



Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

FELIMON C. TORRES,
Petitioner,

G.R. No. 225920

Present:

- versus -

CAGUIOA, J., Chairperson,
INTING,
GAERLAN,
DIMAAMPAO, and
SINGH, JJ.

BOARD OF TRUSTEES,
GOVERNMENT SERVICE
INSURANCE SYSTEM;
HOUSING FINANCE
ADMINISTRATION
DEPARTMENT and
COMMITTEE ON CLAIMS,
GOVERNMENT SERVICE
INSURANCE SYSTEM,

Promulgated:

April 3, 2024

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Respondents.

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DECISION

CAGUIOA, J.:

This is a Petition for Review on *Certiorari*¹ (Petition) under Rule 45 of the Rules of Court which assails the the Decision² (assailed Decision) dated March 16, 2016, and the Resolution³ (assailed Resolution) dated July 20, 2016 of the Court of Appeals Eleventh Division (CA) in CA-G.R. SP No. 136562. The assailed Decision, and the assailed Resolution dismissed the appeal lodged by herein petitioner Felimon C. Torres (petitioner) and affirmed the Decision⁴ of respondent Government Service Insurance System (GSIS) Board of Trustees (GSIS Board) dated March 8, 2012 in GSIS Case No. 002-06 which, in turn, dismissed petitioner’s petition therein.

¹ Rollo, pp. 9–22.

² *Id.* at 26–34. Penned by Associate Justice Sesinando E. Villon with Associate Justices Rodil V. Zalameda (now a member of this Court) and Pedro B. Corales concurring.

³ *Id.* at 36–37.

⁴ *Id.* at 77–84.

This case is set against the factual backdrop of a military pilot who died in the line of duty, and whose abrupt passing resulted in unpaid amortizations which now endanger the right of his heir to the socialized housing he worked to secure during his brief lifetime. Within this milieu, the Court seizes the opportunity to study more closely how justice can be discerned and served within the dispassionate confines of the law, and give life to the mandate of a socialized institution with rules that work to further and not frustrate its first purpose. As well, the Court here reminds that the duties of good faith in contracts do not have shallow roots but, instead, underpin the precisely defined duties and obligations that color the way we must relate to one another within the contractual sphere. So that contractual good faith is not so much a superimposed duty on the parties in the event of dispute, but is instead unearthed to be its irreducible core.

Factual Antecedents

The facts of this case as culled from the records are undisputed.

Second Lieutenant Dominador dela Cena Torres, Jr. (Dominador) was an active combat pilot who flew the rotary aircraft for the Philippine Air Force (PAF).⁵ In 1979, while he was still in active service, he entered into a Deed of Conditional Sale (DCS) with ARB Construction Co., Inc. (ARB) over a piece of real property, a low-cost housing unit, located at Block 56, Lot 4, Soldiers' Hills Village, Muntinlupa City (subject property) for the price of PHP76,830.00, to be financed by a secured housing loan from the GSIS which, in turn, was payable through salary deductions.⁶

Tragedy struck when less than a year after Dominador took out the housing loan, while he was performing a ferry mission in Mindanao on September 2, 1980, the helicopter he was piloting crashed in Lanao del Sur, killing him, two of his gunners, and four rebel returnees, with said crash being ruled by the LOA Status Board of the PAF as "purely accidental."⁷ Dominador died intestate, single and without issue.⁸ He was survived by his parents, Dominador Briones Torres, Sr. and Independencia dela Cena Torres. When Dominador's father and mother subsequently died on June 6, 1986 and April 30, 1997, respectively, they, in turn, were survived by Dominador's sibling, herein petitioner.

Yet uninformed of Dominador's death, the GSIS sent Dominador's last address several letters regarding his amortizations on his housing loan and as they remained unanswered, GSIS sent him a Notice of Foreclosure/Cancellation, which informed that it would undertake foreclosure proceedings on all low-cost housing loan accounts which were considered delinquent.⁹

⁵ *Id.* at 27, assailed Decision.

⁶ *Id.*

⁷ *Id.* at 72, letter dated May 27, 2003.

⁸ *Id.* at 62, Petition in GSIS No. 002-06.

⁹ *Id.*



Exchanges between the GSIS and petitioner later ensued. Specifically, on December 12, 1988 the GSIS Quezon City Branch Office 1 – Military sent a Notice of Foreclosure of Dominador’s DCS for failure to pay installments thereon.¹⁰ Petitioner, through letters dated February 23 and April 17, 1989,¹¹ and November 14, 1990¹² countered that the ownership over the subject property should be consolidated in his name for the reason that by virtue of the Sales Redemption Insurance (SRI) policy of the GSIS, the monthly amortizations for the subject property are deemed waived, since premiums therefor had already been deducted from Dominador’s salary and paid for.¹³

Despite petitioner’s claims, the GSIS sent on February 28, 2003 a letter anew to Dominador, reminding the latter of the need to settle the outstanding obligations, to which petitioner also reiterated his earlier claim. On July 14, 2003,¹⁴ the GSIS also countered that Dominador’s DCS was not covered by the SRI policy since Dominador, during his lifetime, did not submit himself to the requisite physical and medical examinations for the securing of the same and, consequently, it became incumbent upon Dominador’s heirs to satisfy the outstanding monthly amortizations for the subject property.¹⁵

Still, 25 years after Dominador’s tragic death, or on September 15, 2005,¹⁶ the GSIS maintained its denial of petitioner’s claims and finally issued a Notice of Cancellation of the DCS of the subject property, as well as a final demand upon the occupants of the same to vacate therefrom.¹⁷

Petitioner filed a petition before the GSIS Board on February 3, 2006, docketed as GSIS Case No. 002-06, and sought that the title over the subject property be consolidated in his name.¹⁸ Petitioner also prayed that in the event that the claim was denied and that he be required to pay, that the basis of payment be the original purchase price stated in the DCS.¹⁹

Decision of the GSIS Board

In its March 8, 2012 Decision, the GSIS Board dismissed the petition for lack of merit.²⁰ It mainly anchored its dismissal of the petition on the following findings: (i) Dominador had the duty to submit himself to the physical and medical examinations by the Medical Services Center of the GSIS, which is a precondition to the issuance of the SRI coverage, and he failed to do the same;²¹ and (ii) there was no record of payment of SRI

¹⁰ *Id.*

¹¹ *Id.* at 63.

¹² *Id.* at 71, as stated in the letter dated May 27, 2003.

¹³ *Id.* at 72.

¹⁴ *Id.* at 27, assailed Decision.

¹⁵ *Id.* at 28.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.* at 65, Petition in GSIS Case No. 002-06.

²⁰ *Id.* at 83.

²¹ *Id.* at 81.



premium under Dominador's account, and there was nothing in the documents to show that any part of the monthly payments which were made were applied to the payment of the SRI premium.²² Applying both premises, it reasoned that since Dominador did not comply with a crucial requisite nor pay the premium for the SRI, the same cannot cover him with respect to his DCS.²³

Petitioner sought a reconsideration of the GSIS Board Decision, but the same was similarly denied by the GSIS Board in its Resolution²⁴ dated July 10, 2014. In the same Resolution, the GSIS Board noted that it has also passed Board Resolution No. 48 which approved Policy and Procedural Guidelines (PPG) No. 232-13 on Housing Loan Remedial and Restructuring Program (HLRRP) (GSIS Resolution No. 48), where legal heirs of deceased housing loan borrowers with remaining unpaid loan balances or installments may avail of the restructuring program, to secure the opportunity to fully settle their obligations by condoning their penalties and offering discounts on unpaid interests.²⁵

Petitioner appealed²⁶ before the CA *via* Rule 43 of the Rules of Court.

The CA Decision

The CA dismissed petitioner's appeal and affirmed the GSIS Board Decision, to wit:

Indeed, petitioner has failed to adduce any evidence as would prove that Dominador, Jr. was covered by a valid and existing SRI policy. He was not able to present receipts evidencing payment of the premiums, or even a rider or the insurance policy itself, to show that the SRI took effect before Dominador, Jr.'s death. While the Court commiserates with petitioner's predicament, law and jurisprudence must still prevail. Equity, which has been aptly described as "justice outside legality," should be applied only in the absence of, and never against, statutory law. [*Aequitas nunquam] contravenit legis*. Equity never counteracts the laws.

Finally, factual findings made by quasi-judicial bodies and administrative agencies when supported by substantial evidence are accorded great respect and even finality by the appellate courts. This is because administrative agencies possess specialized knowledge and expertise in their respective fields. As such, their findings of fact are binding upon this Court unless there is a showing of grave abuse of discretion, or where it is clearly shown that they were arrived at arbitrarily or in disregard of the evidence on record, none of which is obtaining in this case.

WHEREFORE, in light of all the foregoing, the petition is hereby **DISMISSED** for lack of merit.

²² *Id.* at 82.

²³ *Id.*

²⁴ *Id.* at 28, assailed Decision.

²⁵ *Id.* at 93-94, Resolution dated July 10, 2014 of the GSIS Board in Board Case No. 002-06.

²⁶ *Id.* at 97-111.



SO ORDERED.²⁷

Preliminarily, the CA held that petitioner had legal standing to pursue the instant case, given his duly published Affidavit of Adjudication of Sole Heir dated March 22, 2014, which adjudicated upon himself the entire estate of Dominador and that of their parents.²⁸

On the main issue of whether Dominador's housing loan with GSIS was covered by a valid SRI before his death, the CA ruled in the negative, and held that, as the GSIS Board found, Dominador's DCS was not covered by SRI since he never subjected himself to the requisite physical and medical examinations.²⁹

The CA also ruled that an elementary principle in insurance law is the required payment of premium for insurance coverage, and nothing in the records showed that Dominador ever paid premiums on the SRI.³⁰

Petitioner sought a reconsideration of the assailed Decision on April 11, 2016, and the same was denied by way of the assailed Resolution dated July 20, 2016.³¹

Hence this petition.³²

The instant petition raises anew the following claims: (i) the SRI was already effective upon approval of Dominador's housing loan by virtue of the compulsory nature of the same; and that (ii) the SRI became effective notwithstanding Dominador's failure to undergo the requisite physical and medical examinations.³³

The petition mainly grounds its claim on GSIS Resolution No. 206 dated March 31, 1978, which approved the compulsory nature of the SRI to every member-awardee for low cost housing projects.³⁴ It bolsters this argument by highlighting that the shift in the GSIS policy over the SRI coverage was undertaken to protect the loved ones of the member-awardee from suffering a cancelled award due to the non-payment of amortization by reason of premature death of the latter,³⁵ which therefore supports the automatic inclusion of Dominador's DCS within the SRI coverage.³⁶

The petition further notes that Dominador's death was purely accidental and in line with his duty as a PAF combat pilot, and therefore was not due to an underlying illness or other medical ailment which could have been detected by the physical and medical examinations, and which would have disqualified

²⁷ *Id.* at 32–33, assailed Decision.

²⁸ *Id.* at 29.

²⁹ *Id.* at 30.

³⁰ *Id.*

³¹ *Id.* at 36–37.

³² *Id.* at 9–22.

³³ *Id.* at 15.

³⁴ *Id.*

³⁵ *Id.* at 16–17.

³⁶ *Id.*



him from the SRI coverage.³⁷ It adds that, in any case, Dominador's profession as a military pilot for the PAF, and the requisite medical and physical examinations for said nature of work, can be considered substantial compliance of requisite examination by the GSIS.³⁸ Finally, the petition submits that the fact that Dominador died in active duty and in service to the nation merits the extension of a liberal interpretation of the insurance policy in his and his heir's favor.³⁹

The Court, in its Resolution⁴⁰ dated November 7, 2016, directed the GSIS Board to file its Comment.

In said Comment⁴¹ filed on August 14, 2017, the GSIS Board mainly reiterated its previous counter-arguments: (i) that Dominador's housing loan account was not covered by the SRI and his death did not extinguish the obligation on said loan to pay amortizations; (ii) that there was no premium payment for the SRI which negated any protection thereunder; and (iii) that the findings of quasi-judicial bodies such as the GSIS Board must be accorded with respect and finality.⁴²

The Court's Ruling

The Court here is presented with a two-part issue for resolution: whether Dominador's DCS was covered by the SRI and, consequently, whether the cancellation of the DCS was warranted by virtue of non-payment of amortizations.

The Court approaches the instant issue with the clear applicability of the pertinent and unambiguous GSIS issuances set within the larger context of the purpose and mandate of the GSIS and largest framework of equity and justice.

Proceeding therefrom, the Court here finds that while the GSIS Board is correct in ruling that Dominador's DCS is not covered by the SRI, the cancellation of the DCS and the demand for petitioner and the occupants of the subject property to vacate are, nevertheless, unwarranted. Instead, in view of GSIS Resolution No. 48 and in the interest of justice, petitioner, as the sole heir of Dominador, must be allowed to avail of a restructuring of the outstanding amortizations due on Dominador's housing loan account, so that he and whoever may be occupying the subject property on account of said DCS be secured in their occupation of the same.

*Dominador's DCS is not covered
by the SRI*

³⁷ *Id.* at 19.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at 162–163.

⁴¹ *Id.* at 174–188.

⁴² *Id.* at 181.



First, on the question of the SRI coverage *vis-à-vis* Dominador's DCS, the elementary principles of insurance law and the pertinent GSIS rules are clear—the premiums for the SRI coverage have not been paid and the requisite examinations have not been complied with. Hence, Dominador's DCS has not been covered by the SRI.

SRI is a decreasing term insurance policy which guarantees the full settlement of the theoretical or the ideal balance of the loan in case of the death of the borrower within the loan term.⁴³ As elucidated on by the challenged GSIS Decision, the concept of the SRI is an insurance that is designed to ensure the payment of outstanding amortizations on housing loans in the event of the borrower's premature death, to wit:

Sales Redemption Insurance (SRI) is a device created for the protection of both the conditional seller and buyer. On the part of the seller, it has to enter into such form of contract so that in the event of the unexpected demise of the buyer during the **subsistence of the DCS, the proceeds from such insurance will be applied to the payment of the unpaid balance on the purchase price, thereby relieving the heirs of the buyer from paying the obligation. In a similar vein, ample protection is given to the buyer so that in the event of death, the obligation will be extinguished by the application of the insurance proceeds to the unpaid balance on the purchase price.** In short, SRI protects the heirs of real estate loan borrowers and awardees of low-cost housing units in GSIS financed housing projects in the event of their premature deaths.⁴⁴ (Emphasis supplied)

Further, the GSIS Board, in the Resolution⁴⁵ dated March 31, 1978 in Board Meeting No. 7, did resolve that the SRI was to compulsorily apply to all member-awardees who pass the requisite physical and medical examinations. Said Resolution first identified what then was the prevailing situation:

At present, it is optional on the part of a member-awardee to secure sales redemption insurance (SRI) to cover the outstanding balance of his [or her] conditional sales contract account. If the awardee dies without securing sales redemption insurance, the beneficiary and his [or her] loved ones are left without any means to continue paying the monthly amortizations and the award may be cancelled by the GSIS. In the grant of individual real estate loan for the construction of residential dwelling, the mortgagor, whether he [or she] be a member or not is required to secure compulsory mortgage redemption insurance for the first [PHP]100,000 amount of loan and optional as to the excess amount.⁴⁶

The same Resolution, in its pivot from an optional to a compulsory application of the SRI, reasoned, thus:

⁴³ Definition of Housing Loan Redemption Insurance under Policy and Procedural Guidelines No. 196-07, per GSIS Resolution No. 46-07, March 7, 2007.

⁴⁴ *Rollo*, p. 80, Decision dated March 6, 2012 of the GSIS Board in GSIS Case No. 002-06.

⁴⁵ *Id.* at 132–134.

⁴⁶ *Id.* at 133.

Although in the past years the System has not been profitably earning on this particular type of insurance mainly because of the thin coverage base, business is now picking up due to the gradually increasing membership. To this day, there are about a little more than 800 awardees covered by sales redemption insurance. Making it compulsory therefore will not only allow the irreversible insurance law of large members to play but also will generate additional premium income for the System.

....

Following a thorough discussion on the matter, the Board **RESOLVED TO APPROVE** the recommendation that **the compulsory sales redemption insurance coverage be made a requirement in every award to those member-awardee who will pass the required physical and medical examinations. The Board further RESOLVED TO INSTRUCT the Operating Unit Concerned that the necessary provisions on sales redemption insurance coverage be incorporated in the corresponding Deeds of Conditional Sale.** The instant policy shall take effect upon approval of this board resolution.⁴⁷ (Emphasis supplied)

Finally, as a type of insurance, the payment of premium is the operative requisite for insurance coverage, as provided for under Section 77 of the Insurance Code,⁴⁸ to wit:

SECTION 77. An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against. Notwithstanding any agreement to the contrary, no policy or contract of insurance issued by an insurance company is valid and binding unless and until the premium thereof has been paid, except in the case of a life or an industrial life policy whenever the grace period provision applies.

Against these applicable rules and law, the following are undisputed: (i) the SRI coverage requires that the borrower previously submitted himself or herself to the necessary physical and medical examinations; (ii) the SRI, like any other insurance, requires the prior payment of the determined premium; and (iii) Dominador complied with neither.

As consistently found by both the GSIS Board and the CA, the foregoing facts support no other conclusion than that Dominador's DCS was unfortunately not placed within the purview of the SRI coverage. That Dominador had previously undergone the physical and medical examinations of the PAF to qualify him to be fit for flying status is of no moment, as the PAF medical and physical examinations may be reasonably concluded to be designed for a different purpose, and not for the assessment and computation of the SRI premiums to be due.

There is, therefore, no need for a liberal interpretation of the terms pertaining to the DCS and the SRI since there is no equivocation and the rules are clear enough for direct application.

⁴⁷ *Id.* at 133-134.

⁴⁸ Presidential Decree No. 612, December 18, 1974.

Petitioner, as Dominador's sole heir, may apply for a restructuring of the outstanding loan for purposes of settlement thereof

Second, notwithstanding the foregoing SRI non-coverage and pursuant to GSIS Resolution No. 48, petitioner must be allowed to apply for the possible restructuring of the outstanding loan obligation on the subject property to prevent the cancellation of the award in favor of Dominador.

To note, the rights that arise from the DCS in Dominador's name, which involves the purchase by him of the subject property, are patrimonial rights which, upon the death of Dominador's parents who previously survived Dominador, were transmitted to herein petitioner as the parents' sole heir, in accordance with Article 781 of the Civil Code, *viz.*:

ARTICLE 781. The inheritance of a person includes not only the property and the transmissible rights and obligations existing at the time of his [or her] death, but also those which have accrued thereto since the opening of the succession.

The transmissibility of these rights to petitioner are supported by the following: (i) to date, due to the pendency of the instant petition, the GSIS Board has not yet finally rescinded Dominador's DCS; and (ii) more importantly, a remedial course of action remained available for the heirs of the deceased borrowers, such as herein petitioner, to be able to fully settle the outstanding obligations on delinquent accounts such as the DCS in the instant case.

More specifically, the GSIS Board issued GSIS Resolution No. 48, which approved PPG No. 232-13 on the matter of "Housing Loan Remedial and Restructuring Program." PPG No. 232-13 was the response of the GSIS to persistent requests from borrowers for another restructuring program that would allow them to update or fully pay their delinquent accounts to avoid cancellation or foreclosure.

The Court carefully notes that this remedy was mentioned by no less than the GSIS Board itself, in its denial of petitioner's Motion for Reconsideration (MR) before it, to wit:

As regards Petitioner's alternative prayer to avail of R.A. No. 9507 or the Socialized and Low Cost Housing Loan Restructuring and Condonation Act of 2008, the said law which was implemented by the GSIS in 2009 ended on June 30, 2011.

However, Petitioner may well be informed that on May 23, 2013, the GSIS Board of Trustees passed Board Resolution No. 48 approving Policy and Procedural Guidelines (PPG) No. 232-13 on *Housing Loan Remedial and Restructuring Program (HLRRP)*.



One of the objectives of the said PPG is to provide borrowers with past due or delinquent accounts the opportunity to fully settle their obligations by condoning penalties and offering discounts on unpaid interests.

Under the said PPG, the legal heirs of deceased housing loan borrowers/installment buyers with remaining unpaid loan balances/installments after application of the proceeds of the housing Loan Redemption Insurance, if any, may avail of the restructuring program. However, their eligibility and qualification are subject to evaluation and approval by the HLRRP Committee of the GSIS.⁴⁹
(Emphasis supplied)

The Court further observes that while the implementation period of PPG No. 232-13 was only from August 1, 2013 up to March 13, 2014, given that the GSIS Board itself mentioned this remedy despite the lapse of said period in its Resolution dated July 10, 2014, the Court affirms that in view of the peculiar circumstances of this case and given the GSIS Board's own admission, the remedy and restructuring option under PPG No. 232-13 should remain available to petitioner in the instance case.

For one, petitioner's case falls within the purposes sought to be achieved by PPG No. 232-13 as provided under Section II thereof, to wit:

II. OBJECTIVES

- A. Provide existing borrowers and opportunity to restructure their housing accounts that may result in lower and affordable monthly amortizations.
- B. Encourage the continuous and full payment of the accounts and minimize the possibility of cancellation or foreclosure.**
- C. Provide remedial measures for housing accounts with delayed payroll deduction or remittance of the First Monthly Amortization which contributed significantly in the accumulation of unpaid interests, penalties and surcharges on the account.
- D. Provide borrowers with past due or delinquent accounts the opportunity to update their accounts through condonation of unpaid penalties.**
- E. Provide borrowers with past due or delinquent accounts the opportunity to fully settle their obligations by condoning penalties and offering discounts on unpaid interests, thereby minimizing our ROPOA inventory and related administrative cost in relation to achieving the ultimate objecting of terminating housing related transactions. (Emphasis supplied)

⁴⁹ *Rollo*, pp. 93-94, Resolution dated July 10, 2014 of the GSIS Board in Board Case No. 002-06.



For another, and more specifically, Section IV.C.2, in relation to Section V, of PPG No. 232-13 itself also provides that petitioner's case, as the heir of a deceased borrower, in his efforts to settle the outstanding obligation of his brother, Dominador, should be squarely within its remedial application, to wit:

IV. POLICIES

A. Coverage

....

2. **Cancelled accounts under DCS where the subject properties have not yet been re-sold.**

....

C. Eligibility and Qualifications

....

The following accounts may avail of the restructuring program:

1. All borrowers/installment buyers of covered accounts regardless of whether they have availed of the benefits of a previous condonation and loan restructuring program.
2. **The legal heirs of deceased housing loan borrowers/installment buyers with remaining unpaid loan balances/installments after application of the proceeds of the Housing Loan Redemption Insurance, if any.**

....

V. SPECIFIC TERMS AND CONDITIONS FOR THE RESTRUCTURING PROGRAM

All housing loan borrowers, except for those who fall under the exclusions under Section IV(C), are given the option to avail of the Restructuring Program under this PPG.

A. For Accounts with No Arrears (Up-to-Date)

1. Term

The repayment of the restructured obligation shall be the remaining term of the loan or ten (10) years, whichever is longer. In no instance shall the loan term exceed the difference between the

applicant/borrower's age at the time of receipt of application and age seventy (70).

B. For Accounts in Default (With arrearages of 6 months and below)

1. Term

The repayment of the restructured obligation shall be the remaining term of the loan or ten (10) years, whichever is longer. In no instance shall the loan term exceed the difference between the applicant/borrower's age at the time of receipt of application and age seventy (70).

2. Downpayment and Discount on Accrued Interest

Downpayment shall not be required. However, if the applicant opts to pay in full, a 100% discount on unpaid interest shall be given.

C. For Due and Demandable Accounts

1. With Payments of at least 50% of the TEP but Not Qualified to Avail of Remedial Measure

a. Term

The repayment of term of the restructured obligation shall be the remaining term of the loan or ten (10) years, whichever is longer. In no instance shall the loan term exceed the difference between the applicant/borrower's age at the time of receipt of application and age seventy (70).

b. Downpayment and Discount on Accrued Interest

Downpayment shall not be required. However, if the applicant opts to pay in full, a discount on unpaid accrued interest shall be given as follows:



80% discount
if TMAP is at
least 80% of
TEP

50% discount
if TMAP is
50% to less
than 80% of
TEP

2. With Payments of less than 50% of the
Total Expected Payment

a. Term

The maximum repayment term of the restructured obligation shall be the remaining term or five (5) years[,] whichever is longer. In no instance shall the loan term exceed the difference between the applicant/borrower's age at the time of receipt of application and age seventy (70).

b. Downpayment Discount
on Accrued Interest

Downpayment shall not be required. However, if the applicant opts to pay in full, a discount of 40% on unpaid accrued interest shall be given.

3. No Payment Since Take Out (NPSTO)

Restructuring shall not be allowed for accounts with no payments since take-out or since last restructured or active header. However, if the applicant opts to pay in full, a discount of 40% on unpaid accrued interest shall be given. (Emphasis supplied)

At this point, the Court must additionally note that the non-recourse to the remedy provided for under PPG No. 232-13 was through no fault of petitioner, since during the implementation period of the same, petitioner's MR before the GSIS Board was then still pending.



More pertinently and evidently, PPG No. 232-13 provides for remedies and options for restructuring ***precisely because*** the GSIS Board must remain true to its original mandate as originally spelled out in Presidential Decree No. 1146, also known as the Revised Government Service Insurance Act of 1977, thus:

....

WHEREAS, provisions of existing laws that have prejudiced, rather than benefited, the government employee; restricted, rather than broadened, his [or her] benefits, prolonged, rather than facilitated the payment of benefits, must now yield to his [or her] paramount welfare;

WHEREAS, the social security and insurance benefits of government employees must be continuously re-examined and improved to **assure comprehensive and integrated social security and insurance programs that will provide benefits responsive to their needs and those of their dependents in the event of sickness, disability, death, retirement, and other contingencies;** and to serve as a fitting reward for dedicated public service;

WHEREAS, in the light of existing economic conditions affecting the welfare of government employees, there is **need to expand and improve the social security and insurance programs** administered by the Government Service Insurance System, specifically, among others, by increasing pension benefits, expanding disability benefits, introducing survivorship benefits, introducing sickness income benefits, and eventually extending the compulsory coverage of these programs to all government employees regardless of employment status[.] (Emphasis supplied)

Clearly, the *animus* of the GSIS Board's constitution is to expand the social security net that must capture and cushion the impact of life's contingencies on Filipinos within the sphere of public service.

Good faith is implicit in all contracts and anchors both the exercise of rights and the fulfillment of obligations therein

Third and finally, the Court finds the instant case as good a chance as any to remind of the implicit and crucial role of good faith as it is deemed written into every contract and, concomitantly, woven into every exercise of a right or fulfillment of an obligation.

The Civil Code is replete with references to good faith, with the constant caution of the particularly corrosive effect of bad faith and malice in the ways that we relate to each other's rights and duties. Pertinently, in Article 1159 in relation to Article 1315, the Civil Code recalls how each person must comply with all contracts in good faith, to wit:

ARTICLE 1159. Obligations arising from contracts have the force of law between the contracting parties and **should be complied with in good faith** . . .



....

ARTICLE 1315. Contracts are perfected by mere consent, and from that moment the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be **in keeping with good faith**, usage and law. (Emphasis supplied)

Still, the Civil Code also provides for the all-embracing requirement of good faith and fair dealing under Article 19, thus:

ARTICLE 19. Every person must, in the exercise of his [or her] rights and in the performance of his [or her] duties, act with justice, give everyone his [or her] due, and observe honesty and good faith.

The Civil Code, therefore, straightforwardly requires that every contract be complied in good faith, and for every party to it to exert all efforts to that end.

On this point, the Court would be remiss if it fails to recognize the import and centrality of the concept of good faith which, in the case at bar, underpinned both the GSIS Board's procedure in collecting from petitioner the outstanding payments which were due, on the one hand, as well as petitioner's efforts to settle the same, on the other.

On the part of the GSIS Board, the Court first lauds the institutional patience it exhibited when it waited for 25 years, alongside its exchanges with petitioner, before it finally sent a Notice of Cancellation of Dominador's DCS. It goes without saying that, perhaps, other private and profit-driven lending institutions might not have been as inclined or willing to let a quarter of a century lapse before they closed in on the cancellation of a delinquent contract. For another, as previously observed by the Court, the GSIS Board, in its Resolution denying petitioner's MR, further offered a remedial course of action which petitioner could avail of to make a full payment of the obligation on the DCS. In other words, the GSIS Board exerted every accommodation to afford petitioner with all meaningful opportunities to fulfill its obligation, and ultimately avert the scenario of the cancellation of the DCS. These demonstrably show that, true to its mandate and first purpose, the GSIS Board institutionally endeavors to benefit instead of prejudice, broaden instead of restrict, and facilitate instead of prolong the delivery of the needed benefits to government employees.

From petitioner's end, the Court also commends the fact that in his efforts to ensure that the DCS in his deceased brother's name remains valid, he has always conveyed his willingness to pay whatever was still due on his brother's loan account should his claim on the SRI coverage be rejected. More particularly, the Court notes that at the first, earliest opportunity, i.e., in the original petition filed before the GSIS Board, he already clearly expressed his willingness to settle his brother's standing obligations in the event that his claim was denied, to wit:



In the unlikely event that the claim be denied by the Board, and that petitioner be required to pay, it is respectfully prayed, further, that the basis of payment shall be the original purchase price stated in the deed of conditional sale, for failure of the Housing Finance Service, of the Department of the GSIS concerned, to resolve the claim since it was formally brought therewith way back in 1989.⁵⁰

Stated differently, the centrality of good faith has been exhibited by both parties in the case at bar and, more significantly, only serves to support the resolution that while the SRI does not cover Dominador's DCS, petitioner here must nevertheless be afforded the opportunity to settle the same. To afford petitioner the option of a restructure under PPG No. 232-13 is the only consequence that is consistent with the good faith that both parties have demonstrated towards the fulfillment of their reciprocal prestations to each other.

Consequently, all the foregoing weighed, the Court here finds that consistent with the GSIS rules and its primary mandate *vis-à-vis* the facts of the case at bar, petitioner has the right to avail of a restructure option so that he may be able to preserve his right to the subject property which he inherited from his brother, Dominador.

Forty-four years since Dominador's death and 19 years since the GSIS Board's issuance of the Notice of Cancellation, the Court makes this final note. That is, perhaps more than others, the socialized guarantee of security is most required by Filipinos who serve in the military and allied forces—they who stand in uniform, daily put their lives on the line and protect our lives and liberties, often at the cost of theirs. Perhaps the assurance of the dignity of a shelter to come home to is earned, even deserved, by those who all too often have to leave their lives behind and march towards the threat of their early graves at a moment's notice, and who profess that “if their ashes are scattered in the four winds, that is all part and parcel of the job.”⁵¹

ACCORDINGLY, the instant Petition is hereby **GRANTED**. The Decision dated March 16, 2016 and the Resolution dated July 20, 2016 of the Court of Appeals Eleventh Division in CA-G.R. SP No. 136562 are hereby **REVERSED** and **SET ASIDE**.

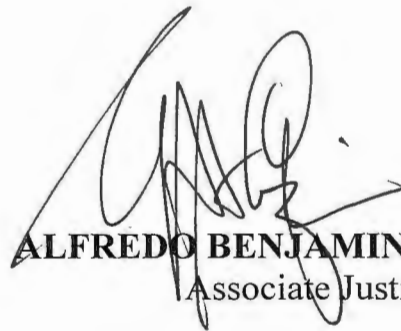
Accordingly, the case is **REMANDED** to respondent GSIS Board of Trustees for determination of the loan payment restructuring pursuant to PPG No. 232-13 and related remedies as may be proper in favor of herein petitioner Felimon C. Torres for the full payment of the outstanding obligations of the subject housing loan account in the name of Dominador C. Torres, Jr. in GSIS Case No. 002-06.

⁵⁰ *Id.* at 65, Petition in GSIS Case No. 002-06.

⁵¹ From the definition of “military professionalism” by Charles de Gaulle, cited in Asia Pacific Defense Forum Staff, *Asia-Pacific Militaries Push for More Professional NCO Corps*, 36 *TRAFFICKED: STOPPING ILLEGAL TRADES IN HUMANS, DRUGS AND WEAPONS* 47, 48 (2011).

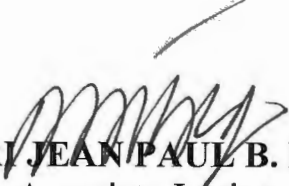


SO ORDERED.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

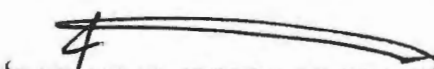
WE CONCUR:




HENRI JEAN PAUL B. INTING
Associate Justice



SAMUEL H. GAERLAN
Associate Justice



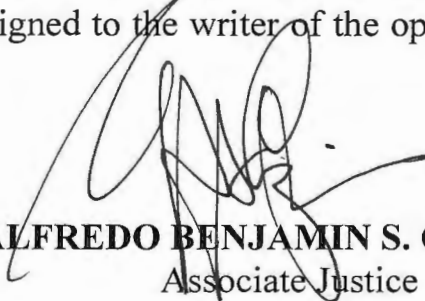
JAPAR B. DIMAAMPAO
Associate Justice



MARIA FILOMENA D. SINGH
Associate Justice

ATTESTATION

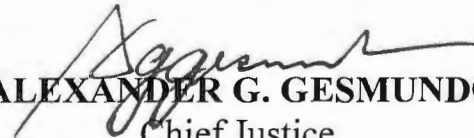
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, it is hereby certified 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