



Republic of the Philippines

Supreme Court
Manila

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Virgilio C. Alpajora
WILFREDO V. LAPITAN
Chief Justice of Court
Third Division

AUG 29 2017

THIRD DIVISION

SPS. FELIX A. CHUA and CARMEN L. CHUA, JAMES B. HERRERA, EDUARDO L. ALMENDRAS, MILA NG ROXAS, EUGENE C. LEE, EDICER H. ALMENDRAS, BENEDICT C. LEE, LOURDES C. NG, LUCENA INDUSTRIAL CORPORATION, LUCENA GRAND CENTRAL TERMINAL, INC.,
represented by **FELIX A. CHUA,**
Petitioners

- versus -

UNITED COCONUT PLANTERS BANK, ASSET POOL A (SPV-AMC), REVERE REALTY AND DEVELOPMENT CORPORATION, JOSE C. GO and the REGISTRAR OF DEEDS OF LUCENA CITY,
Respondents.

Present:

BERSAMIN, *Acting Chairperson,*
CAGUIOA,*
MARTIRES,
TIJAM,** and
GESMUNDO, *JJ.*

Promulgated:

August 16, 2017

Virgilio C. Alpajora

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DECISION

BERSAMIN, J.:

This appeal assails the decision promulgated on March 25, 2014¹ and the resolution promulgated on December 23, 2014,² whereby, the Court of

* Designated additional Member, per Raffle dated August 14, 2017, due to the inhibition of Justice Marvic Mario Victor F. Leonen.

** Designated additional Member, per Raffle dated August 14, 2017, due to the inhibition of Justice Presbitero J. Velasco, Jr.

¹ *Rollo*, pp. 11-51; penned by Associate Justice Vicente S.E. Veloso, with the concurrence of Associate Justice Jane Aurora C. Lantion and Associate Justice Nina G. Antonio-Valenzuela.

² *Id.* at 52-59; penned by Judge Virgilio C. Alpajora.

Appeals (CA) respectively reversed and set aside the decision³ rendered on January 6, 2009 by the Regional Trial Court (RTC), Branch 59, in Lucena City and granted the appeal of respondent United Coconut Planters Bank (UCPB), Revere Realty and Development Corporation (Revere), Jose Go and The Register of Deeds of Lucena City; and denied the petitioners' motion for reconsideration.

Antecedents

On March 3, 1997, petitioner Spouses Felix and Carmen Chua, for themselves and representing their co-petitioners, entered into a Joint Venture Agreement (JVA) with Gotesco Properties, Inc. (Gotesco) for the development of their 44-hectare property situated in Ilayang Dupay, Lucena City into a mixed use, residential and commercial subdivision. Gotesco was then represented by respondent Jose Go.⁴ It appears, however, that the development project under this JVA did not ultimately materialize.⁵

Pursuant to the JVA, several deeds of absolute sale were executed over petitioners' 12 parcels of land situated in Lucena City in favor of Revere, a corporation controlled and represented by Jose Go. The deeds of absolute sale were complemented by a deed of trust dated April 30, 1998⁶ under which it was confirmed that Revere did not part with any amount in its supposed acquisition of the 12 parcels of land. The deed of trust further confirmed petitioners' absolute ownership of the properties. Also on the same date, Gotesco, also represented by Jose Go, and petitioners, represented by Felix Chua, executed another deed of trust covering 20 parcels of land distinct from the 12 parcels of land already covered by the first deed of trust.⁷

Prior to the execution of the JVA, petitioners and Jose Go had separate outstanding loan obligations with UCPB.

On June 2, 1997, the Spouses Chua executed a real estate mortgage (REM) in favor of UCPB involving several parcels of land registered in the names of petitioners to secure the loans obtained in their personal capacities and in their capacities as corporate officers and stockholders of the Lucena Grand Central Terminal, Inc. (LGCTI).⁸

On March 21, 2000, petitioners entered into a Memorandum of Agreement (MOA) with UCPB to consolidate the obligations of the Spouses

³ Id. at 612-632.

⁴ Id. at 612.

⁵ Id. at 14.

⁶ Id. at 215-217.

⁷ Id. at 218-220.

⁸ Id. at 14.

Chua and LGCTI, which was determined at ₱204,597,177.04 as of November 30, 1999. The parties thereby agreed to deduct the sum of ₱103,893,450.00 from said total in exchange for 30 parcels of land including the improvements thereon;⁹ and that the remaining balance of ₱68,000,000.00 would be converted by UCPB into equity interest in LGCTI.

To implement the March 21, 2000 MOA, UCPB drafted a REM covering the properties listed in the MOA, which petitioners signed to secure a credit accommodation for ₱404,597,177.04. Under its terms, this REM covered the payment of all loans, overdrafts, credit lines and other credit facilities or accommodations obtained or hereinafter obtained by the mortgagors, LGCTI, Spouses Chua and Jose Go.¹⁰

On even date, Jose Go, acting in behalf of Revere, and UCPB executed another REM (Revere REM) involving the properties held in trust by Revere for petitioners. The execution of the Revere REM was unknown to petitioners.¹¹ Revere submitted a secretary's certificate signed by Lourdes Ortiga to the effect that the Board of Directors had approved the mortgage of various corporate properties situated in Ilayang Dupay, Lucena City to secure any and all obligation of the Spouses Chua, LGCTI, and Jose Go.

Enforcing petitioners' REM as well as the Revere REM, UCPB foreclosed the mortgages, and the properties were sold for a total bid price of ₱227,700,000.00.

On February 14, 2003, UCPB and LGCTI executed a deed of assignment of liabilities whereby LGCTI would issue 680,000 preferred shares of its stocks to UCPB to offset its remaining obligations totaling ₱68,000,000.00.

On September 4, 2003, UCPB wrote a letter to the Spouses Chua and LGCTI regarding the transfer of LGCTI shares of stock to its favor pursuant to the deed of assignment of liabilities.¹²

On November 11, 2003, Spouses Chua wrote UCPB to request an accounting of Jose Go's liabilities that had been mistakenly secured by the mortgage of petitioners' properties, as well as to obtain a list of all the properties subject of their REM as well as of the Revere REM for re-appraisal by an independent appraiser. The Spouses Chua further requested that the proceeds of the foreclosure sale of the properties be applied only to petitioners' obligation of ₱204,597,177.04; and that the rest of the properties

⁹ Id. at 225.

¹⁰ Id. at 246.

¹¹ Id. at 614.

¹² Id. at 21.

or any excess of their obligations should be returned to them.¹³ However, UCPB did not heed petitioners' requests.

Thus, on February 3, 2004, petitioners filed their complaint against UCPB, Revere, Jose Go, and the Register of Deeds of Lucena City in the RTC in Lucena City.¹⁴ The RTC issued a writ of preliminary injunction at the instance of petitioners.

On October 4, 2004, the RTC declared Jose Go and Revere in default. On February 22, 2005, the RTC denied the motion for reconsideration of Jose Go and Revere.¹⁵

Rulings of the RTC

On September 6, 2005, the RTC, through Judge Virgilio C. Alpajora, rendered a partial judgment against Jose Go and Revere, *viz.*:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendants JOSE C. GO and REVERE REALTY DEVELOPMENT CORPORATION, as follows:

a) Declaring as legal and binding the Deeds of Trust dated April 30, 1998 and holding the properties held in trust for plaintiff by defendants REVERE and GO.

b) Declaring that defendants REVERE and GO are not the owners of the properties covered by the deeds of trust and did not have any authority to constitute a mortgage over them to secure their personal and corporate obligations, for which they should be liable.

c) Nullifying the Deed of Real Estate Mortgage dated March 21, 2000 executed by defendants REVERE and GO in favor of co-defendant UNITED COCONUT PLANTERS BANK.

d) Ordering defendants REVERE and GO to reconvey in favor of the plaintiff the thirty-two (32) real properties listed in the deeds of trust and originally registered in the names of the plaintiffs under the following titles, to wit: TCT Nos. T-40450, 40452, 40453, 64488, 71021, 71022, 71023, 71024, 71025, 71136, 55033, 55287, 58945, 58946, 58947, 58948, 54186, 54187, 54189, 54190, 54191, 55288, 54186, 54187, 54188, 55030, 55031, 50426, 50427, 50428, 50429, and 50430.

e) Ordering defendants REVERE and GO to pay plaintiffs the amount of Php1,000,000.00 and as by way of moral damages, and Php200,000.00 and by way of attorney's fees.

SO ORDERED.¹⁶

¹³ Id. at 283.

¹⁴ Id. at 21.

¹⁵ Id. at 21.

¹⁶ Id. at 623.

On November 9, 2005, the RTC modified the partial judgment upon UCPB's motion for reconsideration, but otherwise affirmed it as against Revere and Jose Go, disposing thusly:

WHEREFORE, premises considered, the Partial Judgment dated September 6, 2005 is reconsidered and clarified as to United Coconut Planters Bank, as follows:

a) The contested portion of the Partial Judgment ordering reconveyance is directed at defendants Revere Realty and Development Corp. and Jose Go and not at defendant United Coconut Planters Bank; and

b) The resolution of the issue of whether or not defendant UCPB is obliged to reconvey the properties listed in the Partial Judgment in favor of the plaintiffs, as well as the other issues between UCPB and the plaintiffs, shall be determined after the parties shall have presented their evidence.

SO ORDERED.¹⁷

Meanwhile, Asset Pool A moved to be substituted for UCPB as a party-defendant on February 15, 2006 on the basis that UCPB had assigned to it the rights over petitioners' ₱68,000,000.00 obligation. The RTC approved the substitution on March 14, 2006.¹⁸

On January 6, 2009, the RTC rendered judgment in favor of petitioners, thusly:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendants UNITED COCONUT PLANTERS BANK, ASSET POOL A, REGISTRAR OF DEEDS OF LUCENA CITY and *EX-OFFICIO* SHERIFF OF LUCENA CITY, thus:

a) Declaring that the loan obligations of plaintiffs to defendant UNITED COCONUT PLANTERS BANK under the Memorandum of Agreement dated March 21, 2000 have been fully paid;

b) Declaring as legal and binding the Deeds of Trust dated April 30, 1998 and holding the properties listed therein were merely held-in-trust for plaintiffs by defendants REVERE and JOSE GO and/or corporations owned or associated with him;

c) Nullifying the Deed of Real Estate Mortgage dated March 21, 2000 executed by defendants REVERE and JOSE GO in favor of co-defendant UNITED COCONUT PLANTERS BANK and the Deed of

¹⁷ Id. at 623-624.

¹⁸ Id. at 624.

Assignment of Liability dated February 14, 2003 executed by plaintiffs in favor of UNITED COCONUT PLANTERS BANK;

d) Ordering defendant REGISTRAR OF DEEDS of Lucena City to cancel any and all titles derived or transferred from TCT Nos. T-40452 (89339), 40453 (89340), 84488 (89342), 71021 (89330), 71022 (89331), 71023 (89332), 71025 (95580-95581), 71136 (95587-95590), 55033 (89384) and issue new ones returning the ownership and registration of these titles of the plaintiffs. For this purpose, defendant UNITED COCONUT PLANTERS BANK is directed to execute the appropriate Deeds of Reconveyance in favor of the plaintiffs over the eighteen (18) real properties listed in the Real Estate Mortgage dated March 21, 2000 executed by defendants Revere Realty and JOSE GO and originally registered in the names of the plaintiffs.

e) Ordering defendant UNITED COCONUT PLANTERS BANK to return so much of the plaintiffs titles, of their choice, equivalent to Php200,000,000.00 after applying so much of the mortgaged properties, including those presently or formerly in the name of REVERE, to the payment of plaintiffs' consolidated obligation to the bank in the amount of Php204,597,177.04.

f) Declaring the Real Estate Mortgage dated June 02, 1997 as having been extinguished by the Memorandum of Agreement date March 21, 2000, and converting the writ of preliminary injunction issued on March 22, 2004 to a permanent one, forever prohibiting UNITED COCONUT PLANTERS BANK and ASSET POOL A and all persons/entities deriving rights under them from foreclosing on TCT Nos. T-54182, T-54184, T-54185, T-54192, and T-71135. The court hereby orders said defendants, or whoever is in custody of the said certificates of title, to return the same to plaintiffs and to execute the appropriate release of mortgage documents.

g) Finally, ordering defendant UNITED COCONUT PLANTERS BANK, to pay plaintiffs:

(i) The excess of the foreclosure proceeds in the amount of Php23,102,822.96, as actual damages;

(ii) Legal interest on the amount of Php223,102,822.96 at the rate of 6% *per annum* from February 3, 2004 until finality of judgment. Once the judgment becomes final and executor, the interest of 12% *per annum*, should be imposed, to be computed from the time the judgment becomes final and executor until fully satisfied, as compensatory damages;

(iii) Php1,000,000.00 as moral damages;

(iv) Php100,000.00 as exemplary damages;

(v) Php2,000,000.00 as attorney's fees; and

(vi) costs of suit;

SO ORDERED.¹⁹

¹⁹ Id. at 631-632.

The RTC declared the Revere REM as null and void for having been entered into outside the intent of the JVA; and opined that the Revere REM did not even bear any of herein petitioners' signatures. It ruled that the application of the proceeds of the foreclosure sale of petitioners' properties to settle Jose Go's liabilities was improper, invalid and contrary to the intent of the March 21, 2000 MOA, the principal contract of the parties.²⁰

The RTC observed that UCPB's claim that it had no knowledge of the trust nature of the properties covered by the deeds of trust, which were also included in the MOA was belied by the letter signed by its First Vice President Enrique L. Gana addressed to Spouses Chua wherein he stated that UCPB had undertaken to obtain from Jose Go the certificates of title necessary for the execution of the mortgages, and that should there be any excess or residual value, the same would be applied to any outstanding obligations that Jose Go would have in favor of UCPB; and that, accordingly, it was an error on the part of UCPB to apply any portion of the proceeds to settle the obligations of Jose Go without first totally extinguishing petitioners' obligations.

Decision of the CA

Respondents appealed to the CA.

In the decision promulgated on March 25, 2014,²¹ the CA reversed and set aside the judgment of the RTC, disposing instead as follows:

WHEREFORE, the assailed January 6, 2009 Decision of the Regional Trial Court of Lucena City, Branch 59, as well as its September 6, 2005 Partial Judgment are **REVERSED and SET ASIDE**. In its stead, judgment is hereby rendered:

a) Declaring the Real Estate Mortgage dated June 2, 1997 as valid and subsisting – accordingly, the writ of preliminary injunction issued on March 22, 2004 by the Regional Trial Court of Lucena City, Branch 59 is hereby lifted;

b) Declaring as legal and binding the March 21, 2000 Deed of Real Estate Mortgage of defendants REVERE REALTY AND DEVELOPMENT CORPORATION and/or JOSE GO in favor of defendant-appellant UNITED COCONUT PLANTERS BANK;

c) Declaring, pursuant to the parties' March 21, 2000 Deed of Real Estate Mortgage, that the loan obligations of defendant JOSE GO to defendant-appellant UNITED COCONUT PLANTERS BANK have been satisfied up to ₱123,806,550.00; and

²⁰ Id. at 624.

²¹ Supra note 1.

d) Declaring that the loan obligations of plaintiffs-appellees SPOUSE CHUA, ET AL. to defendant-appellant UNITED COCONUT PLANTERS BANK under the first Memorandum of Agreement dated March 21, 2000 have been paid up to ₱103,893,450.00.

SO ORDERED.²²

The CA made reference to three REMs: the first, executed on June 2, 1997, would secure the Spouses Chua's obligations with UCPB; the second, executed on March 21, 2000, was petitioners' REM in connection with the March 21, 2000 MOA; and the Revere REM, executed also on March 21, 2000. It opined that the first REM remained outstanding and was not extinguished as claimed by petitioners; that the Revere REM was valid based on the application of the *complementary contracts construed together* doctrine whereby the accessory contract must be read in its entirety and together with the principal contract between the parties; that it was the intention of the parties to extend the benefits of the two REMs under the first MOA in favor of Jose Go and/or his group of companies; and that petitioners' obligations with UCPB under the first MOA had not been fully settled.

Issues

Petitioners raise the following issues:

A. THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW IN REFUSING TO HOLD THAT THE OBLIGATIONS EVIDENCED BY THE 1997 AND 1998 PROMISSORY NOTES AND SECURED BY THE 1997 REM HAD BEEN EXTINGUISHED BY NOVATION IN THE FORM OF CONSOLIDATION OF ALL OF PETITIONERS' LOANS UNDER THE 21 MARCH 2000 MOA.

B. THE COURT OF APPEALS COMMITTED PALPABLE ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN REFUSING TO DELARE THE REVERE REM VOID AB INITIO DESPITE THE FACT THAT THE MORTGAGOR WAS ADMITTEDLY MERE TRUSTEE OF THE MORTGAGED PROPERTIES BUT THE TRUE AND ABSOLUTE OWNERS GAVE NO CONSENT TO THE MORTGAGE.

C. THE COURT OF APPEALS COMMITTED PALPABLE ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN APPLYING PART OF THE PROCEEDS OF THE FORECLOSURE OF THE OTHER PLAINTIFFS' AND REVERE REMS TO JOSE GO'S ALLEGED BUT UNPROVEN OBLIGATION,

²² Id. at 50-51.

INSTEAD OF APPLYING THE PROCEEDS AGAINST THE REMAINING OBLIGATION OF PETITIONERS, AND DELIVERING THE EXCESS TO THEM.

D. THE COURT OF APPEALS COMMITTED PALPABLE ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN REFUSING TO HOLD THAT THE RESTRUCTURED LOAN OF THE PETITIONERS HAD BEEN FULLY SATISFIED.²³

Did the CA commit reversible errors in finding that the Revere REM was valid and binding on petitioners, and in upholding the propriety of applying the proceeds of the foreclosure sale to settle the obligations of Jose Go and his group of companies before fully satisfying the liabilities of petitioners?

Ruling of the Court

The petition for review on *certiorari* is meritorious.

While the RTC and the CA both dealt with and examined the same set of facts and agreements of the parties, they ended up with totally opposing factual findings. The Court's review jurisdiction is generally limited to reviewing errors of law because the Court is not a trier of facts and is not the proper venue to settle and determine factual issues. Nevertheless, this rule is not ironclad, and a departure therefrom may be warranted where the findings of fact of the CA as the appellate court are contrary to the factual findings and conclusions of the trial court, like now. In this regard, there is a need to review the records to determine which findings by the lower courts should be preferred for being conformable with the records.

It is undisputed that petitioners Spouses Chua and LGCTI as well as respondents Jose Go, had existing loan obligations with UCPB prior to the March 1997 JVA. As an offshoot of the JVA, two deeds of trust were executed by the parties involving petitioners' 44-hectare property covered by 32 titles. The deeds of trust were neither expressly cancelled nor rescinded despite the fact that the project under the JVA never came to fruition.

On March 21, 2000, UCPB and petitioners entered into the MOA consolidating the outstanding obligations of the Spouses Chua and LGCTI. The relevant portions of the MOA are reproduced:

WITNESSETH:

²³ Id. at 87-88.

(A) As of 30 November 1999, the BORROWER has outstanding obligations due in favor of the BANK in the aggregate amount of Two Hundred Four Million Five Hundred Ninety Seven Thousand One Hundred Seventy Seven and 04/100 Pesos (₱204,597,177.04), Philippine currency, inclusive of all interest, charges and fees (the "Obligation").

(B) To partially satisfy the Obligation to the extent of ONE HUNDRED THREE MILLION EIGHT HUNDRED NINETY THREE THOUSAND FOUR HUNDRED FIFTY PESOS (₱103,893,450.00), Philippine currency, the BORROWER has agreed that the BANK shall acquire title to the real property enumerated and described in the schedule attached hereto and made an integral part hereof as Annex "A", together with all the improvements thereon, if any (collectively called, the "Property").

(C) The balance of the Obligation, in the total amount of Sixty Eight Million Pesos (₱68,000,000.00), Philippine currency, shall be converted by the BANK to equity interest in LGCTI, with conformity of the BORROWER.

(D) The Spouses Chua have requested the BANK to grant the Spouses Chua: (i) a continuing option to re-purchase the Property and (ii) develop the Property, under a joint-venture arrangement with the BANK.

(E) The BANK has acceded to the aforementioned request of the Spouses Chua, subject to the terms and conditions of this Agreement.

In consideration of the foregoing premises, and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

SECTION 1.0.

CONTRACTUAL INTENT

Section 1.1. Intent of the Parties – Subject to the provisions of this Agreement, and the satisfactory performance by the BORROWER of the obligations and undertakings set forth herein, the parties hereto declare, confirm and agree that:

(a) title to the Property shall be transferred and conveyed to the BANK; the BANK shall have the sole discretion to determine and implement the appropriate actions for the conveyance of such title in favor of the BANK;

(b) the BANK shall: (i) grant the Spouses Chua a continuing right of first refusal over the Property and (ii) consider entering into and concluding with the Spouses Chua a contractual arrangement for the development of the Property; and

(c) the parties shall implement the appropriate acts and deeds necessary or required for the execution, delivery and performance of this Agreement and the completion of the transactions contemplated herein, conformably with the terms and conditions set forth hereunder.

x x x x

SECTION 5.0.

MISCELLANEOUS PROVISIONS

Section 5.1. Binding Effect – This Agreement shall take effect upon its execution and the rights and obligation contained hereunder shall be valid and binding on the parties and their respective successors-in-interest.

Section 5.2. Governing Law – The provisions of this Agreement shall be governed, and be construed in all respects, by the laws of the Philippines.

Section 5.3. Further Assurance – LGCTI and the Spouses Chua warrant that they shall execute and deliver any and all additional documents or instruments and do such acts and deeds as may be necessary to fully implement and consummate the transactions contemplated under this Agreement.

Section 5.4. Entire Agreement – This Agreement constitutes the entire, complete and exclusive statement of the terms and conditions of the agreement between the parties with respect to the subject matter referred to herein. No statement or agreement, oral or written, made prior to the signing hereof and no prior conduct or practice by either party shall vary or modify the written terms embodied hereof, and neither party shall claim any modification of any provision set forth herein unless such modification is in writing and signed by both parties.²⁴

It is clear that petitioners exchanged their 30 parcels of land to effectively reduce their total unpaid obligations to only ₱68,000,000.00. To settle the balance, they agreed to convert it into equity in LGCTI in case they would default in their payment. To implement the MOA, they signed the REM drafted by UCPB, which included the properties listed in the MOA as security for the credit accommodation of ₱404,597,177.04. Unknown to them, however, Jose Go, acting in behalf of Revere, likewise executed another REM covering the properties that Revere was holding in trust for them. When UCPB foreclosed the mortgages, it applied about ₱75.09 million out of the ₱227,700,000.00 proceeds of the foreclosure sale to the obligations of Revere and Jose Go. Moreover, UCPB pursued petitioners for their supposed deficiency amounting to ₱68,000,000.00, which was meanwhile assigned to respondent Asset Pool A by UCPB.

We cannot subscribe to the CA's declaration that the 1997 REM still subsisted separately from the consolidated obligations of petitioners as stated in the March 21, 2000 MOA. As early as the latter part of 1999, correspondence and negotiation on the matter were already occurring between UCPB, on one hand, and the Spouses Chua and LGCTI, on the

²⁴ Id. at 225-228.

other. Specifically, in its November 10, 1999 letter to petitioners, UCPB wrote: "This will formalize our earlier discussions on the manner of settlement of your **personal** and that of LGCTI's **outstanding obligations.**"²⁵ The *outstanding obligations* adverted to referred to the Spouses Chua's unsettled, unpaid and remaining debt with UCPB. In discussing how the Spouses Chua could settle their obligations, there was no distinction whatsoever between the loans obtained in 1997 and those made in subsequent years. To be readily inferred from the tenor of the correspondence was that the Spouses Chua's obligations were already consolidated.

The MOA referred to the outstanding obligations of LGCTI and the Spouses Chua as being in the amount of ₱204,597,177.04 *as of* November 30, 1999. This meant that *all* of the Spouses Chua's obligations with UCPB on or prior to November 30, 1999 had already been combined. It was plain enough to see that the MOA constituted the entire, complete and exclusive agreement between the parties. Its Section 5.4 of the MOA expressly stipulated that: "xxxx No statement or agreement, oral or written, made prior to the signing hereof and no prior conduct or practice by either party shall vary or modify the written terms embodied hereof, and neither party shall claim any modification of any provision set forth herein unless such modification is in writing and signed by both parties."²⁶ Furthermore, the REM executed by petitioners in support of the MOA indicated that the mortgage would secure the payment of all loans, overdrafts, credit lines and other credit facilities or accommodations obtained or hereinafter to be obtained by the mortgagors. In light of the pertinent provisions of the MOA, the only rational interpretation was that the parties agreed to consolidate the Spouses Chua's past and future obligations, which would be secured by the REM executed between the parties.

There is no question about the validity of the March 21, 2000 MOA as well as the REM executed by petitioners in support of this MOA. However, much controversy attended the Revere REM. Nonetheless, the RTC pointed out in its decision:

The Court therefore affirms the nullity of the Revere REM dated March 21, 2000 (*Exhibit "I", Exhibit "7-APA*) executed by Revere in favor of defendant UCPB. **There is no proof that plaintiffs have consented to the application of the properties listed in Annex "B" thereof to the loan obligation of defendant Jose Go. UCPB is therefore lawfully bound to return to plaintiffs TCT Nos. T-40452 (89339), 40453 (89340), 84488 (89342), 71021 (89330), 71022 (89331), 71023 (89332), 71025 (95580-95581), 71136 (95587-95590), 55033 (89384), conformably with this court's disquisition in the Partial Judgment rendered on September 6, 2005.**²⁷

²⁵ *Rollo*, pp. 233-234 (bold underscoring supplied for emphasis only).

²⁶ *Id.* at 228.

²⁷ *Id.* at 625.

We have to note that the REM was executed by Revere through Jose Go purportedly in connection with the March 21, 2000 MOA on the very same day that petitioners' REM were executed. Yet, petitioners disclaimed any knowledge or conformity to the Revere REM. With the two deeds of trust executed in favor of Revere not having been expressly cancelled or rescinded, the properties mortgaged by Revere to UCPB were still owned by petitioners for all intents and purposes.

For clarity, we excerpt relevant portions of the deeds of trust, to wit:

DEED OF TRUST²⁸

KNOW ALL MEN BY THESE PRESENTS:

This DEED OF TRUST made, executed, and entered into by and between:

SPOUSES FELIX and CARMEN CHUA, both of legal age, Filipinos and with postal address at Ilayang Dupay, Lucena City and **ADELA C. CHUA**, of legal age, Filipino, married to Luis A. Chua and a resident of LIC Bldg., Brgy. Gulang-gulang, Lucena City, hereinafter called the TRUSTORS:

- and -

REVERE REALTY AND DEVELOPMENT CORPORATION, a corporation duly organized and existing under the laws of the Philippines with office address at 2478 Agatha St., San Andres Bukid, Manila, herein represented by the President, **MRS. LYDIA SEVILLA** and hereinafter called the TRUSTEE.

WITNESSETH

WHEREAS, the TRUSTORS are the lawful and absolute owners of twelve (12) parcels of land situated at Lucena City and previously covered by the following transfer Certificates of Title and may be described as follows:

x x x x

WHEREAS, by virtue of several Deeds of Absolute Sale executed by the TRUSTOR in favor of the TRUSTEE, the twelve (12) parcels of land were transferred in the name of the TRUSTEE and are now covered by the following Transfer Certificates of Title:

x x x x

WHEREAS, the TRUSTEE hereby acknowledges and confirms that it did not pay the TRUSTORS the consideration stated in the Deeds of Absolute Sale covering the twelve (12) parcels of land and said Deeds of

²⁸ Rollo, pp. 215-216.

Absolute Sale were executed by the TRUSTORS in compliance with the terms and conditions stated in the Joint Venture Agreement dated March 3, 1997 executed by and between the TRUSTORS and GOTESCO PROPERTIES, INC.;

WHEREAS, the TRUSTEE hereby acknowledges and confirms that she is the authorized representative of GOTESCO PROPERTIES, INC., with respect to the said Joint Venture Agreement and the transfer of the twelve (12) parcels of land in her name is necessary for the consolidation and subdivision of the properties in connection with the preparation of the plans and designs of the project of the said Joint Venture Agreement;

NOW THEREFORE, for and in consideration of the foregoing premises and mutual covenants hereinafter set forth:

1. The TRUSTEE hereby acknowledges and confirms:

1.1 The absolute title and ownership of the TRUSTORS over the twelve (12) parcels of land above described;

1.2 Its role as TRUSTEE, to have and hold the said twelve (12) parcels of land for the sole and exclusive use, benefit, enjoyment of the TRUSTORS;

2. The TRUSTEE hereby acknowledges and obliges itself not to dispose of, sell, transfer, convey, lease or mortgage the said twelve (12) parcels of land without the written consent of the TRUSTORS first obtained; (bold emphasis added)

3. The TRUSTEE hereby covenants and agrees to execute, deliver and perform any and all arrangements, and acts, which in the opinion of the TRUSTEES are necessary, required and/or appropriate for the exercise by the TRUSTORS of their rights, title and interests over the said twelve (12) parcels of land. (Emphasis supplied)

The deeds of trust expressly provided that: "The TRUSTEE hereby acknowledges and obliges itself not to dispose of, sell, transfer, convey, lease or mortgage the said twelve (12) parcels of land without the written consent of the TRUSTORS first obtained." By entering into the Revere REM, therefore, Revere openly breached its undertakings under the deeds of trust in contravention of the express prohibition therein against the disposition or mortgage of the properties. It is also worth mentioning that the records are bereft of any allegation that Revere had obtained the approval of petitioners or that the latter had acquiesced to the mortgage of the properties in favor of UCPB. Absent proof showing that petitioners had transferred the ownership of some or all of the properties covered by the deeds of trust in favor of Revere or Jose Go, the deeds of trust remained as the controlling documents as to the parcels of land therein covered.

Additionally, UCPB could not now feign ignorance of the deeds of trust. As the RTC aptly pointed out, UCPB's own Vice President expressly

mentioned in writing that UCPB would secure from Jose Go the titles necessary for the execution of the mortgages. As such, UCPB's actual knowledge of the deeds of trust became undeniable. In addition, UCPB, being a banking institution whose business was imbued with public interest, was expected to exercise much greater care and due diligence in its dealings with the public. Any failure on its part to exercise such degree of caution and diligence would invariably stigmatize its dealings with bad faith. It should be customary and prudent for UCPB, therefore, to adopt certain standard operating procedures to ascertain and verify the genuineness of the titles to determine the real ownership of real properties involved in its dealings, particularly in scrutinizing and approving loan applications. By approving the loan application of Revere obviously without making prior verification of the mortgaged properties' real owners, UCPB became a mortgagee in bad faith.²⁹

The CA pronounced that the parties had intended to extend the benefits of the two REMs under the first MOA to Jose Go and/or his group of companies. It premised its pronouncement on the express stipulation in petitioners' REM to the effect that it was "*the intention of the parties to secure as well the payment of all loans, overdrafts xxxx by the MORTGAGORS and/or by LGCTI, Spouses Chua, and Jose Go.*" In addition, it cited the Spouses Chua's conformity to UCPB's letter dated November 10, 1999 to the effect that should there be any excess or residual value after the settlement of the Spouses Chua and LGCTI's obligations, said excess would be applied to any outstanding obligations that Jose Go might have with UCPB. We must point out, however, that the statements adverted to by the CA had been supplied by UCPB itself – the first being contained in the REM drafted by UCPB, and the second being written by UCPB in its letter to the Spouses Chua. Assuming that petitioners were not just misled into signing or agreeing to the stipulations in said documents, it was still error for the CA to hold that Revere's or Jose Go's obligations enjoyed a primacy or precedence over the ₱68,000,000.00 obligation of petitioners.

The discussion of the RTC in its decision on this aspect, being apt and in point, is reiterated with approval:

The conformity of the plaintiffs through Felix A. Chua only appears on the Plaintiffs' REM dated March 21, 2000 (*Exhibit "G", Exhibit "6-APA"*). By virtue of this Plaintiffs' REM, there is basis to apply the properties listed in *Annex "A"* thereof to the obligations of both plaintiffs and defendant Jose Go, but subject to the condition that plaintiffs' obligations be totally extinguished first. **However, up to the termination of the trial of this case, neither defendant UCPB nor APA presented any evidence to prove the precise amount of Jose Go's loan**

²⁹ See *Hacienda Luisita, Incorporated v. Presidential Agrarian Reform Council*, G.R. No. 171101, July 5, 2011, 653 SCRA 154; *Alano v. Planter's Development Bank*, G.R. No. 171628, June 13, 2011, 651 SCRA 766.

obligations with the bank. It must be emphasized that the Plaintiffs' REM refers to Jose Go's obligations to the bank, not the obligations of any of the corporations owned by him in the majority.

The Apportionment of Bid Price signed by UCPB's own witness Milagros Alcabao (*Exhibit "S", Exhibit "10-APA*) does not show Jose Go's obligations, if any. What the Apportionment reveals is the amount of Php75,093,180.00 was set aside for "Revere Realty & Development Corporation and Lucena Industrial Corporation." While the name of plaintiff Lucena Industrial Corporation ("LIC") and Revere Realty and Development Corporation appears in said Apportionment, it has not been shown that there was any loan contracted by LIC and Revere to which the amount of Php75,093,180.00 may be applied. Because the twenty-three (23) properties listed in favor of Revere and LIC were sourced from the two (2) Deeds of Trust and partly from the null and void Revere REM dated March 21, 2000 (*Exhibit "I", Exhibit "7-APA"*), it is only proper that this particular apportionment valued by the bank at **Php75,093,180.00 should likewise be struck down.**³⁰ (Bold underscoring supplied for emphasis)

On the other hand, the CA maintained that petitioners' obligations to UCPB under the March 21, 2000 MOA had not been fully satisfied, *viz.*:

The plaintiffs-appellees concede in their **First MOA** that the **outstanding obligations** of Spouses Chua and LGCTI to UCPB were **restructured and fixed** at the aggregate amount of **₱204,597,177.04**; that part of this restructured debts (of up to **₱103,893,450.00**) will be settled by **transferring the titles** of the properties listed in **Annex "A"** to the Bank; and the remaining balance (in the amount of P68 million) will be **converted into equity interest** in LGCTI. Since the contract is the law between the parties, it necessarily follows that **only by adhering to the terms of the First MOA would the entire obligations of Spouses Chua and LGCTI be deemed fully paid.**

In pursuance of the foregoing conceded terms, and in accordance with the provisions of Plaintiffs' REM and Revere's REM, UCPB foreclosed the REM on all of the properties listed in Annex "A" of the First MOA for a **total bid price of ₱227,700,000.00**. The foreclosure and auction sale were deemed to cover not only plaintiffs-appellees' obligations and REM, they covered as well the REM of Jose Go and Revere as again, in **UCPB's conformed upon November 10, 1999 letter to Spouses Chua, et al.**, the latter undertook the following obligations:

X X X X

The imperatives of the parties' obligations under their contracts as above-discussed therefore require the proceeds of the foreclosure in the total amount of **₱227,700,000.00** be applied, *first*, to plaintiffs-appellees' **₱103,893,450.00**, as agreed upon in the First MOA, and the remaining balance of **₱123,806,550.00** to Jose Go's outstanding obligations with UCPB.³¹

³⁰ *Rollo*, p. 625.

³¹ *Rollo*, pp. 46-47.

This disquisition of the CA would have resulted in an absurd situation wherein a considerable portion of petitioners' properties were to be used to settle Jose Go's personal liabilities, which were ₱20,000,000.00 more than what were to be applied to petitioners' own obligations. Aside from enabling this ludicrous interpretation of the agreements, petitioners were still left with a hefty ₱68,000,000.00 balance in their obligations with UCPB. This absurd situation does not find support in their contracts as well as in the course of ordinary human experience. To reiterate, the ₱68,000,000.00 obligation was not separate and distinct from the outstanding obligations consolidated by the March 21, 2000 MOA. In fact, the February 14, 2003 MOA involving the transfer of 680,000 preferred shares of stock to UCPB provided that:

4. This Agreement shall take effect upon execution hereof provided however, that in the event the assignment of liabilities in exchange for the Preferred Shares does not materialize for any cause whatsoever, this **Agreement shall be cancelled and automatically cease to have any force and effect**, thereby restoring to each of the parties hereto whatever rights and liabilities they may each have in relation to the other parties prior to this Agreement.³² (Bold emphasis supplied)

Considering that such issuance of preferred shares in favor of UCPB did not take place despite the execution of the second MOA in 2003, the February 14, 2003 MOA was deemed cancelled and the ₱68,000,000.00 must perforce revert as part of petitioners' outstanding balance that was now fully and completely settled.

A review of the MOA dated March 21, 2000 would reveal that petitioners' outstanding obligation referred to, after deducting the amount of the thirty properties, was reduced to only ₱68,000,000.00. To settle this balance, petitioners agreed to convert this into equity in LGCTI *in case they defaulted in their payment*. In this case, what prompted the foreclosure sale of the mortgaged properties was petitioners' failure to pay their obligations. When the proceeds of the foreclosure sale were applied to their outstanding obligations, the payment of the balance of the ₱68,000,000.00 was deliberately left out, and the proceeds were conveniently applied to settle ₱75,000,000.00 of Revere and/or Jose Go's unpaid obligations with UCPB. This application was in blatant contravention of the agreement that Revere's or Jose Go's obligations would be paid only if there were excess in the application of the foreclosure proceeds. Accordingly, the CA should have applied the proceeds to the entire outstanding obligations of petitioners, and only the excess, if any, should have been applied to pay off Revere and/or Jose Go's obligations.

³² *Rollo*, pp. 233-235.

Based on the foregoing, therefore, we conclude that the deed of assignment of liabilities covering the deficiency in its obligation to UCPB in the amount of ₱68,000,000.00 was null and void. According to the apportionment of bid price executed by UCPB's account officer, the bid amounting to ₱227,700,000.00 far exceeded the indebtedness of the Spouses Chua and LGCTI in the amount of ₱204,597,177.04, which was inclusive of the ₱68,000,000.00 subject of the deed of assignment of liabilities as well as the ₱32,703,893,450.00 corresponding to the interests and penalties that UCPB waived in favor of petitioners.³³

It can be further concluded that UCPB could not have validly assigned to Asset Pool A any right or interest in the ₱68,000,000.00 balance because the proper application of the proceeds of the foreclosure sale would have necessarily resulted in the full extinguishment of petitioners' entire obligation. Otherwise, unjust enrichment would ensue at the expense of petitioners. There is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience. The principle of unjust enrichment requires the concurrence of two conditions, namely: (1) that a person is benefited without a valid basis or justification; and (2) that such benefit is derived at the expense of another.³⁴ The main objective of the principle against unjust enrichment is to prevent a person from enriching himself at the expense of another without just cause or consideration. This principle against unjust enrichment would be infringed if we were to uphold the decision of the CA despite its having no basis in law and in equity.

The Court notes that one of the parcels of land covered by the Revere REM was that registered under Transfer Certificate of Title (TCT) No. 89334 of the Registry of Deeds of Lucena City. According to the decision of the CA,³⁵ the parcel of land registered under TCT No. 89334 had been subdivided into Lot No. 3852 (TCT No. 95582 and TCT No. 95583) and Lot No. 3854 (TCT No. 95580 and TCT No. 95581). However, the judgment of the RTC did not include TCT No. 89334 although it should have. To rectify the omission, which was obviously inadvertent, we should include TCT No. 89334 due to its being admittedly one of the parcels of land of petitioners covered by the Revere REM.

Finally, the interest of 6% *per annum* on the judgment upon its finality shall be imposed in accordance with the pronouncement of the Court in *Nacar v. Gallery Frames*.³⁶

³³ *Rollo*, p. 974.

³⁴ *Flores v. Lindo Jr.*, G.R. No. 183984, April 13, 2011, 648 SCRA 772, 782-783.

³⁵ See CA decision, p. 10 (footnote no. 25), at *rollo*, p. 20.

³⁶ G.R. No. 189871, August 13, 2013, 703 SCRA 439.

WHEREFORE, the Court **GRANTS** the petition for review on *certiorari*; **SETS ASIDE** the decision of the Court of Appeals promulgated on March 25, 2014 in CA-G.R. No. 93644; **REINSTATES** the judgment rendered on January 6, 2009 by the Regional Trial Court, Branch 59, in Lucena City, with the addition of TCT No. 89334, to wit:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendants UNITED COCONUT PLANTERS BANK, ASSET POOL A, REGISTRAR OF DEEDS OF LUCENA CITY and *EX-OFFICIO* SHERIFF OF LUCENA CITY, thus:

a. Declaring that the loan obligations of plaintiffs to defendant UNITED COCONUT PLANTERS BANK under the Memorandum of Agreement dated March 21, 2000 have been fully paid;

b. Declaring as legal and binding the Deeds of Trust dated April 30, 1998 and holding the properties listed therein were merely held-in-trust for plaintiffs by defendants REVERE and JOSE GO and/or corporations owned or associated with him;

c. Nullifying the Deed of Real Estate Mortgage dated March 21, 2000 executed by defendants REVERE and JOSE GO in favor of co-defendant UNITED COCONUT PLANTERS BANK and the Deed of Assignment of Liability dated February 14, 2003 executed by plaintiffs in favor of UNITED COCONUT PLANTERS BANK;

d. Ordering defendant REGISTRAR OF DEEDS of Lucena City to cancel any and all titles derived or transferred from TCT Nos. T-40452 (89339), 40453 (89340), 84488 (89342), 71021 (89330), 71022 (89331), 71023 (89332), 71025 (95580-95581), 71136 (95587-95590), 55033 (89384), 89334 and issue new ones returning the ownership and registration of these titles of the plaintiffs. For this purpose, defendant UNITED COCONUT PLANTERS BANK is directed to execute the appropriate Deeds of Reconveyance in favor of the plaintiffs over the eighteen (18) real properties listed in the Real Estate Mortgage dated March 21, 2000 executed by defendants Revere Realty and JOSE GO and originally registered in the names of the plaintiffs.

e. Ordering defendant UNITED COCONUT PLANTERS BANK to return so much of the plaintiffs titles, of their choice, equivalent to Php200,000,000.00 after applying so much of the mortgaged properties, including those presently or formerly in the name of REVERE, to the payment of plaintiffs' consolidated obligation to the bank in the amount of Php204,597,177.04.

f. Declaring the Real Estate Mortgage dated June 02, 1997 as having been extinguished by the Memorandum of Agreement date March 21, 2000, and converting the writ of preliminary injunction issued on March 22, 2004 to a permanent one, forever prohibiting UNITED COCONUT PLANTERS BANK and ASSET POOL A and all persons/entities deriving rights under them from foreclosing on TCT Nos. T-54182, T-54184, T-54185, T-54192, and T-71135. The court hereby orders said defendants, or whoever is in custody of the said certificates of title, to return the same to plaintiffs and to execute the appropriate release of mortgage documents.

g. Finally, ordering defendant UNITED COCONUT PLANTERS BANK, to pay plaintiffs:

- i. The excess of the foreclosure proceeds in the amount of Php23,102,822.96, as actual damages;
- ii. Legal interest on the amount of Php223,102,822.96 at the rate of 6% *per annum* from February 3, 2004 until finality of judgment. Once the judgment becomes final and executory, the interest of 6% *per annum*, should be imposed, to be computed from the time the judgment becomes final and executory until fully satisfied, as compensatory damages;
- iii. Php1,000,000.00 as moral damages;
- iv. Php100,000.00 as exemplary damages;
- v. Php2,000,000.00 as attorney’s fees; and
- vi. Costs of suit;

SO ORDERED.

and **DIRECTS** respondents, except the Registrar of Deeds of Lucena City and the *Ex-Officio* Sheriff of Lucena City, to pay the costs of suit.


SO ORDERED.



LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:


(On Leave)
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



SAMUEL R. MARTIRES
Associate Justice

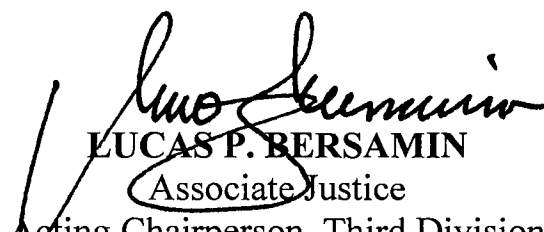


NOEL C. TIJAM
Associate Justice


ALEXANDER G. GESMUNDO
 Associate Justice

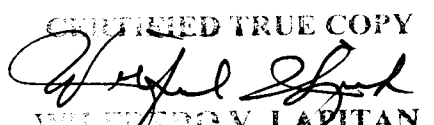
ATTESTATION


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.


LUCAS P. BERSAMIN
 Associate Justice
 Acting Chairperson, Third Division

CERTIFICATION

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

CERTIFIED TRUE COPY

WILFREDO V. LAPITAN
 Clerk of Court
 Third Division
 AUG 29 2017


MARIA LOURDES P. A. SERENO
 Chief Justice