



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

BANK OF THE PHILIPPINE ISLANDS,

G.R. No. 243396

Petitioner,

— versus —

LCL CAPITAL, INC.,

Respondent.

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LCL CAPITAL, INC.,

G.R. No. 243409

Petitioner,

— versus —

Present:

BANK OF THE PHILIPPINE ISLANDS,

GESMUNDO, C.J., Chairperson,

CAGUIOA,

LAZARO-JAVIER,

LOPEZ, M.,

LOPEZ, J.Y., JJ.

Respondent.

Promulgated:

SEP 14 2021

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DECISION

LOPEZ, M., J.:

The correct computation of the redemption price and the applicable interest rate are the core issues in these consolidated petitions for review on *certiorari* assailing the Decision¹ dated May 17, 2018 of the Court of Appeals (CA) in CA-G.R. SP No. 152018.

¹ *Rollo*, G.R. No. 243396, pp. 29-38. Penned by Associate Justice Danton Q. Bueser, with the concurrence of Associate Justices Mariflor P. Punzanlan Castillo and Henri Jean Paul B. Inting.

ANTECEDENTS

In 1997, LCL Capital, Inc. (LCL) obtained a loan from Far East Bank & Trust Co. (FEBTC) in the amount of ₱3,000,000.00 subject to 17% interest *per annum*. As security, LCL executed a deed of Real Estate Mortgage over its two condominium units. In 2000, the Bank of the Philippine Islands (BPI) merged with FEBTC. As the surviving corporation, BPI absorbed FEBTC's assets and liabilities. When LCL failed to pay the indebtedness including interests and penalties, BPI applied for extrajudicial foreclosure of the real estate mortgage before the Office of the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court of Pasig City. At the public auction sale, BPI emerged as the highest bidder and was issued a Certificate of Sale on May 21, 2003. After almost two months, or on July 11, 2003, BPI executed an Affidavit of Consolidation of ownership over the foreclosed condominium units. Consequently, new condominium certificates of title were issued in favor of BPI.²

Aggrieved, LCL filed an action against BPI for the annulment of the certificates of title before the Regional Trial Court of Pasig City, Branch 161 (RTC), docketed as Civil Case No. 69591. Mainly, LCL alleged that the consolidation of ownership is premature having been made before the lapse of the redemption period.³ In a Decision⁴ dated November 14, 2008, the RTC declared the consolidation void and directed the Register of Deeds of Pasig City to reinstate the certificates of title of LCL subject to the exercise of its right of redemption, thus:

All told, the consolidations of plaintiff condominium certificate of titles no. PT-21671 and PT-21672 in the name of defendant BPI was in violation of plaintiff's rights under the real estate mortgage executed by the parties and Act 3135 as amended and is accordingly void.

WHEREFORE, premises considered[,] the Court finds in favor of the plaintiff LCL CAPITAL, INC. and against defendant Bank of the Philippine Island[s] to wit:

1. The consolidation of the condominium certificate of title (CCT) nos. PT-21671 and PT21672 in the name of defendant [B]ank of the Philippine Island[s] is hereby set aside and the defendant Register of Deeds is ordered to reinstate said CCT's in plaintiff LCL Capital, Inc.[']s name subject to its exercise of its right of redemption within a period of one year, reckoned from the date of the finality of this decision;

2. Defendant Bank of the Philippine Island[s] is directed to comply with the last paragraph of the sheriff's sale for the purpose of informing plaintiff the actual amount it should pay to redeem its property.

3. No pronouncement as to cost.

SO ORDERED.⁵ (Emphasis supplied.)

² Id. at 29-31.

³ Id., G.R. No. 243409, p. 36.

⁴ Id. at 36-39. Penned by Presiding Judge Nicanor A. Manalo, Jr.

⁵ Id. at 38.

BPI elevated the case to the CA. Subsequently, BPI moved to withdraw the appeal. On April 4, 2014, the CA granted the motion and considered the case closed and terminated. The CA likewise issued an entry of judgment stating that the November 14, 2008 RTC Decision is already final and executory.⁶ Later, LCL asked the RTC to determine the cost of redemption. In its comment, BPI manifested that the redemption amount as of March 15, 2015 is ₱9,339,362.93.⁷ In its Order⁸ dated January 27, 2017, the RTC computed the redemption price at ₱2,513,583.15. The RTC applied the interest rate of 6% *per annum* and excluded the real estate taxes that BPI paid, *viz.* :

Going into the merits of the plaintiff's Manifestation and Motion vis-a-vis the position of the defendant BPI, it appears that the bid price of defendant BPI in the auction sale inclusive of all foreclosure expenses is in the amount of Php2,380,287.07. The total amount due as of the date of the finality of the decision on April 4, 2014 is in the amount of Php2,380,287.07 with legal interest of 6% counted from the redemption period of one (1) year. The legal interest after the period of one (1) year is Php133,296.08. **Thus, the total redemption price is Php2,513,583.15[.]**

Inasmuch as the defendant bank's consolidation of ownership of the two (2) properties of plaintiff has been declared void, all expenses relative to **the real estate taxes and other incidental expenses thereto shall be at the expense of the defendant bank as it is the very cause why the instant case was filed and the consolidation declared void.**

To make the plaintiff pay for the real estate taxes, other taxes and incidental expenses will be putting a premium for the void act of consolidation.

x x x x

Accordingly, plaintiff LCL Capital, Inc., is directed to pay defendant Bank of the Philippine Island[s] the amount of Php2,513,583.15 within fifteen (15) days from receipt of this order and the latter is directed to accept the same.

SO ORDERED.⁹ (Emphases supplied.)

BPI sought reconsideration claiming that the redemption price as of March 10, 2017 was already ₱11,656,636.81 applying the stipulated interest rate of 17% *per annum*.¹⁰ On May 25, 2017, the RTC denied the motion.¹¹ Dissatisfied, BPI elevated the case to the CA through a petition for *certiorari* docketed as CA-G.R. SP No. 152018. BPI argued that the RTC committed grave abuse of discretion in computing the interest rate at 6% instead of the 17% *per annum*, and in excluding the real estate taxes.¹²

On May 17, 2018, the CA partly granted the petition. The CA held that the valuation of the redemption price when the creditor-mortgagee is a banking

⁶ *Id.*, G.R. No. 243396, p. 13.

⁷ *Id.* at 32.

⁸ *Id.*, G.R. No. 243409, at 40-41.

⁹ *Id.*

¹⁰ *Id.* at 25 and 52.

¹¹ *Id.* at 25.

¹² *Id.*

institution shall be governed by Section 78 of Republic Act No. 337 or the "General Banking Act." The law provides that in the event of extrajudicial foreclosure of any mortgage on real estate that is used as security for an obligation to any bank, banking institution, or credit institution, the mortgagor can redeem the property by paying the amount due under the mortgage deed with interest thereon at the rate specified in the mortgage. As such, the RTC should have imposed the stipulated interest rate of 17% *per annum*. Accordingly, the CA remanded the case for recomputation of the cost of redemption. Nonetheless, the CA affirmed the exclusion of the real estate taxes from the redemption price. The CA cited the case of *Sps. Guevarra v. The Commoner Lending Corporation, Inc.*¹³ and ruled that the liability to reimburse realty taxes arises only when the mortgagor failed to redeem the foreclosed property within one year from registration of the certificate of sale. However, BPI deprived LCL of its right of redemption considering the premature consolidation of ownership,¹⁴ to wit:

Concomitant to the foregoing discussion, **it is indubitable that the interest rate of 6% which was imposed by the trial court when it determined the redemption price is without basis.** Considering that the promissory note executed by LCL specified that the agreed interest rate to be applied in the obtained mortgage is at 17% per annum, the trial court should have adopted such rate, pursuant to the mandate of the General Banking Act.

Nevertheless, the trial court's decision to include the amount representing the foreclosure expenses and **exclude the expenses related to real estate taxes, in determining the redemption price is within the ambit of the law.** As it is, in addition to the principal amount and the interest, the redemption price should also include all expenses of foreclosure, *i.e.* Sheriff's Fee, Publication Fee, Judicial Commission Fee. **However, the liability to reimburse the corresponding taxes arises only when the mortgagor fails to redeem the subject property within the reglementary redemption period.** Here, since it has been settled with finality that BPI failed to afford LCL with its statutory right of redemption when it consolidated the titles of the foreclosed properties before the end of the redemption period, it should be held accountable to pay the expenses pertaining to the real estate taxes. x x x:

x x x x

FOR THESE REASONS, the petition is PARTLY GRANTED. The case is REMANDED to the Regional Trial Court of Pasig City[,] Branch 161 for the RECOMPUTATION of the repurchase price of the subject foreclosed properties of LCL Capital, Inc., in accordance with Section 78 of the General Banking Act, but excluding the expenses related to real estate taxes.

SO ORDERED.¹⁵ (Emphases supplied.)

Both parties sought partial reconsideration. BPI maintained that the real estate taxes must be included in the computation of the redemption price while LCL insisted that the applicable interest rate should be 6% and not the stipulated 17% *per annum*. In due course, the CA, on November 27, 2018, denied the

¹³ 754 Phil. 292 (2015).

¹⁴ *Rollo*, G.R. No. 243396, 34-38.

¹⁵ *Id.* at 36-38.

motions for lack of merit.¹⁶ Undaunted, BPI and LCL separately filed their petitions for review on *certiorari* under Rule 45 docketed as S.C. G.R. No. 243396¹⁷ and G.R. No. 243409,¹⁸ respectively. BPI contends that LCL must reimburse the realty taxes as part of the redemption price because it retained possession of the foreclosed properties.¹⁹ On the other hand, LCL argues that the CA can no longer remand the case for recomputation of the redemption price lest it will violate the immutability of the RTC's final judgment which declared void the consolidation of ownership.²⁰ On February 6, 2019, the Court consolidated the petitions.²¹

RULING

All the issues between the parties are deemed resolved and laid to rest once a judgment becomes final.²² No other action can be taken on the decision²³ except to order its execution.²⁴ The courts cannot modify the judgment to correct perceived errors of law or fact.²⁵ Public policy and sound practice dictate that every litigation must come to an end at the risk of occasional errors.²⁶ This is the doctrine of immutability of a final judgment. Here, it is undisputed that the RTC Decision²⁷ dated November 14, 2008 in Civil Case No. 69591, declaring void the consolidation of the condominium certificates of title in BPI's name and directing the Register of Deeds of Pasig City to reinstate the certificates of title of LCL subject to the exercise of its right of redemption, already lapsed into finality.

Contrary to LCL's theory, the recomputation of the redemption price will not violate the doctrine of immutability of a final judgment. Suffice it to say that the RTC Decision dated November 14, 2008, did not mention the actual amount of the redemption price. The computation of the redemption price was discussed only in the RTC Order²⁸ dated January 27, 2017 and the CA Decision²⁹ dated May 17, 2018 in CA-G.R. SP No. 152018. Notably, the CA and the RTC both agreed that the redemption price shall be comprised of the bid price and the foreclosure expenses in the total amount of ₱2,380,287.07 excluding the real estate taxes. However, the CA and the RTC have conflicting findings as to the applicable interest rate. Differently stated, there is no final determination yet on the correct computation of the redemption price. Indeed, the exclusion of the real estate taxes from the computation of the redemption price and the proper interest rate are the core issues raised in these consolidated cases.

¹⁶ Id. at 40-43.

¹⁷ Id. at 9-21.

¹⁸ Id. at 7-19.

¹⁹ Id., G.R. No. 243396, at 18-19.

²⁰ Id., G.R. No. 243409, at 11-17.

²¹ Id., G.R. No. 243396, at 44-45.

²² *Ang v. Dr. Grageda*, 523 Phil. 830, 847 (2006).

²³ *Natalia Realty, Inc. v. Judge Rivera*, 509 Phil. 178, 186 (2005).

²⁴ *Times Transit Credit Coop., Inc. v. NLRC*, 363 Phil. 386, 392 (1999).

²⁵ *Alba Patio de Makati v. NLRC*, 278 Phil. 370, 376 (1991).

²⁶ *Paramount Insurance Corporation v. Judge Japzon*, 286 Phil. 1048, 1056 (1992).

²⁷ *Rollo*, G.R. No. 243409, pp. 36-39.

²⁸ Id. at 40-41.

²⁹ Id., G.R. No. 243396, at 29-38.

On the correct computation of the redemption price, the Court had ruled that Section 78 of Republic Act (RA) No. 337 or the “General Banking Act,” as amended, (now Section 47 of RA No. 8791 or the “General Banking Law of 2000”) shall govern in cases where the mortgagee is a bank, and not the Rules of Court in relation to Section 6 of Act No. 3135,³⁰ as amended by Act No. 4118.³¹ In *Ponce de Leon v. Rehabilitation Finance Corp.*,³² the Court explained that Section 78 of RA No. 337 had the effect of amending Section 6³³ of Act No. 3135 insofar as the redemption price is concerned when the mortgagee is a bank, or a banking or credit institution. The conflict between the two laws must be resolved in favor of RA No. 337 for being a special and subsequent legislation. The ruling was cited and applied in the cases of *Sy v. Court of Appeals*,³⁴ *Union Bank of the Phils. v. Court of Appeals*,³⁵ *Allied Banking Corporation v. Mateo*,³⁶ and *GE Money Bank, Inc. v. Sps. Dizon*.³⁷

In this case, the mortgagee BPI is a banking institution. Hence, Section 78 of RA No. 337, as further amended by Presidential Decree No. 1828³⁸ the effective law at the time the contract of loan and the deed of real estate mortgage were executed in 1997, shall govern in computing the redemption price for the foreclosed properties, viz.:

SEC. 78. x x x. In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan granted before the passage of this Act or under the provisions of this Act, the mortgagor or debtor whose real property has been sold at public auction, judicially or extrajudicially, for the full or partial payment of an obligation to any bank, banking or credit institution, within the purview of this Act shall have the right, within one year after the sale of the real estate as a result of the foreclosure of the respective mortgage, **to redeem the property by paying the amount fixed by the court in the order of execution, or the amount due under the mortgage deed, as the case may be, with interest thereon at the rate specified in the mortgage, and all the costs, and judicial and other expenses incurred by the bank or institution concerned by reason of the execution and sale and as a result of the custody of said property less the income received from the property.** x x x. (Emphasis supplied.)

³⁰ Entitled “AN ACT TO REGULATE THE SALE OF PROPERTY UNDER SPECIAL POWERS INSERTED IN OR ANNEXED TO REAL-ESTATE MORTGAGES,” approved on March 6, 1924.

³¹ Entitled “AN ACT TO AMEND ACT NUMBERED THIRTY-ONE HUNDRED AND THIRTY-FIVE, ENTITLED, ‘AN ACT TO REGULATE THE SALE OF PROPERTY UNDER SPECIAL POWERS INSERTED IN OR ANNEXED TO REAL-ESTATE MORTGAGES,’ approved on December 7, 1933.

³² 146 Phil. 862 (1970).

³³ SEC. 6. In all cases in which an extrajudicial sale is made under the special power hereinbefore referred to, the debtor, his successors in interest or any judicial creditor or judgment creditor of said debtor, or any person having a lien on the property subsequent to the mortgage or deed of trust under which the property is sold, may redeem the same at any time within the term of one year from and after the date of the sale; and such redemption shall be governed by the provisions of sections four hundred and sixty-four to four hundred and sixty-six, inclusive, of the Code of Civil Procedure, in so far as these are not inconsistent with the provisions of this Act.

³⁴ 254 Phil. 120 (1989).

³⁵ 412 Phil. 64 (2001).

³⁶ 606 Phil. 535 (2009).

³⁷ 756 Phil. 502 (2015).

³⁸ Entitled “AMENDING FURTHER REPUBLIC ACT NO. 337, AS AMENDED, OTHERWISE KNOWN AS THE ‘GENERAL BANKING ACT,’” approved on January 16, 1981.

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Applying the above provision pertaining to extrajudicial foreclosure, the redemption price must consist of the following: (1) the principal obligation or the amount due under the mortgage deed; (2) interest at the rate specified in the mortgage; (3) expenses of foreclosure, *i.e.*, Judicial Commission, Publication Fee, and Sheriff's Fee; and (4) other expenses as a result of the custody of the property less the income received. Obviously, both the CA and the RTC did not adhere to the letters of the law and committed mistakes in their computation.

Foremost, the redemption price must be based on the amount due under the mortgage deed and not the bid price. Yet, the CA and the RTC both agreed in the total amount of ₱2,380,287.07, corresponding the bid price and the foreclosure expenses, which is way below the principal loan of ₱3,000,000.00 stated in the mortgage deed.

Similarly, the real estate taxes that the BPI paid must be included as part of the redemption price. However, the RTC excluded these expenses so as not to give premium to BPI's void action of consolidating ownership before the redemption period expired. Nevertheless, this ruling has no legal basis. At most, BPI's premature consolidation of ownership will only result in the reinstatement of LCL's certificates of title. The effect cannot be extended to the forfeiture of BPI's right of reimbursement for the real estate taxes paid, lest it undermines the principle of unjust enrichment. To be sure, any unpaid real estate tax is chargeable against the taxable person who had actual, or beneficial use and possession of the property regardless of whether he or she is the owner.³⁹ Here, LCL retained the use and control of the mortgaged properties and must be held liable for real estate taxes. To impose the taxes upon BPI which is neither the owner nor the beneficial user of the properties would not only be contrary to law but also unjust.⁴⁰

Likewise, the CA refused to include the real estate taxes as part of the redemption price. Apparently, the CA misread the case of *Sps. Guevarra v. The Commoner Lending Corporation, Inc.*⁴¹ and applied its ruling to all kinds of taxes. In that case, the Court held that the mortgagor who failed to redeem the property within the one-year reglementary period is liable to reimburse the foreclosing mortgagee for the corresponding Capital Gains Tax (CGT) and Documentary Stamp Tax (DST). This is because after the expiration of the redemption period, there is actual transfer of title from the mortgagors to the foreclosing mortgagee requiring the payment of such taxes. Corollarily, in *Supreme Transliner, Inc. v. BPI Family Savings Bank, Inc.*,⁴² the Court ruled that there is no actual transfer of the mortgaged real property until after the expiration of the one-year redemption period. In the interim, the mortgagor is given the option whether or not to redeem the real property. The issuance of the Certificate of Sale does not by itself transfer

³⁹ *Government Service Insurance System v. City Treasurer and City Assessor of the City of Manila*, 623 Phil. 964, 982 (2009), citing *Testate Estate of Concordia T. Lim v. City of Manila*, 261 Phil. 602, 607 (1990); *Republic v. City of Kidapawan*, 513 Phil. 440, 447 (2005).

⁴⁰ *Meralco v. Barlis*, 410 Phil. 167, 178 (2001), citing *Testate Estate of Concordia T. Lim v. City of Manila*, *supra* at 610.

⁴¹ *Supra* note 13, at 320.

⁴² 659 Phil. 126 (2011).

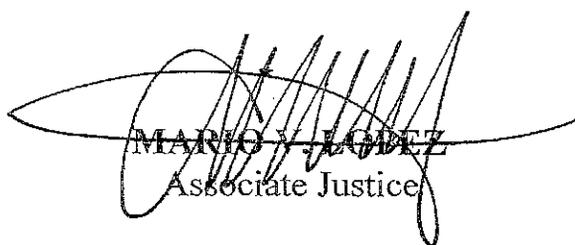
ownership.⁴³ In that case, the mortgagors exercised their right of redemption before the expiration of the statutory one-year period. The foreclosing mortgagee is not liable to pay CGT and DST. Hence, the inclusion of the said charges in the total redemption price was unwarranted.⁴⁴ In both cases, the issues pertain to reimbursement of CGT and DST and not real estate taxes. In any event, as intimated earlier, the payment of real estate taxes is based on the actual or beneficial use and possession of the property independent of ownership.

Finally, the RTC erred in applying the legal interest of 6% *per annum* given that the stipulated interest is neither excessive nor unconscionable.⁴⁵ As part of the redemption price, Section 78 of RA No. 337, as further amended, is explicit that the principal obligation shall earn interest at the rate specified in the mortgage contract. Thus, the Court affirms the CA's imposition of interest rate at 17% *per annum* which the parties specified in the contract of loan and the mortgage deed.⁴⁶

In sum, the redemption price must be computed based on the principal obligation of ₱3,000,000.00 or the amount due under the mortgage deed with interest at the rate of 17% *per annum* specified in the mortgage contract. In addition to the principal and interest, the redemption price must include the expenses of foreclosure, *i.e.*, Judicial Commission, Publication Fee, and Sheriff's Fee. Lastly, LCL is ordered to reimburse BPI the amount representing the payment of real estate taxes. Considering the absence of sufficient records to arrive at the exact figures, it is proper to remand the case to the RTC for computation of the redemption price and for reception of further evidence solely for such purpose.

FOR THESE REASONS, the petition in G.R. No. 243396 is **GRANTED**. The case is **REMANDED** to the Regional Trial Court of Pasig City, Branch CLXI (161), for the proper computation of the redemption price with dispatch following the parameters set in this Decision. On the other hand, the petition in G.R. No. 243409 is **DENIED**.

SO ORDERED.



MARIO Y. LOPEZ
Associate Justice

⁴³ Id. at 139.

⁴⁴ Id. at 141.

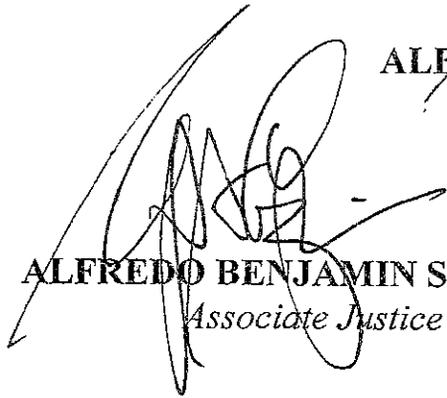
⁴⁵ The Court had the occasion to rule that the stipulated interest rates of three percent (3%) per month and higher are excessive, iniquitous, unconscionable, and exorbitant. Since the stipulation on the interest rate is void for being contrary to morals, if not against the law, it is as if there was no express contract on said interest rate; thus, the interest rate may be reduced as reason and equity demand. (See *Sps. Agner v. BPI Family Savings Bank, Inc.*, 710 Phil. 82, 92-93 (2013)).

⁴⁶ See *Allied Banking Corporation v. Mateo*, *supra* note 36, at 544-546; and *GE Money Bank, Inc. v. Spouses Dizon*, *supra* note 37, at 512.

WE CONCUR:



ALEXANDER G. GESMUNDO
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice



JHOSEP Y. LOPEZ
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.



ALEXANDER G. GESMUNDO
Chief Justice
Chairperson

