



Republic of the Philippines
 Supreme Court
 Manila

SECOND DIVISION

HOME DEVELOPMENT MUTUAL G.R. No. 210582
 FUND (HDMF),

Petitioner, Present:

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

- versus -

EULOGIA N. CATAQUIZ AND
 MANUEL P. CATAQUIZ,
Respondents.

Promulgated:
 29 JUL 2020

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RESOLUTION

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*¹ pursuant to Rule 45 of the Rules of Court filed by Home Development Mutual Fund (HDMF) seeking to reverse and set aside the Decision² dated July 4, 2013 and the Resolution³ dated December 12, 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 01967-MIN which affirmed with modification the Decision⁴ dated June 27, 2006 of Branch 14 of the Regional Trial Court (RTC) of Davao City.

¹ *Rollo*, pp. 24-60.

² *Id.* at 64-74; penned by Associate Justice Marie Christine Azcarraga-Jacob with Associate Justices Edgardo T. Lloren and Edward B. Contreras, concurring.

³ *Id.* at 76-77; penned by Associate Justice Marie Christine Azcarraga-Jacob with Associate Justices Edgardo T. Lloren and Edward B. Contreras, concurring.

⁴ *Id.* at 78-84; penned by Justice William M. Layague.

The Antecedents

On January 19, 1998, Rudy N. Cataquiz (Rudy) undertook a sales agreement and a construction contract with Francisco M. Soriano Co. Inc., (FMSCI) for the purchase of a lot consisting of 100 square meters located at Lot 11, Block 16, Phase II, Well-Spring Village, Catalunan Pequeño, Davao City in the amount of ₱70,000.00, and for the construction of a house thereon in the amount of ₱190,000.00.⁵

FMSCI is an HDMF-accredited developer of Well-Spring Village.⁶ Thus, to finance the acquisition of the lot and the construction of the house, Rudy applied for a housing loan with HDMF and designated FMSCI as the beneficiary of the loan proceeds.⁷ On March 12, 1998, HDMF issued a Notice of Approval/Letter of Guaranty to Rudy in the amount of ₱180,000.00.⁸

On March 14, 1998, Rudy entered into a Loan and Mortgage Agreement with HDMF for ₱188,500.00 for his lot purchase and house construction. The mortgage was annotated in Transfer Certificate-of Title (TCT) No. T-296838 issued in the name of Rudy.⁹

On March 26, 1998, the construction of the house was completed which Rudy thereafter accepted. Several days later, or on April 19, 1998, Rudy died.¹⁰

As the only surviving heirs of Rudy, who are his parents, respondents Eulogia N. Cataquiz and Manuel P. Cataquiz (Spouses Cataquiz) requested for the release of the title over the subject property in their favor. However, HDMF refused on account of Rudy's failure to accept the loan during his lifetime.¹¹

Aggrieved, Spouses Cataquiz filed a complaint for specific performance and damages to compel HDMF and FMSCI to turn over to them the title and possession of the subject property.¹²

⁵ *Id.* at 65-66.

⁶ *Id.* at 65.

⁷ *Id.* at 66.

⁸ *Id.* at 81.

⁹ *Id.* at 66.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

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HDMF countered that the housing loan was not included in the loan accounts taken out on April 23, 1998 because of Rudy's failure to submit the required documents on time and his untimely demise on April 19, 1998.¹³ It argued that, as a consequence, the loan was not covered by Mortgage Redemption Insurance (MRI) so that Spouses Cataquiz' claim for insurance proceeds including the member's death benefit could not be processed. It further contended that ownership and possession over the subject house and lot remained with FMSCI; hence, there is nothing for it to turn over to Spouses Cataquiz.¹⁴

On the other hand, FMSCI ratiocinated that the Mortgage Redemption Insurance Settlement of Rudy could not be processed since the latter's housing loan was not included among those that were taken out on April 23, 1998 because of Rudy's death on April 19, 1998.¹⁵ It argued that for want of consideration in view of the non-release of the proceeds of the loan, the Sales Agreement and the Deed of Sale, together with the Deed of Assignment with Special Power of Attorney executed by Rudy in favor of FMSCI should be deemed as null and void.¹⁶

Ruling of the RTC

On June 27, 2006, Branch 14, RTC, Davao City rendered a Decision.¹⁷ The dispositive portion of which is cited herein, to wit:

IN VIEW WHEREOF, judgment is hereby rendered for the plaintiffs and against the defendants, ordering:

1. Defendant HDMF to pay the plaintiffs the amount due as death benefits of their son, Rudy N. Cataquiz;
2. Defendant HDMF to turn over to the plaintiffs Transfer Certificate of Title No. T-296838, to cause the cancellation of the mortgage and to consider the loan obligation of Rudy N. Cataquiz as fully paid and extinguished by reason of his death;
3. Defendant FMSCI to turn over the possession of Lot No. 11, Block 16, Phase II, Well-Spring Village, Catalunan Pequeño, Davao City and the house constructed thereon to the plaintiffs; and

¹³ *Id.* at 67.

¹⁴ *Id.* at 82.

¹⁵ *Id.* at 80.

¹⁶ *Id.* at 80-81.

¹⁷ *Id.* at 78-84.

4. Both defendants, jointly and severally, to pay attorney's fees in the amount of THIRTY THOUSAND (P30,000.00) PESOS and to pay the costs.

The cross-claims of defendant FMSCI against defendant HDMF cannot be granted for lack of factual and legal basis.

SO ORDERED.¹⁸

The RTC ruled that the legal problem which gave rise to the case was entirely due to the fault of HDMF for its failure to include the loan of Rudy in the list of loans for take out on April 23, 1998 despite Rudy's timely submission of the documentary requirements. In the same manner, it found FMSCI liable since it acted in bad faith when it caused the withdrawal of Rudy's loan application and the cancellation of the mortgage which the latter executed during his lifetime. It also declared FMSCI as negligent for its failure to follow-up on Rudy's loan application considering that, as a subdivision developer, it directly transacts with HDMF.

Ruling of the CA

On appeal, the CA ruled as follows:

WHEREFORE, the instant appeal is hereby DISMISSED for lack of merit. Accordingly, the *Decision dated 27 June 2006* of the RTC, Branch 14, Davao City, 11th Judicial Region, in *Civil Case No. 27,050-99*, is hereby AFFIRMED with MODIFICATION that plaintiffs-appellees Spouses Eulogia N. Cataquiz and Manuel P. Cataquiz are hereby DIRECTED to pay to the Home Development Mutual Fund (HDMF) the cost of the premium for coverage of the subject loan under the Mortgage Redemption Insurance.

SO ORDERED.¹⁹

The CA affirmed the findings of the RTC as it would not countenance HDMF's invocation of a mere technicality to renege on its obligation to Rudy. It equally shared the view of the RTC that Rudy, during his lifetime, complied with and performed all the requirements of FMSCI and HDMF; that he had, in fact, already been issued a notice of approval of his loan by HDMF; and that he had even accepted the fully

¹⁸ *Id.* at 84.

¹⁹ *Id.* at 74.

constructed house from FMSCI.²⁰ According to the CA, to subscribe to HDMF's position that its denial was by reason of Rudy's death, which occurred prior to the lapse of the 15-day period allotted for the release of the loan, despite the timely submission of the documentary requirements, would be iniquitous as the inaction could not be attributable to the deceased person.²¹

With regard to the theory of HDMF that the loan was not covered by the MRI since the premium should be taken from the loan proceeds, the CA cited the *Serrano v. CA, et al.*²² (*Serrano*) case which allowed the refund or payment of the unpaid premium by the heirs of the borrower in the event that the premium corresponding to the amount to be deducted from the first release of the loan was not paid by the deceased borrower.²³

HDMF moved to reconsider the Decision, but the CA denied it in a Resolution²⁴ dated December 12, 2013.

Aggrieved by the CA's Decision, HDMF elevated the case to the Court *via* a Petition for Review on *Certiorari* and questions the CA's order upon the Spouses Cataquiz to pay insurance premiums to give effect to the MRI, when the reckoning period for MRI coverage is the loan takeout date and not the receipt of the notice of approval.²⁵ Moreover, HDMF highlights that, as a consequence of the death of Rudy before the release of the loan proceeds, the loan approval was cancelled which disqualified him from enrollment in the insurance pool considering that he was not a mortgagor in the real sense, having no outstanding liability yet to pay.²⁶ It further asserts that its obligation to release the loan proceeds was subject to a suspensive period expressly stated in the Notice of Approval/Letter of Guaranty and that it was not negligent nor at fault in the performance of its duty.²⁷

²⁰ *Id.* at 71.

²¹ *Id.* at 72-73.

²² 215 Phil. 292 (1984).

²³ *Rollo*, p. 73.

²⁴ *Id.* at 75-77.

²⁵ *Id.* at 77.

²⁶ *Id.*

²⁷ *Id.*

Our Ruling

The petition is without merit. The Court finds no reversible error on the part of the CA which would merit the exercise of discretionary appellate jurisdiction.

It is worth noting that the execution of the Loan and Mortgage Agreement between Rudy and HDMF was signed before Notary Public Francis Arnold de Vera on March 14, 1998 or more than a month before Rudy's death. The Loan and Mortgage Agreement was even annotated on TCT No. T-296838 on March 17, 1998, or three days after the execution of the aforementioned Agreement. Paragraph 2 of the Notice of Approval/Letter of Guaranty even required the submission of the Loan and Mortgage Agreement duly stamped by the Register of Deeds, the TCT, and Tax Declaration registered in the name of Rudy, among others, pursuant to the loan approval²⁸ which Rudy complied with. The MRI, being a compulsory part of the Loan and Mortgage Agreement, was in effect, already binding between Rudy and HDMF. Initial premium payment for MRI was even deducted beforehand in the computation of the loan amount.²⁹ Indeed, upon issuance of a Notice of Approval/Letter of Guaranty, the Loan and Mortgage Agreement between HDMF and the borrower takes effect, including its provisions on MRI coverage.

As correctly found by the CA, the lapse or completion of the 15-day period allotted to HDMF is not a requisite for the release of the loan proceeds.³⁰ The release of the loan proceeds is a duty imposed upon HDMF and not on the borrower, the performance of which is solely dependent on HDMF on account of Rudy's faithful and timely submission of the required documents before his untimely demise. Both the RTC and the CA similarly found HDMF and FMSCI negligent in the performance of their duties under the agreement, a factual determination which is beyond the ambit of the Court. Considering that a loan is a reciprocal obligation wherein the performance of the obligation of one party is dependent upon the performance of the obligation of the other,³¹ the Court sees no reason to depart from this principle, especially when a perfected consensual contract to grant the loan was already executed,

²⁸ *Id.* at 41.

²⁹ *Id.* at 124.

³⁰ *Id.* at 72.

³¹ *Sps. Ong, et al. v. BPI Family Savings Bank, Inc.*, 824 Phil. 439, 446 (2018), citing *IV Tolentino, The Civil Code of the Philippines*, p. 175 (1999).

and the borrower had complied with his part of the obligation through the submission of the necessary documents.

Incidentally, even HDMF Circular Nos. 247-09,³² 312-12,³³ 379-17,³⁴ and Pag-IBIG Fund Circular No. 403³⁵ recognize that it is not the release of the loan proceeds which determines the effectivity of MRI coverage as the issuances contain a common provision on MRI Interim Coverage which states that there is MRI Interim Coverage which shall take effect on the date of the issuance of the Notice of Approval/Letter of Guaranty by the Pag-IBIG Fund. The issuances are in line with the ruling of the Court in *Serrano* wherein the Court held that the MRI device is not only for the protection of the System (the SSS in that case), in the event of the unexpected demise of the mortgagor during the subsistence of the mortgage contract, since the proceeds from such insurance will be applied to the payment of the mortgage debt, thereby insuring the payment to itself of the loan with the insurance proceeds.³⁶ It is also for the benefit of the mortgagor so that in the event of his death, the mortgage obligation will be extinguished by the application of the insurance proceeds to the mortgage indebtedness.³⁷

Veritably, to deny herein Spouses Cataquiz of the benefit of the MRI coverage would run counter to the very rationale of the insurance scheme. In the same manner, the creation of the Pag-IBIG Fund was pursuant to the state's policy of motivating the employed and other earning groups to better plan and provide for their housing needs as a social justice tool, with the end of improving their quality of life through sufficient shelter and housing through mobilization of funds for shelter finance.³⁸ *Serrano* even outlined a remedy in case the premium corresponding to the amount to be deducted from the first release of the loan was not paid: payment of the unpaid premium by the heirs of the borrower.

³² Guidelines on the Pag-IBIG Fund End-User Home Financing Program, HDMF Circular No. 247-09, April 15, 2009.

³³ Guidelines on the Pag-IBIG Fund Affordable Housing Program, HDMF Circular No. 312-12, July 2, 2012.

³⁴ Amended Guidelines on the Pag-IBIG Fund Affordable Housing Program, HDMF Circular No. 379-17, May 16, 2017.

³⁵ Modified Guidelines on the Pag-ibig Fund Affordable Housing Program, Pag-IBIG Fund Circular No. 403, May 23, 2018.

³⁶ *Serrano v. CA, et al.*, *supra* note 22 at 299.


³⁷ *Id.*

³⁸ Sections 2 and 3 of Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009 otherwise known as the Pag-IBIG Fund, passed by the Congress on June 1, 2009.

Hence, the Court sees no cogent reason to deviate from the findings of both the RTC and the CA.

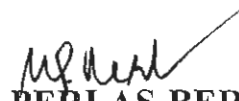
WHEREFORE, the petition is **DENIED**. The Decision dated July 4, 2013 and the Resolution dated December 12, 2013 of the Court of Appeals in CA-G.R. CV No. 01967-MIN are hereby **AFFIRMED**.

SO ORDERED.



HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:



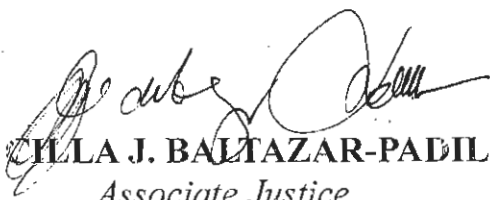
ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson



RAMON PAUL L. FERNANDO
Associate Justice



EDGARDO L. DELOS SANTOS
Associate Justice



PRISCILLA J. BALTAZAR-PADILLA
Associate Justice



ATTESTATION

I attest that the conclusions in the above Resolution 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, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


DIOSDADO M. PERALTA*Chief Justice*
