that the mortgage contract was valid and was properly foreclosed by Metrobank as the loan was not paid. It dismissed the complaint against Metrobank and Thelma because it was not proven that the execution of the mortgage was attended with collusion. It, however, ordered Belle to pay damages to Catherine. The RTC explained that it was Belle who obtained the loan secured by the property of Catherine and Fernando, and that she was also the one who collected the proceeds. Due to Belle's failure to pay the loan which resulted in the foreclosure of the property, damages were awarded in favor of Catherine.

The decretal portion of the RTC decision reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of plaintiff and against defendant Belle Avelino only, ordering the latter to pay the former the amount of Php2,988,800.00 as actual damages, Php200,000.00 as moral damages, Php100,000.00 as attorney's fees, and costs of suit. As to defendants Metrobank and Thelma T. Mauricio, however, the complaint against them is hereby ordered dismissed.

SO ORDERED.¹⁷

¹⁴ Id. at 105-106.

¹⁵ Id. at 126-129.

¹⁶ Id. at 133-135.

¹⁷ Id at 100.

Catherine moved for partial reconsideration¹⁸ of the RTC decision for not finding Metrobank and Thelma liable to her. In its Order,¹⁹ dated February 22, 2010, the RTC denied her motion.

Unsatisfied, Catherine elevated a partial appeal²⁰ to the CA, putting in issue the aforementioned aspect of the RTC decision. Notably, Belle did not appeal, and it was only Metrobank and Thelma who filed an appellee's brief.²¹

The CA Ruling

On October 10, 2013, the CA rendered the assailed decision which modified the RTC decision by *deleting the award of damages* against Belle. The CA explained that Fernando was an accommodation mortgagor of the loan of Belle. It explained that an accommodation mortgage agreement was expressly sanctioned under Article 2085 of the Civil Code, which allowed a person to mortgage his property so that a third person could obtain a loan. It further stated that because there was a valid consent on the part of Fernando and Catherine to accommodate the mortgage, the award of damages against Belle had no basis. The dispositive portion of the decision states:

WHEREFORE, in view of the foregoing, the assailed Decision dated September 25, 2009 of the Regional Trial Court of Parañaque City, Branch 274, in Civil Case No. 98-0299 is hereby **AFFIRMED WITH MODIFICATION** that the award of actual damages amounting to Two Million Nine Hundred Eighty-Eight Thousand Eight Hundred Thousand Pesos (Php2,988,800.00), moral damages amounting to Two Hundred Thousand Pesos (Php200,000.00), as well as attorney's fees amounting to One Hundred Thousand Pesos (Php100,000.00) and costs of suit in favor [of] plaintiff-appellant Catherine Hiponia-Mayuga is hereby **DELETED**.

SO ORDERED.²²

Catherine moved for reconsideration, but the CA denied her motion in a Resolution, dated February 24, 2014.

Hence, the present petition anchored on the following

¹⁸ Id. at 288-294.

¹⁹ Id. at 305.

²⁰ Id. at 306-307.

²¹ Id. at 332-360.

²² Id. at 54-55.

STATEMENT OF ISSUES**I**

THE HONORABLE COURT OF APPEALS ERRED IN MODIFYING THE DECISION OF THE HON. TRIAL COURT BY DELETING THE LATTER'S AWARD OF DAMAGES IN FAVOR OF PETITIONER AGAINST DEFENDANT BELLE U. AVELINO CONSIDERING THAT SAID DEFENDANT DID NOT EVEN INTERPOSE AN APPEAL IN THE FIRST PLACE.

II

THE HONORABLE COURT OF APPEALS ERRED IN UPHOLDING THE HONORABLE TRIAL COURT'S RULING THAT THERE WAS NO CONNIVANCE BETWEEN DEFENDANT BELLE AVELINO AND RESPONDENT THELMA MAURICIO IN THE EXECUTION OF THE REAL ESTATE MORTGAGE.

III

THE HONORABLE COURT OF APPEALS ERRED IN UPHOLDING THE HONORABLE TRIAL COURT'S RULING THAT RESPONDENT METROBANK COMMITTED NO NEGLIGENCE DESPITE FAILING TO SECURE A MORTGAGE REDEMPTION INSURANCE IN THE PERSON OF FERNANDO J. MAYUGA.²³

Catherine argues that the award of damages against Belle was already final and executory for her failure to appeal. She also insists that the CA erred in finding that there was no connivance between Thelma and Belle, and that there was no negligence on the part of Metrobank for its failure to secure the required MRI.

In their Comment,²⁴ Metrobank and Thelma countered that the petition raised questions of fact which warranted its outright denial. They further averred that the CA correctly deleted the award of damages against Belle because her liability was an issue closely related to or dependent on the assigned issue concerning Metrobank and Thelma's alleged solidary liability. Moreover, they contended that neither the law nor the contract obliged Metrobank to secure the MRI for Fernando.

In her Reply,²⁵ Catherine reiterated her previous arguments and added that the subject petition raised questions of law.

²³ Id. at 21.

²⁴ Id. at 362-385.

²⁵ Id. at 400-408.

The Court's Ruling

The petition is partly meritorious.

*Belle did not appeal the
RTC decision*

The failure of a party to perfect the appeal within the time prescribed by the Rules of Court unavoidably renders the judgment final as to preclude the appellate court from acquiring the jurisdiction to review and alter the judgment.²⁶ The judgment becomes immutable and unalterable and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law.²⁷ Corollary thereto, an appellee who has not himself appealed cannot obtain from the appellate court any affirmative relief other than those granted in the decision of the court below.²⁸

In this case, Belle did not appeal the September 25, 2009 Decision of the RTC. Insofar as she is concerned, the RTC decision is final and executory. Hence, the award of damages against her, in favor of Catherine, as stated in the RTC decision must be upheld. The CA indeed erred in deleting the award of damages by relying on Section 8, Rule 51 of the Rules of Court.

*The issues raised by
Catherine are not closely
related to the damages
against Belle*

When an appeal is taken, an appellate court acquires jurisdiction to review the case. Section 8, Rule 51 provides:

SEC. 8 Questions that may be decided. No error which does not affect the jurisdiction over the subject matter or the validity of the judgment appealed from or the proceedings therein will be considered, unless stated in the assignment of errors, or closely related to or dependent on an assigned error and properly argued in the brief, save as the court may pass upon plain errors and clerical errors.

²⁶ *Prieto v. Court of Appeals*, G.R. No. 158597, June 18, 2012, 673 SCRA 371, 378.

²⁷ *Mendoza v. Fil-Homes Realty and Development Corporation*, G.R. No. 194653, February 8, 2012, 664 SCRA 628, 634.

²⁸ *Manese v. Jollibee Foods Corporation*, G.R. No. 170454, October 11, 2012, 684 SCRA 34, 49.

As a general rule, the CA cannot consider errors on appeal unless stated in the assignment of errors in the appellant's brief. As an exception, however, even if a question is not raised in the assignment of errors, the same may still be adjudicated by the appellate court if the unraised issue or question is closely related or dependent to an assigned error.²⁹

In its decision, the CA reasoned that the modification is proper, notwithstanding Belle's failure to appeal, because the issue of award of damages against Belle is closely related to the other issues assigned by Catherine in her appellant's brief.³⁰

The Court does not agree with the CA on this point.

Catherine raised in her appellant's brief only two issues: *first*, that the RTC erred in holding that there was no connivance between Belle and Thelma in the execution of the REM; and *second*, that the RTC erred in holding that Metrobank was not negligent. Undeniably, the issue of Belle's liability on the payment of the loan was not raised. An appellant is required by the rules to raise as errors those issues which are sought to be passed upon by the appellate court, otherwise, the CA cannot consider other issues which the appellant failed to raise.³¹

Reliance on Section 8, Rule 51 is misplaced. The exception provided under Section 8, Rule 51, where unraised issues may be adjudicated upon if the same are closely related to an assigned error, cannot be applied in the present case. One of the two issues raised refers to the alleged fraudulent acts of Belle and Thelma, which would have entitled Catherine to the award of damages. Clearly, such issue is separate and distinct from Belle's failure to pay the loan, which resulted in the foreclosure of the security. The other issue, which is the negligence of Metrobank, is not related either to the issue of Belle's failure to pay the loan. The liability of Metrobank is capable of being addressed separately and rests solely on its failure to secure the MRI in favor of Fernando.

In sum, the issues assigned on appeal do not require the re-examination of the RTC ruling with respect to the award of damages against Belle. These issues cannot, by any stretch of imagination, be considered as closely related with, or dependent on each other.

²⁹ See *Aklan College, Inc. v. Enero*, 597 Phil. 60, 74 (2009).

³⁰ *Rollo*, p. 79.

³¹ *Aklan College, Inc. v. Enero*, supra note 29, at 74.

The exceptions under Section 8, Rule 51 are only for the benefit of the appellant

In addition, jurisprudence has taught us that the exceptions under Section 8, Rule 51 can only be applied for the benefit of the appellant. The following cases applied the exceptional rule in Section 8, Rule 51:

In *Demafelis v. CA*,³² the petitioner sued private respondent for ejectment, and the trial court ruled in favor of the petitioner. Respondent-appellant appealed, and the CA reversed the judgment in its favor. The issue of the identity of the land was passed upon by the CA, even if the only issue raised on appeal was the affirmation of the trial court's decision. Applying the exception for the appellant, the Court held that the CA had ample authority to decide the issue.

In *Holy Trinity v. De la Cruz*,³³ the issue raised on appeal to the CA was the validity of the emancipation patent, but the Court allowed the CA to rule on the issue of whether or not the land is covered by the agrarian reform laws. Thus, the appellate court correctly waived the lack of specific assignment of error and considered the second issue in favor of the appellant.

In *Banco De Oro Unibank, Inc. v. Spouses Locsin*,³⁴ the CA decided the issue of the sufficiency of evidence regarding the petitioner's entitlement to the claim of deficiency after foreclosure, despite non-assignment on appeal. Once again, the Court favored the appellant, and ruled that the issue of entitlement to the deficiency is closely related to the issue of whether or not such claim was proven through preponderance of evidence.

In the above-cited cases, the CA decided issues not assigned as errors but were closely related to or dependent on an assigned error and properly argued by the appellants. In *Philippine National Bank v. Spouses Rabat*,³⁵ the Court held that in Section 8, Rule 51, "[i]t may at once be noticed that the exceptions are for the *benefit of the appellant* and not for the appellee."³⁶

In the present case, the CA erroneously applied the exception to *benefit the appellee*, Belle, and to the prejudice of appellant Catherine, contrary to the clear intent of the rule.

³² 563 Phil. 614 (2007).

³³ G.R. No. 200454, October 22, 2014.

³⁴ G.R. No. 190445, July 23, 2014.

³⁵ 398 Phil. 654 (2000).

³⁶ Id. at 667.

*Catherine cannot claim
damages against Metrobank*

As to the non-finding of collusion, let it be reiterated that the Court is not a trier of facts. It is not its function to examine and determine the weight of the evidence supporting the assailed decision.³⁷ This applies with greater force to the present petition because the factual findings of the CA are in full agreement with that of the trial court. These factual findings of the CA are conclusive on the parties and carry even more weight as the said court affirmed the factual findings of the trial court.³⁸ Both the CA and the RTC ruled that the execution of the mortgage contract was not attended by collusion. The Court finds no reason to disturb the consistent findings of the lower courts.

Finally, Catherine cannot claim damages for Metrobank's failure to secure the MRI for Fernando. Neither the mortgage contract nor the law requires banks to secure MRI for accommodation mortgagors. Catherine failed to prove that securing the MRI for accommodation mortgagors is an established banking practice. The records of the case do not bear proof that Metrobank has been negligent in its dealings. Metrobank simply cannot be held liable.

WHEREFORE, the petition is **PARTIALLY GRANTED**. The October 10, 2013 Decision and the February 24, 2014 Resolution of the Court of Appeals in CA-G.R. CV No. 95249 are hereby **AFFIRMED WITH MODIFICATION**. The award of damages against Belle Avelino in favor of petitioner Catherine Hiponia-Mayuga, as stated in the September 25, 2009 Decision of the Regional Trial Court, Branch 274, Paranaque City, is hereby **REINSTATED**.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

³⁷ *POTC v. Africa*, G.R. No. 184622, July 3, 2013, 700 SCRA 453.

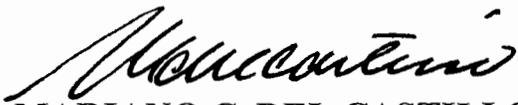
³⁸ *W-Red Construction and Development Corporation v. Court of Appeals*, 392 Phil. 8888 (2000).

WE CONCUR:



ANTONIO T. CARPIO

Associate Justice
Chairperson



MARIANO C. DEL CASTILLO

Associate Justice



JOSE PORTUGAL PEREZ

Associate Justice



FRANCIS H. JARDELEZA

Associate Justice

A T T E S T A T I O N

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.



ANTONIO T. CARPIO

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.

**MARIA LOURDES P. A. SERENO**

Chief Justice