Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

PHILIPPINE NATIONAL BANK,
Petitioner,

- versus -

ANTONIO BACANI, RODOLFO BACANI, ROSALIA VDA. DE BAYAUA, JOSE BAYAUA and JOVITA VDA. DE BAYAUA,
Respondents.

G.R. No. 194983

Present:

CARPIO, *J.*,
Chairperson,
DEL CASTILLO,*
PERLAS-BERNABE,
CAGUIOA, and
REYES, JR., *JJ.*

Promulgated:

20 JUN 2018

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DECISION

REYES, JR., *J.*:

This is a petition for review on *certiorari*[1] filed under Rule 45 of the Rules of Court, seeking to reverse and set aside the Decision[2] dated September 30, 2010 and Resolution[3] dated January 5, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 82923. In these issuances, the CA affirmed the trial court's decision, which held that petitioner Philippine National Bank (PNB) fraudulently sold the subject property to the prejudice of Antonio Bacani, Rodolfo Bacani (Rodolfo), Rosalia Vda. De Bayaua, Jose Bayaua and Jovita Vda. De Bayaua (collectively referred to as the respondents). This resulted in the nullification of the sale and the buyer's certificate of title over the subject property.

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* Designated as additional Member per Raffle dated January 31, 2011 *vice* Associate Justice Diosdado M. Peralta.

1 *Rollo*, pp. 10-27.

2 Penned by Associate Justice Fernanda Lampas Peralta, with Associate Justices Priscilla J. Baltazar-Padilla and Danton Q. Bueser concurring; id. at 69-86.

3 Id. at 88-89.

Factual Antecedents

Respondent Rodolfo was the registered owner of a parcel of land located in Centro East, Santiago, Isabela, with an area of 618 square meters (subject property), covered by Transfer Certificate of Title (TCT) No. 114296.[4] The other respondents in this case were the occupants of the subject property.[5]

On July 16, 1980, the subject property was used to secure the Php 80,000.00 loan that Rodolfo and his wife, Nellie Bacani (collectively, the Spouses Bacani) obtained from PNB.[6] When the Spouses Bacani failed to pay their loan, PNB extrajudicially foreclosed the subject property on September 9, 1986. It was awarded to PNB as the highest bidder, who had a bid amount of Php 148,960.74.[7]

The Spouses Bacani failed to redeem the property. Consequently, on June 6, 1989, Rodolfo's title was cancelled, and in its place, TCT No. T-185028 was issued in the name of PNB.[8]

On November 29, 1989, PNB issued SEL Circular No. 8-7/89, revising its policy on the disposition of acquired assets. Subject to certain conditions, former owners or their heirs, as the case may be, were given priority in the re-acquisition of their foreclosed assets "on negotiated basis without public bidding."[9]

In light of this PNB circular, the Spouses Bacani initiated negotiations with PNB regarding the re-acquisition of their property. Their intention to buy back the subject property was manifested at the earliest through a written offer on August 26, 1991. This was followed by another letter to PNB on November 11, 1991, addressed to Mr. Antonio C. Santos (Mr. Santos), then the Branch Manager of PNB Cauayan Branch.[10]

Initially, the Spouses Bacani's written offer to purchase the subject property was fixed at Php 150,000.00.[11] On November 25, 1991, the Spouses Bacani sent another letter, increasing the offer to Php 220,000.00.[12]

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4 Id. at 71.
5 Id. at 91.
6 Id. at 70, 74, 113.
7 Id. at 70.
8 Id. at 113.
9 Id. at 175-176.
10 Id. at 114.
11 Id. at 71, 98, 114.
12 Id. at 99, 114.

The Spouses Bacani continued to follow-up on their request to repurchase. On April 7, 1992, Mr. Santos advised them to increase their offer because their initial proposal was low. Through a letter sent to PNB on May 25, 1992, the Spouses Bacani accordingly offered to repurchase the subject property for Php 200,000.00 in cash and Php 100,000.00 payable in installments for two years, or an aggregate amount of Php 300,000.00. They also sent letters to PNB on various dates (*i.e.*, July 29, 1992, and December 10, 1992).[13]

PNB later informed the Spouses Bacani in its letter dated December 10, 1992 that the request for repurchase was refused and instead, the subject property would be sold in a public auction.[14] This was followed by another letter dated January 26, 1993, which attached the office memorandum explaining why the Spouses Bacani's offer was refused. It stated that the reason for the rejection was the low offer from the Spouses Bacani, which amounted to less than the fair market value of the subject property and PNB's total claim.[15] At that time, the subject property's fair market value was appraised at Php 494,000.00.[16]

Undeterred by this setback, the Spouses Bacani increased their offer to Php 350,000.00 on June 10, 1993. They also continued to communicate with PNB, even after Mr. Santos was succeeded by a new Branch Manager, Mr. Bartolome Pua (Mr. Pua). Their efforts, however, remained unsuccessful.[17]

On January 29, 1996, the Spouses Bacani received a notice from Mr. Pua that the PNB Special Assets Management Department (SAMD) had begun to accept offers for the purchase of various properties, including the subject property. They were provided with a copy of the Invitation to Bid, stating that the public bidding was scheduled on February 8, 1996, at 10:00 a.m., in the office of the PNB SAMD.[18] PNB set the floor bid price to Php 4,000,000.00.[19]

On January 30, 1996, PNB sold the subject property through a negotiated sale to Renato de Leon (Renato), for the price of Php 1,500,000.00. Pursuant to this sale, the title of PNB was cancelled, and TCT No. 261643 was issued in the name of Renato. Renato later on filed an ejectment case against the respondents on February 18, 1997, which was favorably granted by the Municipal Trial Court of Santiago City. The

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13 Id. at 72, 114.
14 Id. at 104-105.
15 Id. at 75, 114, 118-120.
16 Id. at 75.
17 Id. at 114.
18 Id. at 115.
19 Id. at 74.

respondents were consequently directed to vacate the subject property, and their houses were later on demolished.[20]

On March 19, 1997, the respondents filed a complaint for the annulment of the sale and Renato's title over the subject property, together with a prayer for the payment of damages. The case was docketed as Civil Case No. 35-2365 with the Regional Trial Court of (RTC) of Santiago City.[21] The respondents alleged that PNB schemed to prevent the Spouses Bacani from buying back the subject property. They also claimed that PNB's refusal to accept their offer, and the subsequent sale of the subject property to Renato despite its earlier scheduled auction sale, were all badges of bad faith on the part of PNB that warrant the annulment of Renato's title and the award of damages in their favor.[22]

PNB refuted the respondents' allegations, stating that the offer of the Spouses Bacani were way below the fair market value of the subject property.[23] It was further alleged that as the registered owner, PNB may dispose of the subject property in accordance with its own terms and conditions.[24]

Ruling of the RTC

After trial, the RTC ruled in favor of the respondents, and found that PNB acted in bad faith by failing to give preference to the Spouses Bacani's offer to purchase the subject property. In its Decision[25] dated March 1, 2004, the RTC held:

> WHEREFORE, in the light of all the foregoing considerations, judgment is hereby rendered in favor of the [respondents] and against the [PNB, Mr. Santos and Renato], as follows:
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> 1. ORDERING the cancellation of [Renato's] TCT No. T-261643 of the Register of Deeds of Isabela;
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> 2. ORDERING PNB to convey in favor of [the Spouses Bacani] the land covered by its TCT No. T-185028, upon the payment by said Spouses of the sum of Php217,646.50 representing PNB's total claim against them; and
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> 3. ORDERING the [PNB, Mr. Santos, and Renato] to pay jointly and solidarily the [respondents]: Php5,000.00 each as actual damages; and Php50,000.00 as attorney's fees and cost.

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20 Id. at 115.
21 Id. at 112.
22 Id. at 93-95.
23 Id. at 107.
24 Id. at 109.
25 Id. at 112-123.

SO ORDERED.[26]

The trial court found that PNB sold the subject property to Renato on January 30, 1996 through a negotiated sale, despite having notified the Spouses Bacani the day before that the subject property was included in the auction sale. This action on the part of PNB pre-empted the results of the public bidding, which the trial court equated to fraud because the Spouses Bacani supposedly relied on PNB's representation that the subject property would be sold in a public auction.[27] The RTC also did not consider Renato as a purchaser in good faith because the Invitation to Bid was published, which fact should have put him on notice regarding the supposed status of the subject property.[28]

The RTC ruled that PNB failed to observe its own policy granting priority right to the former owners of its acquired assets. The Spouses Bacani should have been allowed to re-acquire the property upon payment of its total loan obligation to PNB in the amount of Php 217,646.50.[29]

PNB appealed to the CA and attributed several errors to the trial court. PNB disagreed that the preference granted to former owners under SEL Circular No. 8-7/89 constitutes a legally demandable right on the part of the Spouses Bacani, which would compel PNB to sell the subject property regardless of the offer of the Spouses Bacani.[30] Again, PNB argued that as the registered owner of the subject property, it has the prerogative to dispose or sell the property in the manner it sees fit. PNB, thus, asserted that the sale to Renato was not fraudulent.[31]

Ruling of the CA

In its Decision[32] dated September 30, 2010, the CA denied PNB's appeal:

> WHEREFORE, the trial court's Decision dated March 1, 2004 is affirmed.
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> SO ORDERED.[33]

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26 Id. at 123.
27 Id. at 121.
28 Id. at 121-122.
29 Id. at 122.
30 Id. at 138-142.
31 Id. at 146-152.
32 Id. at 10-27.
33 Id. at 85.

The CA affirmed the trial court's findings that the sale of the subject property to Renato was fraudulent because the Spouses Bacani were unable to exercise their right to buy back their foreclosed property at the scheduled public bidding.[34] The CA also noted that the Spouses Bacani's time deposit in the amount of USD 12,585.27 on October 2, 1992, which was renewed and increased to USD 13,707.22 as of October 23, 2000, was a clear manifestation of the Spouses Bacani's financial capability and earnest desire to repurchase the subject property.[35] The CA also applied the doctrine on constructive trust as regards Renato's acquisition of title over the subject property, in order to justify its reconveyance to the Spouses Bacani.[36]

PNB, thereafter, moved for the reconsideration of the CA's Decision dated September 30, 2010. Among other things, it alleged that the dollar time deposit account was opened jointly under the names of a certain Pilarita Ruiz and Nellie Bacani. For this reason, the amount deposited in the account should not have been considered by the CA in determining the Spouses Bacani's offer to repurchase the subject property.[37] PNB further maintained that Renato is an innocent purchaser for value because the title over the subject property was already registered with PNB at the time of the sale to Renato.[38]

PNB's motion for reconsideration was denied in the Resolution[39] dated January 5, 2011 of the CA, to wit:

> WHEREFORE, the motion for reconsideration is denied for lack of merit.
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> SO ORDERED.[40]

Following the denial of its motion, PNB appealed to this Court by filing a petition for review on *certiorari* under Rule 45 of the Rules of Court. PNB claims that the decisions of the RTC and the CA deprived it of its right to freely dispose of the subject property, which was rightfully acquired in a foreclosure sale after the Spouses Bacani defaulted on their loan obligation. It also refutes the CA's holding that the cancellation of Renato's title was justified under the doctrine of constructive trust, there being no fraud or misrepresentation on the part of Renato in acquiring said title over the subject property.[41]

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34 Id. at 80.
35 Id. at 83.
36 Id. at 84-85.
37 Id. at 171.
38 Id. at 171-173.
39 Id. at 29-30.
40 Id. at 89.
41 Id. at 34-64.

Ruling of the Court

The Court grants the petition. Both the RTC and the CA gravely erred in relying on PNB SEL Circular No. 8-7/89 to nullify the sale of the subject property.

Upon the expiration of the period to redeem, the Spouses Bacani do not have an enforceable right to repurchase the subject property.

In extrajudicial foreclosures of real estate mortgage, the debtor, his or her successors-in-interest, or any judicial creditor or judgment creditor of said debtor, is granted a period of one (1) year within which to redeem the property.[42] The redemption period is reckoned from the registration of the certificate of sale with the Register of Deeds.[43] When the debtor, or the successors-in-interest as the case may be, fails to redeem the property within the prescribed statutory period, the consolidation of ownership in favor of the purchaser becomes a matter of right. At that point, the purchaser becomes the absolute owner of the property, and may, as a necessary consequence, exercise all the essential attributes of ownership.[44]

The effect of the consolidation of title over a foreclosed property was satisfactorily explained by the Court in *Spouses Marquez v. Spouses Alindog*,[45] as follows:

> **It is thus settled that the buyer in a foreclosure sale becomes the absolute owner of the property purchased if it is not redeemed during the period of one year after the registration of the sale. As such, he is entitled to the possession of the said property and can demand it at any time following the consolidation of ownership in his name and the issuance to him of a new transfer certificate of title.** The buyer can in fact demand possession of the land even during the redemption period except that he has to post a bond in accordance with Section 7 of Act no. 3135, as amended. No such bond is required after the redemption period of the property is not redeemed. Possession of the land then becomes an absolute right of the purchaser as confirmed owner. Upon proper application and proof of title, the issuance of the writ of possession becomes a ministerial duty of the court.[46] (Citation omitted and emphasis Ours)

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42 *Act No. 3135* (AN ACT TO REGULATE THE SALE OF PROPERTY UNDER SPECIAL POWERS INSERTED IN OR ANNEXED TO REAL-ESTATE MORTGAGES), Section 6.

43 *Spouses Estanislao, Jr. v. CA*, 414 Phil. 509, 517-518 (2001).

44 *Spouses Gallent v. Velasquez*, 784 Phil. 44, 58 (2016).

45 725 Phil. 237 (2014).

46 Id. at 248.

In this case, PNB's certificate of sale was registered on October 10, 1986 and one (1) year lapsed from this date without the Spouses Bacani exercising their right to redeem the subject property.[47] Due to the unfortunate failure of the Spouses Bacani to exercise their redemption right, the title of Rodolfo over the subject property was cancelled and TCT No. T-185028 was issued in the name of PNB.[48] At this point, PNB became the absolute owner of the property and Rodolfo, as well as his wife, lost all their rights and interests over it.[49] Verily, PNB not only had the right to its possession, but also all the other rights considered as essential attributes of ownership—including the right to dispose or alienate the subject property.[50]

The Court notes that when the Spouses Bacani made its initial offer to repurchase the subject property on August 26, 1991,[51] almost four (4) years passed since the redemption period expired on October 10, 1987. Thus, by the time the parties started negotiating the Spouses Bacani's reacquisition of the subject property, PNB was already the absolute owner. On this point, Article 428 of the Civil Code explicitly states that:

> **ART. 428**. The owner has the right to enjoy and **dispose** of a thing, **without other limitations than those established by law**.
>
> x x x x (Emphases and underscoring Ours)

Clearly, PNB had full discretion as to the terms and conditions relating to the disposition of the subject property. PNB cannot be compelled to sell the subject property to specific persons without its consent. Neither may the courts enjoin nor nullify the alienation of the property on grounds other than those established by law.[52]

The Spouses Bacani, however, anchored their claim on PNB SEL Circular No. 8-7/89, which embodied the bank's policy of giving priority to former owners in the disposition of its acquired assets. **But when the circular was issued on November 29, 1989, the redemption period has expired and the title over the subject property was already consolidated in favor of PNB as its purchaser during the foreclosure sale**. For this reason, any offer on the part of the Spouses Bacani is merely an offer to *repurchase*, and PNB was not statutorily or contractually bound to accept such offer.

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47 *Spouses Estanislao, Jr. v. CA*, supra note 43.

48 *Rollo*, p. 71.

49 *Spouses Edralin v. Philippine Veterans Bank*, 660 Phil. 368, 380 (2011); *Cf. Medida v. CA*, 284-A Phil. 404, 409-410 (1992).

50 *See Spouses Gallent v. Velasquez*, supra note 44.

51 *Rollo*, p. 114.

52 *See Tayag v. Lacson, et al.*, 470 Phil. 64, 91-92 (2004).

While it was similarly alleged that the Spouses Bacani started negotiating with PNB for the reacquisition of the property as early as 1988, or before the issuance of PNB's certificate of title,[53] it remains undisputed that they failed to redeem the property within the prescribed period for redemption. Consequently, the Spouses Bacani were divested of their rights over the subject property. The subsequent issuance of a final deed of sale to PNB merely confirmed the title that was earlier vested in the bank.[54]

Since it is undisputed that the Spouses Bacani failed to exercise their right of redemption within the prescribed period, the Court cannot uphold their assertion that PNB's policy of preference should allow them to repurchase the property unconditionally. The Court's ruling in *GE Money Bank, Inc. v. Spouses Dizon*[55] is instructive on this matter:

> The right to redeem of the Spouses Dizon already expired on October 18, 1994. **Thereafter, their offer should aptly be termed as a repurchase, not redemption. The Bank is not bound by the bid price, at the very least, and has the discretion to even set a higher price**. As We explained:
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> > The right to redeem becomes *functus officio* on the date of its expiry, and its exercise after the period is not really one of redemption but a repurchase. Distinction must be made because redemption is by force of law; the purchaser at public auction is bound to accept redemption. Repurchase, however, of foreclosed property, after redemption period, imposes no such obligation. After expiry, the purchaser may or may not re-sell the property but no law will compel him to do so. **And, he is not bound by the bid price; it is entirely within his discretion to set a higher price, for after all, the property already belongs to him as owner**.[56] (Emphases Ours)

In any case, the issuance of PNB SEL Circular No. 8-7/89 does not automatically entitle the Spouses Bacani to repurchase the subject property. The circular was an internal memorandum intended for the information of bank employees and personnel. It was addressed to the heads of PNB's offices and branches, to guide them in the disposal and alienation of the bank's acquired assets. **Thus, as an internal bank policy, the Spouses Bacani do not have a legally enforceable right to be prioritized over all other buyers of the subject property.**

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53 *Rollo*, p. 114.

54 *Spouses Edralin v. Philippine Veterans Bank*, supra note 49, citing *Calacala, v. Republic of the Philippines*, 502 Phil. 681, 691 (2005).

55 756 Phil. 502 (2015).

56 Id. at 507-508. *See* also *Vda. De Urbano v. Government Service Insurance System*, 419 Phil. 948, 961-962 (2001); *Spouses Natino v. Intermediate Appellate Court, et al.*, 274 Phil. 602, 610 (1991).

The Court has recognized in *Pantaleon v. American Express International, Inc.*[57] that a practice or custom is generally not a source of a legally demandable or enforceable right. Similarly, the Spouses Bacani cannot enforce PNB's internal bank circular, absent any law prioritizing former owners of foreclosed properties in its subsequent sale or disposition. If the Court were to rule otherwise, an absolute owner would be unjustly deprived of the right to freely dispose or alienate the property.

Even if the Court considers the bank circular as a binding obligation on the part of PNB to prioritize the former owners of its acquired assets, the circular provides several terms and conditions before former owners are able to repurchase their foreclosed properties. The circular pertinently states:

> For your information and guidance, Board Resolution No. 43 of September 19, 1989 approved an amendment to the present policy on disposition of acquired assets by giving priority to former owners or their heirs to acquire their foreclosed assets on negotiated basis without public bidding, subject to the following conditions.
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> 1. **Selling price of assets shall be based on total Bank's claim or fair market value, whichever is higher**.
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> 1.a Bank's claim shall be computed at prime rate in effect on the date of Management recommendation, including penalties, out-of-pocket expenses and attorney's fees;
>
> 1.b The maximum market value shall be used as determined by Bank's appraisers in case of properties valued at no more than ₱1 Million and for properties valued at more than ₱1 Million, maximum market value as quoted by Bank's appraisers or independent appraisers, whichever is higher;
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> 2. **Cash sale shall be preferred**;
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> 3. In case of installment sales, the downpayment should at least be 30% and the recommendation of the Bank must be guided by the same prudent consideration as would govern the extension of credit accommodations, such as financial capacity to pay, primary and secondary source of payments, etc.;
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> 4. The property subject of repurchase must be actually occupied as permanent residence and/or intended to be used as residence by the former owner (if owner has been ejected by the Bank);
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> 5. The estimated current market value of the acquired assets does not exceed P5,000,000.00;
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> 6. The property is not the subject of any court case involving third parties other than the Bank and the former owners; and

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57 643 Phil. 488 (2010).

> 7. **The former owners or their heirs shall exercise their right to repurchase their properties within ninety (90) days from receipt of notice from the Bank.**
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> All existing rules, regulations, practices and policies on the sale and disposition of acquired assets not in conflict herein shall remain in full force and effect.[58] (Emphases Ours)

In this case, the Spouses Bacani's initial offer on August 26, 1991 was Php 150,000.00, but the outstanding loan balance was Php 170,670.56.[59] The Spouses Bacani increased their offer to Php 220,000.00, and in 1992, to Php 300,000.00 (Php 200,000.00 in cash and Php 100,000.00 by installment payments). But PNB's total claim was computed at Php 210,708.12 as of April 30, 1991, and Php 217,646.50 as of November 4, 1991.[60] The subject property's fair market value was also appraised at Php 395,520.00 in 1992, and at Php 494,400.00 in 1993.[61]

In view of these undisputed facts, the Spouses Bacani were clearly unable to fulfill the very first condition of PNB SEL Circular No. 8-7/89. The offer was lower than either the total claim of PNB, or the fair market value of the property. PNB duly communicated the rejection of their offer, including the grounds for the rejection, in several letters sent and received by the Spouses Bacani.[62]

In these lights, **the Spouses Bacani cannot insist on repurchasing the subject property without complying with the requirements in the bank circular that the Spouses Bacani themselves repeatedly invoked**. PNB was not obliged to accept the proposal of the Spouses Bacani simply by virtue of their status as former owners, especially since they failed to observe the requirements under the bank circular. PNB was therefore justified in declining these offers to repurchase.

The CA relied on the supposed time deposit account of the Spouses Bacani with PNB, which contained the sum of USD 12,585.27 as of October 2, 1992. The deposit was allegedly renewed and increased to USD 13,707.22 as of October 23, 2000. According to the CA, PNB should have considered this deposit as a manifestation of the Spouses Bacani's willingness and ability to pay for the reacquisition of the subject property.[63]

However, the fact that the Spouses Bacani maintained a time deposit account with PNB does not change the conclusion of this Court.

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58 *Rollo*, pp. 175-176.
59 Id. at 53.
60 Id. at 72, 114.
61 Id. at 53, 75.
62 Id. at 75.
63 Id. at 83-84.

Bank deposits are in the nature of a simple loan or *mutuum*, which must be paid upon demand by the depositor.[64] As such, the deposit of whatever amount to PNB creates a debtor-creditor relationship between the bank and the depositor. PNB, as the recipient of the deposit, is duty-bound to pay or release the amount deposited whenever the depositor so requires.[65]

By the very nature of the deposit, PNB could not have assumed that the Spouses Bacani's alleged time deposit account was meant as an option money intended to secure the privilege of buying the subject property within a given period of time, especially since there was no option contract between them.[66] Neither may PNB consider the deposit as a down payment on the price of the subject property because there was no perfected contract of sale.

Evidently, as far as PNB was concerned, it cannot use the money in the time deposit to satisfy the purchase price for the subject property, without violating its obligation to return the amount upon the demand of the depositors. **In other words, the time deposit with PNB did not create a contract of sale, or at the very least, an option contract, between PNB and the Spouses Bacani.**

Furthermore, considering that the reacquisition of the subject property involves a contract, there should be a meeting of the minds as to its terms and conditions. When the offer is not accepted by either party, the contract is not perfected and there is no binding juridical relation between the parties.[67] The Spouses Bacani, therefore, cannot demand to repurchase the property, in the absence of PNB's consent to the offer. **At most, the PNB circular grants a privilege to the Spouses Bacani as the former owners, to be given priority in the disposition of the subject property. It does not confer an enforceable and absolute right to reacquire the property, to the prejudice of PNB as the absolute owner.**

Neither does the publication of the Invitation to Bid constitute a binding obligation on the part of PNB to sell the subject property to the Spouses Bacani.

With respect to the allegation of fraud, it is settled that fraud is never presumed—it must be proven by clear and convincing evidence.[68] In this case, the Spouses Bacani were unable to establish that PNB and Renato committed fraud in the disposition of the subject property. There was no

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64 *The Metropolitan Bank and Trust Co. v. Rosales, et al.*, 724 Phil. 66, 68 (2014).

65 *BPI Family Bank v. Franco*, 563 Phil. 495, 507-508 (2007).

66 *See Adelfa Properties, Inc. v. CA*, 310 Phil. 623, 642 (1995).

67 *Heirs of Fausto C. Ignacio v. Home Bankers Savings and Trust Company, et al.*, 702 Phil. 109, 126 (2013); CIVIL CODE OF THE PHILIPPINES, Article 1318.

68 *Spouses Galang v. Spouses Reyes*, 692 Phil. 652, 664 (2012).

showing that PNB assured the sale of the subject property to the Spouses Bacani during the auction. As a matter of fact, the Spouses Bacani did not even attend the scheduled auction sale to make an offer on the subject property.[69]

The publication of the Invitation to Bid, which included the subject property, was not a binding obligation on the part of PNB. Article 1326 of the Civil Code clearly provides that:

> **ART. 1326**. Advertisements for bidders are **simply invitations** to make proposals, and the advertiser is **not bound** to accept the highest or lowest bidder, unless the contrary appears. (Emphases Ours)

Thus, the fact that the Invitation to Bid was published cannot bind PNB to any offer from any party. PNB merely notified interested parties to submit their proposals for the purchase of the subject property, which PNB may either accept or reject as the absolute owner thereof. In the same manner, the published bidding schedule was not an offer from PNB, notice and acceptance of which would compel the bank to sell the subject property to such party.

There being no guarantee that the highest or lowest bid was entitled to purchase the property, the Spouses Bacani cannot rely on the publication of the Invitation to Bid to support their claim of fraud.

Ultimately, the Spouses Bacani do not have a cause of action, especially following the consolidation of the subject property's title in favor of PNB. At the time of the sale to Renato, PNB was the absolute owner of the subject property. It had the right to dispose or alienate the property, notwithstanding the intention of the Spouses Bacani to repurchase it. Accordingly, the sale to Renato was valid. The complaint for the annulment of said sale, as well as the annulment of Renato's title over the subject property, must be dismissed.

WHEREFORE, the present petition is **GRANTED**. The Decision dated September 30, 2010 and Resolution dated January 5, 2011 of the Court of Appeals in CA-G.R. CV No. 82923 are **REVERSED** and **SET ASIDE**. The complaint for the annulment of sale and title is **DISMISSED**.

No costs.

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69 *Rollo*, pp. 148-149.

SO ORDERED.

ANDRES B. REYES, JR.
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Senior Associate Justice
Chairperson

MARIANO C. DEL CASTILLO
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. No. 296
The Judiciary Act of 1948,
as amended)