



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

DANILO SANTIAGO F.
JIMENEZ, AS REPRESENTED
BY HIS ATTORNEY-IN-FACT
DR. SONIA R.
JIMENEZ-CATARROJA,
Petitioner,

G.R. No. 228011

Present:

PERLAS-BERNABE, S.A.J.,
Chairperson,
GISMUNDO,
LAZARO-JAVIER,
LOPEZ, M., and
ROSARIO, JJ.

- versus -

DAMIAN F. JIMENEZ, JR., AND
THE REGISTER (REGISTRAR)
OF DEEDS OF QUEZON CITY,
ARTURO C. CALUBAD,
ANTONIO KEH AND
EX-OFFICIO SHERIFF, ATTY.
MERCEDES S. GATMAYTAN,
NOW ATTY. PERLITA V. ELE,
Respondents.

Promulgated:

FEB 10 2021

X-----X

DECISION

M. LOPEZ, J.:

The doctrine of mortgagee in good faith is not based solely on the indefeasibility of the certificate of title – it is also based on the very nature and purpose of a mortgage. The protection granted to a mortgagee in good faith extends to the purchaser at a public auction even if he or she had notice of the adverse claim. Otherwise, the value of the mortgage could be easily destroyed by a subsequent record of an adverse claim, for no one would purchase at a foreclosure sale if bound by the posterior claim.¹

¹ *Gonzales v. Intermediate Appellate Court*, 241 Phil. 630, 643 (1988).

This Petition for Review on *Certiorari*² seeks to reverse the Court of Appeals' (CA) Decision³ dated May 19, 2016 and Resolution⁴ dated October 25, 2016, which affirmed the Regional Trial Court's (RTC) Decision⁵ dated December 20, 2012 in Civil Case No. Q-02-48055. The RTC upheld Arturo S. Calubad (Calubad) and Antonio Keh's (Keh) right over the disputed property as innocent mortgagees for value and good faith.

ANTECEDENTS

Corona F. Jimenez (Corona) is the registered owner of a 532-square meter lot⁶ covered by Transfer Certificate of Title (TCT) No. RT-122097 (126876).⁷ Danilo Santiago F. Jimenez (Danilo), Sonia F. Jimenez-Catarroja (Sonia), Vilma T. Jimenez-Lagdameo, Federico Dalton F. Jimenez, and Chona F. Jimenez-Veluz (collectively, Jimenez siblings) and Damian F. Jimenez, Jr. (Damian) are her children.⁸ Corona died on January 16, 2002.

During the settlement of the estate, the Jimenez siblings discovered a Deed of Donation allegedly executed by Corona in favor of Damian on August 31, 2000 over the 532-square meter property.⁹ By virtue of the Deed of Donation, TCT No. RT-122097 (126876) was cancelled and in lieu thereof TCT No. N-217728 was issued in the name of Damian on September 7, 2000.¹⁰ On May 21, 2001, Damian mortgaged the property to Calubad and Keh in consideration of a ₱7,000,000.00-loan. On the same day, the mortgage was annotated on TCT No. N-217728.¹¹ The Jimenez siblings learned about the mortgage, but only Sonia registered her Affidavit of Adverse Claim, which was annotated at the back of TCT No. N-217728 on July 12, 2002.¹²

On October 12, 2002, Sonia was informed that the property was scheduled for auction on October 24, 2002. This prompted the Jimenez siblings to file a complaint for the annulment of the Deed of Donation and TCT No. N-217728, as well as the cancellation and annulment of the Deed of Real Estate Mortgage, with prayer for preliminary injunction before the RTC of Quezon City on October 21, 2002.¹³ The RTC denied the prayer for injunction, hence, the extrajudicial sale pushed through as scheduled. Calubad and Keh emerged as the highest bidders. Consequently, a Certificate of Sale dated November 3, 2002 was issued. On December 11, 2003, the title to the

² *Rollo*, pp. 15-42.

³ *Id.* at 54-64; penned by Associate Justice Jhosep Y. Lopez (now a Member of this Court), with the concurrence of Associate Justices Ramon R. Garcia and Ramon Paul L. Hernando (now a Member of this Court).

⁴ *Id.* at 66-67.

⁵ *Id.* at 69-93.

⁶ *Id.* at 56. Located at No. 18 South Maya Street, Philam Homes, Quezon City.

⁷ *Id.* at 56.

⁸ *Id.* at 19.

⁹ *Id.* at 19-20.

¹⁰ *Id.* at 69-93.

¹¹ *Id.* at 73.

¹² *Id.* The Affidavit of Adverse Claim was dated July 12, 2002.

¹³ *Id.* at 69.

property was consolidated and TCT No. N-257432 was issued in favor of Calubad and Keh.¹⁴

In a Decision¹⁵ dated December 20, 2012, the RTC found that Corona's signature on the Deed of Donation was forged, and thus declared the Deed void. Notwithstanding, the RTC sustained the validity of TCT No. N-257432 issued in the name of Calubad and Keh as they were found to be innocent mortgagees for value and good faith. Thus:

WHEREFORE, in view of the foregoing, judgement is hereby rendered:

- 1) **declaring** the signature of Corona Vda. De Jimenez in the Deed of Donation dated August 31, 2000 as a product of forgery. The said Deed of Donation is hereby declared null and void. The TCT No. 257432 in the name of Arturo Calubad and Antonio Keh is however recognized.

x x x x

SO ORDERED.¹⁶ (Emphases in the original.)

On appeal, the CA agreed with the RTC that Calubad and Keh are mortgagees in good faith; hence, their right over the property should be recognized.¹⁷ The dispositive portion of the May 19, 2016 Decision reads:

WHEREFORE, premises considered, the appeal is **DENIED**. The Decision of the Regional Trial Court, Branch 227 of Quezon City dated 20 December 2012 is hereby **AFFIRMED**.

SO ORDERED.¹⁸ (Emphases in the original.)

Only Danilo filed a motion for reconsideration, but was denied on October 25, 2016.¹⁹ Hence, this petition.

Relying upon the Court's ruling in *Homeowners Savings and Loan Bank v. Felonia*,²⁰ (HSLB) Danilo argues that while Calubad and Keh may be mortgagees in good faith, they are not purchasers in good faith as they were aware of Sonia's adverse claim when they purchased the property during the public auction on October 24, 2002. As such, they have no right over the disputed property. TCT No. N-257432 should thus be cancelled and TCT No. RT-122097 (126876) issued in the name of Corona should be reinstated.

¹⁴ *Id.* at 22.

¹⁵ *Id.* at 69- 93.

¹⁶ *Id.* at 93.

¹⁷ *Id.* at 54-64.

¹⁸ *Id.* at 63.

¹⁹ *Id.* at 10-11.

²⁰ 728 Phil. 115 (2014).

For their part, Calubad and Keh contend that *HSLB* is not on all fours with this case.²¹ Instead, the case of *Bank of the Philippine Islands (BPI) v. Noblejas*,²² wherein the Court ruled that any subsequent adverse claim will not prejudice the mortgagee's right as a purchaser in the foreclosure sale, applies.²³

RULING

We deny the petition.

The determination of good faith or lack of it is a factual matter, which cannot be entertained in a Petition for Review on *Certiorari* under Rule 45.²⁴ As such, the Court generally defers to the factual findings of the lower courts unless the case falls under any of the jurisprudentially-recognized exceptions²⁵ to this rule. Here, we see no reason to depart from the uniform factual findings and conclusion of the RTC and the CA.

In *Cavite Development Bank v. Lim*,²⁶ the Court explained the doctrine of mortgagee in good faith as follows:

There is, however, a situation where, despite the fact that the mortgagor is not the owner of the mortgaged property, his title being fraudulent, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy. This is the doctrine of "the mortgagee in good faith" based on the rule that all persons dealing with property covered by a Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of a certificate of title, as evidence of the lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.²⁷ (Emphasis supplied.)

The doctrine applies when the following requisites concur, namely: (a) the mortgagor is not the rightful owner of, or does not have valid title to, the property;²⁸ (b) the mortgagor succeeded in obtaining a Torrens title over the

²¹ *Rollo*, p. 127.

²² 105 Phil. 418 (1959).

²³ *Rollo*, pp. 127-129.

²⁴ *Ruiz v. Dimallig*, 799 Phil. 273, 281 (2016); *Land Bank of the Philippines v. Belle Corporation*, 768 Phil. 368, 385 (2015).

²⁵ (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record; *Medina v. Mayor Asistio, Jr.*, 269 Phil. 225, 232 (1990).

²⁶ 381 Phil. 355 (2000).

²⁷ *Id.* at 368.

²⁸ See *Arguelles v. Malarayat Rural Bank, Inc.*, 730 Phil. 226, 235 (2014); *Ereña v. Queurrer-Kauffman*, 525 Phil. 381, 401-402 (2006).

property;²⁹ (c) the mortgagor succeeded in mortgaging the property to another person;³⁰ (d) the mortgagee relied on what appears on the title and there exists no facts and circumstances that would compel a reasonably cautious man to inquire into the status of the property;³¹ and (e) the mortgage contract was registered.³² All these requisites were satisfied in this case, *viz.*: (a) Damian was found to have no valid title to the property as his title was derived from a forged Deed of Donation; (b) he was able to obtain TCT No. N-217728; (c) he succeeded in mortgaging the property to Calubad and Keh; (d) Calubad and Keh found nothing on TCT No. N-217728 that would have notified them of Damian's invalid title. In fact, Calubad and Keh even went beyond the title and conducted an ocular inspection, whereby they confirmed that Damian was in possession and occupation of the property;³³ and (e) the mortgage contract was registered. Thus, the courts *a quo* did not err in ruling that Calubad and Keh were mortgagees in good faith.

Danilo, however, insists that even if Calubad and Keh were mortgagees in good faith, they are not innocent purchasers for value because they were aware of the existence of an adverse claim on the property before the public auction. As such, they cannot have a valid title over the property. Danilo relies on the case of *HSLB*, wherein the Court declared that HSLB was not a purchaser in good faith because at the time HSLB acquired the disputed property on foreclosure sale, it had actual knowledge of the Notice of *Lis Pendens*.

Danilo's reliance on *HSLB* is mistaken. The factual milieu of *HSLB* is exceptional, hence, its ruling cannot be applied in this case.

In *HSLB*,³⁴ the original owners (Felonia and De Guzman) of the disputed property sought reformation of a Deed of Absolute Sale with Option to Repurchase entered into with Delgado, on the ground that the parties intended to execute a real estate mortgage, not a sale (reformation case). Finding merit to their claim, the trial court ordered the reformation of the sale into a mortgage. This was affirmed by the CA, which decision became final and executory. During the pendency of the reformation case, however, Delgado filed a Petition for Consolidation of Ownership of Property Sold with an Option to Repurchase and Issuance of a New Certificate of Title (consolidation case) in another court. The petition was granted and consequently, the title was transferred to Delgado's name. Felonia and De Guzman then filed a Petition for Annulment of Judgment before the CA.

²⁹ See *Cabuhat v. CA*, 418 Phil 451, 457-459 (2001); *Gonzales v. Intermediate Appellate Court*, 241 Phil. 630, 642-643 (1988).

³⁰ See *Lausa v. Quilaton*, 767 Phil. 256, 278-279 (2015); *Arguelles v. Malarayat Rural Bank, Inc.*, 730 Phil. 226, 235 (2014); *Ereña v. Qeurrer-Kauffman*, 525 Phil. 381, 401-402 (2006); *Cabuhat v. CA*, *supra*; *Cavite Development Bank v. Spouses Lim*, 381 Phil. 355, 368 (2000); *Gonzales v. Intermediate Appellate Court*, *supra* at 643.

³¹ *Id.*

³² See *Philippine Veterans Bank v. Monillas*, 573 Phil. 384, 390-391 (2008); *Pineda v. CA*, 456 Phil. 732, 751 (2003); *Cabuhat v. CA*, *supra*; *Gonzales v. Intermediate Appellate Court*, *supra*.

³³ *Rollo*, p. 90.

³⁴ 728 Phil. 115 (2014).

Meanwhile, Delgado mortgaged the property to HSLB. This mortgage was annotated on Delgado's title. Later, Felonia and De Guzman also annotated a Notice of *Lis Pendens* on Delgado's title. Two years after, HSLB foreclosed the property, and later consolidated ownership in its favor, causing the issuance of a new title in its name. Eventually, the CA set aside the trial court's decision in the consolidation case, declared Felonia and De Guzman as the absolute owners of the property, and ordered the cancellation of Delgado's title. The CA decision became final and executory. As the adjudged owners, Felonia and De Guzman sought the nullity of the mortgage and foreclosure sale, annulment of HSLB's title, and reconveyance of possession and ownership of the subject property in their favor, which were granted by the RTC and affirmed by the CA.

On appeal, HSLB did not question the CA ruling on the nullity of the mortgage and foreclosure sale, as well as the invalidity of its title. In fact, HSLB already recognized Felonia and De Guzman's title when it prayed that its mortgage lien be carried over to Felonia and De Guzman's reinstated title. Consequently, the CA decision annulling the foreclosure sale and cancelling HSLB's title became final. With the finality of annulment of the mortgage, foreclosure sale, and HSLB's title, the Court ruled that the mortgage in favor HSLB was rendered ineffective. Using the Court's language, "[t]he priorly registered mortgage lien of HSLB is now worthless." Thus, there is no more mortgage lien to carry over and into the restored title in Felonia and De Guzman's name. The Court ruled in this wise:

However, the rights of the parties to the present case are defined not by the determination of whether or not HSLB is a mortgagee in good faith, but of whether or not HSLB is a purchaser in good faith. And, HSLB is not such a purchaser.

x x x x

Indeed, at the time HSLB bought the subject property, HSLB had actual knowledge of the annotated Notice of *Lis Pendens*. Instead of heeding the same, HSLB continued with the purchase knowing the legal repercussions a notice of *lis pendens* entails. HSLB took upon itself the risk that the Notice of *Lis Pendens* leads to. As correctly found by the CA, "the notice of *lis pendens* was annotated on 14 September 1995, whereas the foreclosure sale, where the appellant was declared as the highest bidder, took place sometime in 1997. There is no doubt that at the time appellant purchased the subject property, it was aware of the pending litigation concerning the same property and thus, the title issued in its favor was subject to the outcome of said litigation."

x x x x

The subject of the *lis pendens* on the title of HSLB's vendor, Delgado, is the "Reformation case" filed against Delgado by the herein respondents. The case was decided with finality by the CA in favor of herein respondents. The contract of sale in favor of Delgado was ordered reformed into a contract of mortgage. By final decision of the CA, HSLB's



vendor, Delgado, is not the property owner but only a mortgagee. As it turned out, Delgado could not have constituted a valid mortgage on the property. That the mortgagor be the absolute owner of the thing mortgaged is an essential requisite of a contract of mortgage. x x x.

x x x x

We go back to *Bank of Commerce v. San Pablo, Jr.* where the doctrine of mortgagee in good faith, upon which petitioner relies, was clarified as “based on the rule that all persons dealing with property covered by the Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. In turn, the rule is based on “x x x public interest in upholding the indefeasibility of a certificate of title, as evidence of lawful ownership of the land or of any encumbrance thereon.”

Insofar as the HSLB is concerned, there is no longer any public interest in upholding the indefeasibility of the certificate of title of its mortgagor, Delgado. Such title has been nullified in a decision that had become final and executory. Its own title, derived from the foreclosure of Delgado’s mortgage in its favor, has likewise been nullified in the very same decision that restored the certificate of title in respondents’ name. There is absolutely no reason that can support the prayer of HSLB to have its mortgage lien carried over and into the restored certificate of title of respondents.³⁵ (Emphases supplied; citations omitted.)

The determination of HSLB’s good faith as the purchaser in the foreclosure sale was necessary, since it can no longer benefit from its rights as a mortgagee in good faith considering that the mortgage, foreclosure sale, and HSLB’s title were later on nullified with finality. This is not the case here.

The validity of the mortgage and Calubad and Keh’s title as purchasers in the foreclosure sale are precisely the issue in this case. Thus, the doctrine laid down in the case of *Bank of the Philippine Islands v. Noblejas*³⁶ applies. In that case, the mortgage was annotated at the back of the certificates of title on November 13, 1952, while the adverse claim was only annotated on December 21, 1953. The Court ruled that any subsequent lien or encumbrance cannot defeat the rights of an innocent mortgagee as a purchaser in a foreclosure sale. Once the subject property is foreclosed, it passes to the purchaser at a public auction free from any lien or encumbrance, thus:

Petitioners also contend that the notice of adverse claim which antedated the foreclosure and sale of public auction of the property subject thereto — charges all strangers with notice of the particular litigation or claim and, therefore, any right that may be acquired thereafter on the property is subject to the eventuality of the third[-]party claim, is not sustainable in the present controversy. **It is well to note that the mortgage in favor of the late Ramon Eugenio was annotated on November 13, 1952 at the back of the certificates of title in controversy, while the adverse claim was**

³⁵ *Id.* at 126-130.

³⁶ 105 Phil. 418 (1959).

only annotated on the same certificates more than one year later, on December 21, 1953. Hence, the adverse claim could not affect the rights of the mortgagee; and the fact that the foreclosure of the mortgage and the consequent public auction sale have been effected long after the annotation of the adverse claim is of no moment, because the foreclosure sale retroacts to the date of registration of the mortgage (See Cruz vs. Sandoval, 39 Phil., 736, and Lopez vs. Vijandre, 72 Phil., 56.)

“A person who takes a mortgage in good faith and for a valuable consideration, the record showing a clear title in the mortgagor, will be protected against any equitable titles to the premises, or equitable claims on the title, in favor of third persons, of which he had no notice, actual or constructive and that protection extends to a purchaser at a Sheriff’s sale under proceedings on the mortgage although such purchaser had notice of the alleged equity.” (59 C.J.S., Sec. 233, pp. 303-304)

Any subsequent lien or encumbrance annotated at the back of the certificates of title cannot in any way prejudice the mortgage previously registered, and the lots subject thereto pass to the purchaser at the public auction sale free from any lien or encumbrance. Otherwise, the value of the mortgage could be easily destroyed by a subsequent record of an adverse claim, for no one would purchase at a foreclosure sale if bound by the posterior claim.³⁷ (Emphases supplied.)

Similarly, in *Gonzales v. Intermediate Appellate Court*,³⁸ the notice of *lis pendens* was already inscribed in the title of mortgagor at the time of the purchase of the subject property at the foreclosure sale on August 11, 1973. We ruled:

It is true that the notice of *lis pendens* is an announcement to the whole world that a particular real property is in litigation, and serves as a warning that one who acquires an interest over said property does so at his own risk, so that he gambles on the results of the litigation over said property.

However, it has also been held that any subsequent lien or encumbrance annotated at the back of the certificate of title cannot in any way prejudice the mortgage previously registered, and the lots subject thereto pass to the purchaser at the public auction sale free from any lien or encumbrance. Otherwise, the value of the mortgage could be easily destroyed by a subsequent record of an adverse claim, for no one would purchase at a foreclosure sale if bound by the posterior claim.

In the case of *Gomes vs. Government of the Philippine Islands*, this Court ruled:

“The appealed judgment was finally based on the fact that both the plaintiff and the intervenor had succeeded in having notices of *lis pendens* noted in transfer certificate

³⁷ *Id.* at 423-424.

³⁸ 241 Phil. 630 (1988).

of title No. 25909. It seems that it is desired to attribute to these notations a legal effect similar to a lien. This is not, however, the effect of a notice of *lis pendens* under sections 79 of Act No. 496, and 401 of the Code of Civil Procedure. **The notation of the plaintiff's notice produced no effect whatsoever against the Government's mortgage not only because the latter was prior to the former but also because once the mortgage is declared valid and effective by final judgment, the plaintiff can no longer enforce any preferential right.** x x x We hold, therefore, that the notices of *lis pendens* and the attachment did not constitute justifiable or lawful cause to prevent the execution of the judgment of foreclosure of mortgage obtained by the Government."

A person who takes a mortgage in good faith and for a valuable consideration, the record showing a clear title in the mortgagor will be protected against any equitable titles to the premises or equitable claims on the title, in favor of their persons, of which he had no notice, actual or constructive and that protection extends to a purchaser at a Sheriff's sale under proceedings on the mortgage although such purchaser had notice of the alleged equity.

In the case at bar, it is the respondent bank, the mortgagee itself, which purchased the subject property in the foreclosure sale. **Being an innocent mortgagee with a superior lien over that of petitioner, its right to a foreclosure of the property is reserved. The notice of *lis pendens* which antedated the foreclosure and sale at public auction of subject property could not affect the rights of the respondent bank because the foreclosure sale retroacts to the date of registration of the mortgage. Its character of being an innocent mortgagee continues up to the date of actual foreclosure and sale at public auction.**³⁹ (Emphases supplied; citations omitted.)

The iteration of the doctrine continued in *Pineda v. CA*,⁴⁰ viz.:

When Gonzales purchased the Property at the auction sale, Pineda and Sayoc had already annotated the *lis pendens* on the original of TCT 8361, which remained valid. **However, the mortgage of Gonzales was validly registered prior to the notation of the *lis pendens*. The subsequent annotation of the *lis pendens* could not defeat the rights of the mortgagee or the purchaser at the auction sale who derived their rights under a prior mortgage validly registered. The settled rule is that the auction sale retroacts to the date of the registration of the mortgage, putting the auction sale beyond the reach of any intervening *lis pendens*, sale or attachment.** As the Court explained in *Caviles, Jr. v. Bautista*:

We have also consistently ruled that an auction or execution sale retroacts to the date of levy of the lien of attachment. When the subject property was sold on execution to the petitioners, this sale retroacted to the date of

³⁹ *Id.* at 642-643.

⁴⁰ 456 Phil. 732 (2003).

inscription of petitioners' notice of attachment on October 6, 1982. The earlier registration of the petitioners' levy on preliminary attachment gave them superiority and preference in rights over the attached property as against respondents.

Accordingly, we rule that the execution sale in favor of the petitioner Caviles spouses was anterior and superior to the sale of the same property to the respondent Bautista spouses on October 18, 1982. The right of petitioners to the surrender of the owner's duplicate copy of TCT No. 57006 covering the subject property for inscription of the certificate of sale, and for the cancellation of said certificate of title and the issuance of a new title in favor of petitioners cannot be gainsaid.

A contrary rule would make a prior registration of a mortgage or any lien meaningless. The prior registered mortgage of Gonzales prevails over the subsequent notice of *lis pendens*, even if the auction sale took place after the notation of the *lis pendens*. Consequently, TCT 16084, issued to Gonzales after she presented the sheriff's certificate of sale and her affidavit of consolidation, is valid.⁴¹ (Emphases supplied; citations omitted.)

In sum, jurisprudence dictates that a subsequent lien or encumbrance annotated at the back of a certificate of title of a foreclosed property will not affect the rights of a purchaser in a foreclosure sale because such sale retroacts to the date of the registration of the mortgage, making the sale prior in time to the lien or encumbrance.⁴² The foreclosure sale retroacts to the date of registration of the mortgage because it is incidental to the fulfilment of the mortgagor's obligation in the mortgage contract upon his default. In turn, the purchaser in a foreclosure sale essentially derives his right from the previously registered mortgage. To rule otherwise would be to render nugatory the purpose of the mortgage as security. Furthermore, we stress that the nullity of the mortgagor's certificate of title does not automatically carry with it the nullity of a registered mortgage if the mortgagee acted in good faith.⁴³ Once the mortgagor defaulted in the fulfillment of his obligation, the mortgagee in good faith can still cause the foreclosure of the mortgage. In such case, the purchaser in the foreclosure sale acquires the right of the mortgagee in good faith, making the sale prior in time as against any subsequent lien or encumbrance.

Accordingly, Sonia's adverse claim, which was annotated after the registered mortgage in favor of Calubad and Keh, cannot prevail over Calubad and Keh's rights as mortgagees in good faith and purchasers in the foreclosure sale. Being mortgagees in good faith, they have a superior lien over that of Sonia, and their right to foreclose is reserved. Therefore, Calubad

⁴¹ *Id.* at 751-752.

⁴² See *Bank of the Philippine Islands v. Nobiejas*, 105 Phil. 418, 425 (1959); *Pineda v. CA*, 456 Phil. 732, 751-752 (2003).

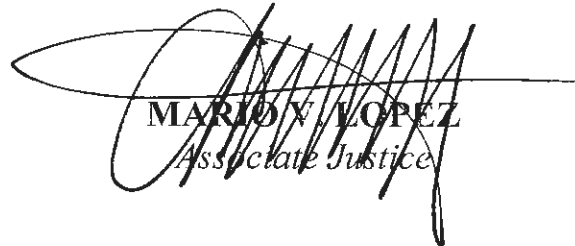
⁴³ *Pineda v. CA*, *supra* at 749-750, citing *Penullar v. PNB*, 205 Phil. 127 (1983).



and Keh's purchase of the property in the foreclosure sale on October 24, 2002 retroacted to the date of the registration of the mortgage on May 21, 2001, making the sale superior to the adverse claim on July 12, 2002. Their knowledge of the adverse claim is of no moment because their right as mortgagees in good faith extends up to the time of the foreclosure sale and in their capacity as purchasers. Verily, the RTC and the CA did not err in ruling that TCT No. N-257432 issued in favor of Calubad and Keh pursuant to the foreclosure sale is valid.

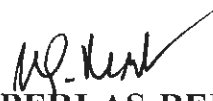
FOR THESE REASONS, the petition is **DENIED**. The Court of Appeals' Decision dated May 19, 2016 and Resolution dated October 25, 2016 are **AFFIRMED**.

SO ORDERED.




MARIO V. LOPEZ
Associate Justice

WE CONCUR:



ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson



ALEXANDER G. GESMUNDO
Associate Justice



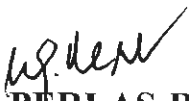
AMY C. LAZARO-JAVIER
Associate Justice



RICARDO R. ROSARIO
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.


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division 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.


DIOSDADO M. PERALTA
Chief Justice