

SUPREME COURT OF THE PHILIPPINES
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Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

PROVINCE OF BATAAN, HON. G.R. No. 181311
ENRIQUE T. GARCIA, JR.,
EMERLINDA S. TALENTO, AND Present:
AMELITA E. ABAD,

Petitioners,

LEONEN, J.,
Chairperson,
CARANDANG,
ZALAMEDA,
ROSARIO, and
DIMAAMPAO, JJ.

- versus -

HON. REMIGIO M. ESCALADA,
JR., IN HIS CAPACITY AS
PRESIDING JUDGE OF THE
REGIONAL TRIAL COURT
BRANCH 3, BALANGA CITY,
BATAAN, VICTOR G. GAWTEE,
AND CAMERON GRANVILLE 2 Promulgated:
ASSET MANAGEMENT, INC.,

Respondents.

November 24, 2021

X-----*MISTDCB-H*-----X

DECISION

CARANDANG, J.:

Before this Court is a Petition for *Certiorari*, Prohibition, and *Mandamus*¹ filed by petitioners Province of Bataan (Province), its Governor Enrique T. Garcia, Jr. (Garcia), its Provincial Treasurer Emerlinda S. Talento (Talento), and its former Register of Deeds Amelita E. Abad (Abad; collectively, petitioners) assailing the Decision² dated June 15, 2007 and the Resolution³ dated January 22, 2008 of the Regional Trial Court (RTC) of Bataan, Branch 3 in Civil Case No. 8164. The RTC acted favorably on the verified petition for injunction filed by Sunrise Paper Products, Inc.

¹ Rollo, pp. 3-53.

² Penned by Judge Remigio M. Escalada Jr.; id at 58-139.

³ Id. at 275-289.

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(Sunrise) and the petitions-in-intervention respectively filed by respondent Victor G. Gawtee (Gawtee) and Metropolitan Bank and Trust Company (Metrobank), who was later on substituted by respondent Cameron Granville 2 Asset Management, Inc. (Cameron), against petitioners. The dispositive portion of the Decision of the RTC provides:

WHEREFORE, judgment is hereby rendered:

1. Declaring invalid and illegal the warrant of levy made by the Province of Bataan on January 2, 2003 and the notice of sale on August 29, 2003 of the subject machinery and equipment enumerated in Annex "1" of the petition for injunction (which are the same properties purchased by intervenor Victor G. Gawtee at the execution sale in Civil Case No. 7973) and of the lots on which they are located in Doña, [sic] Orani, Bataan, covered by Transfer Certificates of Title Nos. T-210559 and T-210560 of the Registry of Deeds of Bataan, and the subsequent tax auction sale thereof on February 17, 2004;
2. Declaring Transfer Certificates of Title Nos. T-246955 and T-246956 of the Registry of Deeds for the Province of Bataan as falsified and invalid and ordering the Registry of Deeds for the Province of Bataan to cancel said titles and, in lieu thereof, to revive and re-issue Transfer Certificates of Title Nos. 210559 and T-210560, without the invalid annotations of warrant of levy and tax auction sale in behalf of the Provincial Government of Bataan referred to in the preceding paragraph, and annulling the compromise agreement dated June 14, 2005 entered into by the Province of Bataan and Sunrise Paper Products Industries, Inc. relative to the subject machinery and equipments [sic], as well as any sale, contract, transaction or agreement entered into by the Provincial Government of Bataan and Sunrise relative to said machinery and equipment, and the mortgaged lots, pursuant to said auction sale and compromise agreement, for being illegal;
3. Declaring the demolition, taking out and disposition of aforesaid properties unauthorized, illegal and invalid, and ordering the respondents Province of Bataan and Sunrise Paper Products Industries, Inc., as well as Amelia E. Abad, Provincial Governor Enrique T. Garcia, Jr. and Provincial Treasurer Emerlinda S. Talento, in their official and personal capacities, to be jointly and severally liable therefor to intervenor Victor G. Gawtee, and ordering all said respondents, in view of the special circumstance that the prayer of intervenor Gawtee of restoration to him of the subject machinery and equipment is no longer feasible, to jointly and severally pay to said intervenor actual or compensatory damages in the amount of One Hundred Twenty Million Pesos (P120,000,000.00), Philippine Currency, with interest thereon at the legal rate of six percent (6%) per annum, plus interest on the legal interest from date of judicial demand as provided in Article 2212 of the Civil Code, until fully paid, subject to a lien on said



award for the payment of any deficiency in the docket and other lawful fees due on said award;

4. Ordering all the respondents, except the respondent incumbent Register of Deeds for the Province of Bataan, and the petitioner, jointly and severally, to reimburse and return to intervenor Victor G. Gawtee the amount received from the sale and disposition of subject machinery and equipment in the amount of Eleven Million Nine Hundred Sixty Seven Thousand Six Hundred and 40/100 Pesos (P11,967,600.40), less the tax due to the Province of Bataan of Two Million Two Hundred Ninety One Thousand One Hundred Thirty Four and 94/100 Pesos (P2,291,134.94), or the net amount of Nine Million Six Hundred Seventy Six Thousand Four Hundred Sixty Five and 46/100 Pesos (P9,676,465.46), with interest at the legal rate of Six Percent (6%) per annum from August 19, 2005 until full payment, plus interest at the legal rate on said interest from date of judicial demand, until fully paid, which amount shall be deducted from the award of actual or compensatory damages covered in the preceding paragraph;

5. Declaring the removal of the superior mortgage lien of Metrobank (assigned to intervenor Cameron Granville 2 Asset Management, Inc.), and the junior attachment and execution liens of intervenor Victor G. Gawtee, on Transfer Certificates of Title Nos. T-210559 and T-210560 of the Registry of Deeds of Bataan, illegal and invalid, and ordering the Register of Deeds for the Province of Bataan to restore said annotations on said titles;

6. Denying the prayer of intervenor Victor G. Gawtee for moral damages and attorney's fees for lack of factual basis; and

7. Ordering all the respondents, except respondent incumbent Register of Deeds for the Province of Bataan, and petitioner Sunrise Paper Products Industries, Inc., to pay the costs of suit, jointly and severally.

SO ORDERED.⁴

Antecedents

Sunrise is a domestic corporation that operated a paper mill at its plant site built on its two parcels of land, covered by Transfer Certificates of Title (TCT) Nos. T-210559 and T-210560, in *Barangay Doña, Orani, Bataan* (real properties),⁵ with a respective area of 164,053 square meters⁶ (sq.m.) and 1,559 sq.m.⁷ In 2001, Sunrise obtained loans from Metrobank. Sunrise issued several promissory notes in favor of Metrobank from 2001 to 2003 in

⁴ Id. at 138-139.

⁵ Id. at 77.

⁶ Records, p. 285.

⁷ Id. at 287.

relation to the loans. Sunrise mortgaged the real properties, excluding the machinery and equipment, as security for the loan. The mortgages were annotated on the titles on September 19, 2001.⁸

On September 30, 2002, the Provincial Treasurer's Office (PTO) of the Province sent a final demand to Sunrise for the payment of its real property taxes on the real properties, the buildings, and machineries worth ₱1,414,015.44. Sunrise did not comply with the demand to pay its obligation which rose to ₱1,715,398.55 as of December 2002. As such, the PTO issued a warrant of levy against Sunrise over its real properties, machinery, and equipment on January 3, 2003. The levy was registered with the Register of Deeds of Bataan on January 9, 2003. A copy thereof was served at Sunrise's office in Gen. T. de Leon, Valenzuela City. On January 17, 2003 and February 5, 2003, Sunrise paid the Province the total amount of ₱81,685.68 to prevent the auction of the real properties. Sunrise paid ₱700,000.00 to the Province on June 6, 2003. The PTO demanded the payment of the remaining amount for the real property taxes on August 5, 2003. Sunrise did not respond, thus prompting the PTO to issue a notice of sale of the real properties on August 29, 2003.⁹

It appears that Sunrise obtained a credit line from the Trade Investment Corporation of the Philippines, also known as the Philippine Export-Import Credit Agency (PhilEXIM), worth ₱20,000,000.00. To secure the credit line, Sunrise executed on January 8, 2004 a chattel mortgage over the machinery and equipment in its plant. The mortgage was registered on January 16, 2004.¹⁰

Meanwhile, the PTO held a public auction for the real properties on February 17, 2004. Since there was no other bidder, the Province bought the real properties, including the machineries, for a total of ₱2,291,134.94. This amount consists of ₱1,812,693.70 for the taxes, ₱114,556.75 for the cost of sale, and ₱478,441.24 for the penalties.¹¹ Notices of the certificates of sale were sent to Sunrise and Metrobank the following day. On February 20, 2004, the sale was recorded with the Register of Deeds of Bataan (Bataan RD).¹²

On June 24, 2004, Sunrise authorized Gawtee to settle its outstanding obligation of ₱11,396,893.75 to PhilEXIM.¹³ Gawtee was able to obtain a favorable judgment from the RTC in Civil Case No. 7973, an action for sum of money and damages he filed against Sunrise and spouses Rogelio and Evelyn Miranda (Evelyn; collectively, Spouses Miranda), on June 29, 2004. Sunrise and Spouses Miranda were held jointly and solidarily liable to Gawtee.¹⁴

⁸ *Rollo*, p. 78.

⁹ *Id.* at 79.

¹⁰ *Id.* at 78.

¹¹ *Records*, p. 42.

¹² *Rollo*, p. 79.

¹³ *Id.* at 78.

¹⁴ *Id.* at 80.

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As for PhilEXIM, it executed a Deed of Assignment of its mortgagee rights under the chattel mortgage to Gawtee on July 28, 2004.¹⁵ This did not preclude the execution of the judgment in Civil Case No. 7973. The mortgaged machinery and equipment were levied on execution. On August 3, 2004, the levy on execution was annotated on Sunrise's TCT Nos. T-210559 and T-210560. The machinery and equipment were sold at a public auction where Gawtee was the highest bidder.¹⁶

On August 8, 2004, the Deed of Assignment executed by PhilEXIM was registered with the Bataan RD.¹⁷ Two days later, a Certificate of Sheriff's Sale was issued in favor of Gawtee, the highest bidder in the public auction for Sunrise's mortgaged machinery and equipment. A certificate of ownership was issued to Gawtee on the same day. Physical possession over the machinery and equipment was likewise turned over to him. Upon motion of Gawtee in Civil Case No. 7973,¹⁸ which the RTC granted also on August 10, 2004, the police secured the machinery and equipment.¹⁹

Sunrise filed a petition for relief from judgment with the RTC in Civil Case No. 7973 on August 16, 2004. Sunrise prayed for the declaration of the nullity of the Compromise Agreement between Gawtee and Sunrise dated June 28, 2004.²⁰ Sunrise claimed that the Compromise Agreement was not signed and executed by its authorized representative. In addition, Evelyn's signature on the agreement was forged. Atty. Victor T. De Dios, Jr., Sunrise's purported counsel who endorsed the agreement, was never engaged by Sunrise as its counsel. The agreement is also illegal for binding Sunrise to pay Gawtee a total amount of ₱37,551,740.00 when he only prayed that he be paid ₱19,379,000.00 in his complaint.²¹ Meanwhile, Metrobank made a final demand upon Sunrise for the payment of its obligation totaling ₱61,322,265.54²² on January 12, 2005.²³

On February 17, 2005, a certificate of final sale was issued in favor of the Province in relation to the auction of the real properties, machineries, and equipment.²⁴ The Province was able to obtain new titles over the real properties in its name, TCT Nos. T-246955 and T-2146956, on March 7, 2005. The new titles did not include the mortgages in favor of Metrobank.²⁵

¹⁵ Id. at 78.

¹⁶ Id. at 80.

¹⁷ Id. at 78.

¹⁸ Id. at 80.

¹⁹ Id. at 81.

²⁰ Id. at 82.

²¹ Records, pp. 139-140.

²² Exhibits, p. 58.

²³ *Rollo*, p. 78.

²⁴ Id. at 79.

²⁵ Id. at 80.

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On April 21, 2005, Sunrise filed a verified petition for injunction against the Province before the RTC. This is the instant case and docketed as Civil Case No. 8164.²⁶ On the same day, the Province manifested before the RTC in Civil Case No. 7973 its claim over the real properties, including the machinery and equipment, by way of special appearance.²⁷

Gawtee moved to intervene in Civil Case No. 8164 on April 28, 2005,²⁸ on the ground that he owns and possesses the machineries and equipment covered by the tax sale being assailed by Sunrise.²⁹ On May 5, 2005, the RTC issued a *status quo ante* order³⁰ ordering the parties to maintain the status quo pending the final determination of the case on the merits.³¹

On June 10, 2005, Gawtee informed the court in Civil Case No. 7973 that Sunrise was demolishing the machinery and equipment.³² Unfazed, the Province and Sunrise entered into a Compromise Agreement³³ on June 14, 2005 in Civil Case No. 8164. The agreement contains the following terms:

1. For and in consideration of the amount of FIFTY MILLION PESOS (PhP50,000,000.00) to be paid by Sunrise Paper Products Industries, Inc. to the Provincial Government, payment of which shall be appropriately covered by official receipts, and the withdrawal/dismissal of Sunrise Paper Products of the instant case and all its claims against the Provincial Government in respect of the subject properties, the petitioner or its assignee shall be allowed to remove from the premises of the subject properties all the heavy machineries and equipment, excluding the land, buildings and other improvements thereon, for its own disposition: *Provided, That* if there be any buyer, willing and able to purchase the said machineries and equipment at an amount more than One Hundred Twenty Million Pesos (PhP120,000,000.00), the parties hereto agree to sell the said machineries and equipment to such buyer and Sixty Percent (60%) of such gross amount in excess of One Hundred Twenty Million Pesos (PhP120,000,000.00) shall be given to the Provincial Government in addition to the principal consideration of Fifty Million Pesos (PhP50,000,000.00) and the remaining Forty Percent (40%) of such amount, net of expenses, in excess of One Hundred Twenty Million Pesos (PhP120,000,000.00) shall be for the account of Sunrise Paper Products Industries, Inc.;

2. Upon the execution of this Compromise Agreement, Sunrise Paper Products Industries, Inc. shall cause the immediate dismissal of the above-captioned case and

²⁶ Id. at 59.
²⁷ Id. at 82.
²⁸ Id. at 60.
²⁹ Records, p. 52.
³⁰ Id. at 149.
³¹ *Rollo*, p. 61.
³² Id. at 84.
³³ Records, pp. 846-850.

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thereafter voluntarily surrender full and exclusive title, possession and control over the said properties subject only to its rights to remove therefrom the subject machineries and equipment upon its compliance of all the terms and conditions of this Compromise Agreement;

3. The petitioner hereby delivers to the respondent the amount of FIVE MILLION PESOS (PhP5,000,000.00) as earnest money, which amount shall form part of the total consideration stated in paragraph 1. Respondent Provincial Government of Bataan hereby acknowledges receipt of the said amount of FIVE MILLION PESOS (PhP5,000,000.00) and shall accordingly issue and official receipt therefor;

4. The remaining consideration as stated in paragraph 1 above shall be paid by the plaintiff or its assignee within Sixty (60) days from the signing of the Compromise Agreement;

5. Any of the subject machineries and equipment shall not be dismantled nor allowed to leave the premises of the subject properties unless Seventy Five Percent (75%) of the agreed price thereof has been duly received by the Provincial Government of Bataan, *Provided*, That if it appears at any time that the total consideration as provided in paragraph 1 hereof may not be satisfied, One Hundred Percent (100%) of the said agreed price shall be given to the Provincial Government, *Provided further*, That after the total consideration as provided in paragraph 1 hereof has been satisfied, the payment for the remaining machineries and equipment shall be for the sole account of Sunrise Paper Products Industries, Inc. or its assignee, *Provided finally*, That if the petitioner or its assignee fails to deliver the total consideration within the period as herein provided, the subject machineries and equipment shall revert back to the Provincial Government and all amounts advanced by the petitioner or its assignee, including the earnest money of PhP5,000,000.00 shall be forfeited in favor of the Provincial Government;

6. In any event, any and all claims and counterclaims that herein parties have interposed in their respective pleadings in the instant case are hereby deemed forever renounced;

7. This Compromise Agreement supersedes any and all agreements prior to the date of execution as indicated herein, including the Compromise Agreement and the Supplemental Agreement both signed and dated June 14, 2005 between herein parties. This Compromise Agreement shall be subject to the ratification of the Sangguniang Panlalawigan of Bataan, and shall take effect only upon the dismissal of the above-captioned case.³⁴

The *Sangguniang Panlalawigan* ratified the Compromise Agreement on June 14, 2005 and issued Resolution No. 80.³⁵

³⁴ Id. at 847-850:

³⁵ *Rollo*, p. 93.

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On June 15, 2005, Gawtee moved for an ocular inspection of the real properties.³⁶ In the evening, the security guards he placed in the real properties were allegedly taken hostage and forcibly removed from the premises by Col. Fernando Vinculado (Col. Vinculado), Chief Security Officer of Sunrise, and his personnel.³⁷ This prompted Gawtee to file an urgent verified motion two days later to require the Branch Sheriff to enforce the RTC's May 5, 2005 Order in Civil Case No. 8164.³⁸ The May 5, 2005 Order required the parties to maintain the status quo pending the final determination of the case on the merits.³⁹

On June 24, 2005, Metrobank filed a motion to intervene and to admit its complaint-in-intervention.⁴⁰ Metrobank claimed that it is Sunrise's creditor for the total amount of ₱84,224,815.30, inclusive of interest, as of December 31, 2004. As security for this obligation, Sunrise mortgaged the real properties. Sunrise defaulted on its obligation and Metrobank was supposed to foreclose on the mortgaged properties. To its surprise, these properties were sold at an auction sale and the titles over these properties were transferred to the Province without including Metrobank's liens. Metrobank argued that proper notice of the warrant of levy and sale should have been given to it as an interested party.⁴¹

Three days later, the RTC conducted an ocular inspection of the real properties. The court saw the total destruction and demolition of the machinery and equipment such that the plant could no longer function.⁴² The technical team of the RTC reported that the paper mill was a total loss and non-operational. The reinstallation of the damaged systems would cost 80% of the total value of the mill, which was presently ₱100,000,000.00. If the paper mill was still functional, its value would have been ₱313,000,000.00.⁴³

Sunrise filed a Notice of Dismissal of its petition on June 29, 2005 on the ground that it was unable to comply with the jurisdictional requirement of a deposit under Section 267 of Republic Act (R.A.) No. 7160.⁴⁴ Meantime, on August 5, 2005, the RTC denied Sunrise's petition for relief from judgment in Civil Case No. 7973.⁴⁵ The RTC held that based on the evidence presented, Evelyn's signature on the Compromise Agreement was genuine. Sunrise authorized her to enter into a Compromise Agreement on its behalf as its president and ratified the agreement. The RTC also held that the amount prayed for by Gawtee in his complaint, which includes interest and damages, exceeds the amount agreed upon by the parties in the Compromise Agreement.⁴⁶ Three days later, the Province manifested in the

³⁶ Id. at 62.

³⁷ Id. at 94-95.

³⁸ Id. at 62.

³⁹ Records, p. 149.

⁴⁰ *Rollo*, p. 64.

⁴¹ Records, pp. 228-230.

⁴² *Rollo*, p. 100.

⁴³ Id. at 111-112.

⁴⁴ Id. at 65.

⁴⁵ Id. at 82.

⁴⁶ Exhibits, pp. 228, 232.

said case its third-party claim over the machinery and equipment and attached an Affidavit of Ownership executed by the Provincial Treasurer. The Province claimed to be rightful owner and possessor of the machinery and equipment. The Province also asked the RTC to take judicial notice of Civil Case No. 8164.⁴⁷

The Province filed a petition for *certiorari* with the CA on September 30, 2005 to assail the ruling of the RTC to allow Gawtee to intervene and set the case for further proceedings despite Sunrise's filing of a Notice of Dismissal. The case was docketed as CA-G.R. SP No. 91543.⁴⁸ Subsequently, the RTC denied Sunrise's Notice of Dismissal in its October 3, 2005 Order⁴⁹ for being invalid.⁵⁰ The Notice of Dismissal cannot be considered a motion for failing to comply with the requirements for a motion under the Rules of Court. Assuming *arguendo* that that the Notice can be treated as a motion, it would be unfair to dismiss the case without giving the intervenors the opportunity to be heard on the merits. Further, non-compliance with Section 267 of R.A. No. 7160 is not jurisdictional and does not apply to this case.⁵¹

On the same day, the RTC, in Civil Case No. 7973, held that the Province's manifestation of third party claim was not timely filed because ownership and possession of the properties subject of its claim were already transferred to Gawtee last August 10, 2004.⁵² A few days later, or on October 11, 2005, the CA dismissed the Province's petition in CA-G.R. SP No. 91543 for suffering several procedural infirmities.⁵³ The CA's Resolution attained finality on November 8, 2005.⁵⁴

On February 17, 2006, the RTC issued an Order approving the assessment report of the technical team as well as the appraisal report attached thereto based on the stipulation of the parties and their non-objection to its approval.⁵⁵ Gawtee filed a motion for leave to file and to admit attached supplemental petition-in-intervention on February 28, 2006 with the RTC in Civil Case No. 8164. Gawtee alleged that after he filed his petition-in-intervention, petitioners, cooperating with one another, demolished and disposed the machineries and equipment without authority and to his damage. He prayed that they be held jointly and severally liable to restore the machineries and equipment to him or to compensate him in such amounts as are on record, or be granted such other relief which are just and equitable under the law. Since petitioners and Sunrise did not comment on Gawtee's motion, the RTC granted it and admitted the supplemental petition-in-intervention on March 16, 2006.⁵⁶

⁴⁷ *Rollo*, p. 83.

⁴⁸ *Id.* at 67.

⁴⁹ Records, pp. 400-404.

⁵⁰ *Rollo*, p. 68.

⁵¹ Records, pp. 401-403.

⁵² Exhibits, pp. 240-241.

⁵³ *Rollo*, pp. 369-370.

⁵⁴ *Id.* at 375.

⁵⁵ *Id.* at 69.

⁵⁶ *Id.* at 69-70.

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On March 29, 2006, the Province filed a motion in Civil Case No. 8164 praying for the dismissal of the case due to the RTC's lack of jurisdiction and lack of Sunrise's interest to prosecute the case. Gawtee opposed the motion.⁵⁷ The RTC issued an Order on May 30, 2006 denying the Province's motion to dismiss the injunction suit. The following day, the RTC issued another order declaring the petitioners, namely the Province, Garcia, Talento, Abad, and then Register of Deeds Atty. Emmanuel Aquino (Aquino) in default for not filing a responsive pleading to Gawtee's petition-in-intervention and supplemental petition-in-intervention.⁵⁸

The Province filed its consolidated answer to the petitions-in-intervention of Gawtee and Metrobank on July 28, 2006. On August 11, 2006, the pre-trial conference was conducted. Neither Sunrise nor petitioners appeared despite due notice. Sunrise was deemed non-suited while petitioners were declared in default.⁵⁹

On July 25, 2006, the RTC allowed Cameron to substitute Metrobank as intervenor in the case.⁶⁰ This was due to Metrobank's assignment of its credit against Sunrise to Cameron on December 21, 2005.⁶¹ Meanwhile, on August 15, 2006, the RTC admitted Gawtee's Exhibits "1" to "54" and its submarkings as well as the testimonies of his witnesses.⁶²

Police Senior Superintendent Hernando M. Zafra, Philippine National Police (PNP) Provincial Director of Bataan, filed a letter with the RTC on September 6, 2006 asking for guidance on the written advice dated September 5, 2006 of Atty. Aurelio C. Angeles, the Provincial Legal Officer. The written advice stated that the Province already awarded the scrap metals and machineries to Bei Hai Petroleum Corporation (Bei Hai). The award was approved by the Commission on Audit (COA) and was duly paid. Hence, absent any temporary restraining order or other legal impediment, the Province issued a Notice to Proceed to Bei Hai for the withdrawal and disposal of the machineries. The RTC issued an order on the same day directing the PNP Provincial Director to maintain the status quo in the premises until the matter is settled in a hearing on September 19, 2006.⁶³

On September 18, 2006, the Province manifested that it filed a petition for *certiorari* before the CA questioning the May 30 and May 31, 2006 Orders of the RTC.⁶⁴ The RTC denied the Province's motion to dismiss in its May 30, 2006 Order while it declared petitioners in default in its May 31, 2006 Order for not filing a responsive pleading to Gawtee's petition-in-intervention and supplemental petition-in-intervention. On

⁵⁷ Id. at 71.

⁵⁸ Id. at 72.

⁵⁹ Id. at 74.

⁶⁰ Id. at 73.

⁶¹ Records, p. 751.

⁶² Id. at 816.

⁶³ *Rollo*, p. 75.

⁶⁴ Id. at 75-76.

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October 17, 2006, the RTC declared the Province in default with respect to the complaint-in-intervention of Cameron because it filed its answer to the complaint 11 months after the reglementary period has prescribed, without even filing a motion for the admission of the answer. In addition, the Province was previously declared in default for failing to appear during the pre-trial.⁶⁵

The CA in CA-G.R. SP No. 95947 issued a temporary restraining order on November 17, 2006 enjoining the RTC from proceeding with this case for 60 days. Upon motion of Cameron, the RTC issued an order on March 15, 2007 for the resumption of the hearing. The RTC held that the Province cannot seek the affirmative relief of suspending the hearing because it was declared in default, both for failing to respond to the petitions-in-intervention of Gawtee and Cameron, and for not attending the pre-trial.⁶⁶ Cameron filed its formal offer of evidence on March 26, 2007. The RTC admitted Cameron's Exhibits "1" to "336" and "344," including its submarkings, on April 11, 2007.⁶⁷

Ruling of the Regional Trial Court

On June 15, 2007, the RTC promulgated its Decision⁶⁸ on the petition filed by Sunrise and the petitions for intervention filed by Gawtee and Cameron, who substituted Metrobank, against the Province, Garcia, Talento, Abad, and Aquino. The *fallo* of the Decision provides:

WHEREFORE, judgment is hereby rendered:

1. Declaring invalid and illegal the warrant of levy made by [petitioner] the Province of Bataan on January 2, 2003 and the notice of sale on August 29, 2003 of the subject machinery and equipment enumerated in Annex "1" of the petition for injunction (which are the same properties purchased by intervenor [respondent] Victor G. Gawtee at the execution sale in Civil Case No. 7973) and of the lots on which they are located in Doña, [*sic*] Orani, Bataan, covered by Transfer Certificates of Title Nos. T-210559 and T-210560 of the Registry of Deeds of Bataan, and the subsequent tax auction sale thereof on February 17, 2004;
2. Declaring Transfer Certificates of Title Nos. T-246955 and T-246956 of the Registry of Deeds for the Province of Bataan as falsified and invalid and ordering the Registry of Deeds for the Province of Bataan to cancel said titles and, in lieu thereof, to revive and re-issue Transfer Certificates of Title Nos. 210559 and T-210560, without the invalid annotations of warrant of levy and tax auction sale in behalf of the Provincial Government of Bataan referred to in the preceding paragraph, and annulling the compromise

⁶⁵ Records, pp. 871-872.

⁶⁶ *Rollo*, p. 76.

⁶⁷ *Id.* at 77.

⁶⁸ *Id.* at 58-139.

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agreement dated June 14, 2005 entered into by the Province of Bataan and Sunrise Paper Products Industries, Inc. relative to the subject machinery and equipments [sic], as well as any sale, contract, transaction or agreement entered into by the Provincial Government of Bataan and Sunrise relative to said machinery and equipment, and the mortgaged lots, pursuant to said auction sale and compromise agreement, for being illegal;

3. Declaring the demolition, taking out and disposition of aforesaid properties unauthorized, illegal and invalid, and ordering the respondents Province of Bataan and Sunrise Paper Products Industries, Inc., as well as [petitioners] Amelia E. Abad, Provincial Governor Enrique T. Garcia, Jr. and Provincial Treasurer Emerlinda S. Talento, in their official and personal capacities, to be jointly and severally liable therefor to intervenor Victor G. Gawtee, and ordering all said respondents, in view of the special circumstance that the prayer of intervenor Gawtee of restoration to him of the subject machinery and equipment is no longer feasible, to jointly and severally pay to said intervenor actual or compensatory damages in the amount of One Hundred Twenty Million Pesos (P120,000,000.00), Philippine Currency, with interest thereon at the legal rate of six percent (6%) per annum, plus interest on the legal interest from date of judicial demand as provided in Article 2212 of the Civil Code, until fully paid, subject to a lien on said award for the payment of any deficiency in the docket and other lawful fees due on said award;

4. Ordering all the respondents, except the respondent incumbent Register of Deeds for the Province of Bataan, and the petitioner, jointly and severally, to reimburse and return to intervenor Victor G. Gawtee the amount received from the sale and disposition of subject machinery and equipment in the amount of Eleven Million Nine Hundred Sixty Seven Thousand Six Hundred and 40/100 Pesos (P11,967,600.40), less the tax due to the Province of Bataan of Two Million Two Hundred Ninety One Thousand One Hundred Thirty Four and 94/100 Pesos (P2,291,134.94), or the net amount of Nine Million Six Hundred Seventy Six Thousand Four Hundred Sixty Five and 46/100 Pesos (P9,676,465.46), with interest at the legal rate of Six Percent (6%) per annum from August 19, 2005 until full payment, plus interest at the legal rate on said interest from date of judicial demand, until fully paid, which amount shall be deducted from the award of actual or compensatory damages covered in the preceding paragraph;

5. Declaring the removal of the superior mortgage lien of [respondent] Metrobank (assigned to intervenor Cameron Granville 2 Asset Management, Inc.), and the junior attachment and execution liens of intervenor Victor G. Gawtee, on Transfer Certificates of Title Nos. T-210559 and T-210560 of the Registry of Deeds of Bataan, illegal and invalid, and ordering the Register of Deeds for the



Province of Bataan to restore said annotations on said titles;

6. Denying the prayer of intervenor Victor G. Gawtee for moral damages and attorney's fees for lack of factual basis; and

7. Ordering all the respondents, except respondent incumbent Register of Deeds for the Province of Bataan, and petitioner Sunrise Paper Products Industries, Inc., to pay the costs of suit, jointly and severally.

SO ORDERED.⁶⁹

First, the RTC ruled that Section 267 of R.A. No. 7160 is not applicable in this case.⁷⁰ The reason why a deposit is required under Section 267 is to provide security to the purchaser in case the auction sale is invalidated. The purchaser in this case, the Province, was already able to consolidate its title over the real properties. In addition, the Province did not pay any money in the auction sale because it merely applied the tax liability due from Sunrise. There being no money paid, the protection granted by Section 267 for the return of the money paid in an auction sale is irrelevant here. Moreover, the tax liability of Sunrise was already paid as a result of the sale.⁷¹

The RTC held that the validity of the sale by public auction is not the only issue in the case.⁷² The issues on: (1) Gawtee's ownership and possession of the machinery & equipment; and (2) Metrobank's intervention on the validity of the removal of its mortgage lien annotated on the titles over the real properties, must also be resolved. Thus, the applicable provision is Section 268.⁷³ Under this provision, a deposit is not required, and the court may award the ownership or possession of a property to a party upon payment of taxes with interest due and all other costs.⁷⁴

Second, the consolidation of titles in the Province's name was done through falsification of public documents. Despite being required to do so, the warrants of tax levy and tax sale were not registered on the titles of the real properties. It was simply made to appear that these were annotated. Thus, the registration was falsified and new titles should not have been issued in the Province's name.⁷⁵

⁶⁹ Id. at 138-139.

⁷⁰ Id. at 127.

⁷¹ Id. at 128.

⁷² Id. at 127.

⁷³ Section 268. *Payment of Delinquent Taxes on Property Subject of Controversy*. — In any action involving the ownership or possession of, or succession to, real property, the court may, *motu proprio* or upon representation of the provincial, city, or municipal treasurer or his deputy, award such ownership, possession, or succession to any party to the action upon payment to the court of the taxes with interest due on the property and all other costs that may have accrued, subject to the final outcome of the action.

⁷⁴ *Rollo*, pp. 127-128.

⁷⁵ Id. at 129.

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Third, Gawtee was the purchaser of the machinery and equipment. The orders of the RTC in Civil Case No. 7973 declaring him as its rightful owner and possessor were already final and executory.⁷⁶ The Province was aware of this. This renders its Compromise Agreement with Sunrise questionable. Further, the agreement itself states that Sunrise must pay ₱50,000,000.00 to the Province before the machineries and heavy equipment may be removed. This condition has not been satisfied yet.⁷⁷ The requirement under Section 264 of R.A. No. 7160 for a notice of not less than 20 days has not been satisfied as well. Notably, the requirement for the approval of the agreement by the court was not included in the version of the agreement submitted to the *Sangguniang Panlalawigan*. The COA likewise received a different version of the agreement.⁷⁸ As such, the Province's implementation of the Compromise Agreement was unlawful and unauthorized.⁷⁹


The Province's taking of the machinery and equipment was done with violence against or intimidation of persons. The RTC described it as robbery. The disposition of the machinery and equipment, whose value exceeds ₱75,000,00.00, was not covered by receipts or indicated in the books of the Province. In addition, it was not reported to the COA. The brother of the Province's Governor took the dismantled machinery and equipment, as if they were personal properties of the Governor.⁸⁰ It was done in patent bad faith, with malice and gross negligence.⁸¹

The acts of the Province undermined the authority of the RTC. They ordered the removal of the personnel of the PNP who were meant to maintain the status quo, in accordance with the orders of the RTC in Civil Case No. 8164.⁸² The Province also committed forum shopping when it sought the dismissal of the case before the RTC and sought the same relief from the CA.⁸³

Fourth, Gawtee may claim liability from Sunrise and petitioners. Notably, they failed to appear at the scheduled pre-trial conference despite being notified thereof. They also failed to file responsive pleadings to Gawtee and Cameron's petitions-in-intervention. Petitioners were declared in default as a consequence.⁸⁴

Fifth, the acts of the officials of the Province were all necessary for the consolidation of the titles in the Province's name and the demolition and taking of the machinery and equipment. Hence, they must be held jointly and severally liable to Gawtee for the damages he suffered because of their

⁷⁶ Id.
⁷⁷ Id. at 130.
⁷⁸ Id. at 131.
⁷⁹ Id. at 132.
⁸⁰ Id. at 132.
⁸¹ Id. at 134.
⁸² Id. at 132-133.
⁸³ Id. at 133-134.
⁸⁴ Id. at 134.



actions. The RTC determined the value of the machinery and equipment to be ₱120,000,000.00 based on the Compromise Agreement of the Province and Sunrise. This is the amount they are jointly and solidarily liable to Gawtee for. However, there is no factual basis to grant Gawtee moral damages and attorney's fees.⁸⁵

Sixth, the cancelled titles over the real properties should be revived, including its annotations. The Province failed to comply with the requirements of the law in levying on the real properties. It should have sent a notice to PhilEXIM and Gawtee since they have legal interest in the machinery and equipment. In addition, the Province should have advertised the auction sale, specifically naming PhilEXIM and Gawtee. Moreover, the Province conducted the auction sale more than half a year after it issued a notice of the sale. Section 260 of R.A. No. 7160 requires the conduct of the sale 30 days after the service of the warrant of levy.⁸⁶

The RTC further noted that the value of the real properties, machineries and heavy equipment greatly exceeded Sunrise's tax liability. Sunrise owed the Province ₱2,291,134.94 while the total assessed value of the real properties, machineries, and heavy equipment sold in the auction sale was ₱65,762,590.00. The PTO clearly exceeded its authority when it sold the real properties which were worth 28.7 times more than Sunrise's liability.⁸⁷

All told, the RTC held that the Province did not comply with their mandate and disrespected the Court.

Abad and the rest of petitioners filed their respective motions for reconsideration with the RTC. Gawtee opposed the same. The RTC denied the motions in its January 22, 2008 Order,⁸⁸ thus:

WHEREFORE, for being wrong remedies which cannot be availed of by defaulted parties, the Motion for Reconsideration of respondents Provincial Government of Bataan, Governor Enrique T. Garcia, Jr., and Provincial Treasurer of Bataan Emerlinda S. Talento dated July 19, 2007, as well as the Motion for Reconsideration of respondent Amelita E. Abad dated July 3, 2007, are both DENIED.

The reglementary period for respondents Provincial Government of Bataan, Governor Enrique T. Garcia, Jr., Provincial Treasurer of Bataan Emerlinda S. Talento and Amelita E. Abad to appeal the Decision of this Court dated June 15, 2007 having lapsed as a result of their resort to the wrong remedy, the said Decision has thereby become final and executory, as a consequence of which, the execution

⁸⁵ Id. at 135-136.

⁸⁶ Id. at 137-138.

⁸⁷ Id. at 137.

⁸⁸ Id. at 275-289.

thereof as against all the respondents, including the Register of Deeds for the Province of Bataan, is now proper. Let a WRIT OF EXECUTION issue against the respondents to satisfy the June 15, 2007 Decision.

The Notice of Appeal of petitioner Sunrise Paper Products Industries, Inc. is hereby given due course and, accordingly, the Clerk of Court of this Court is directed to complete the record of the case and forward it to the Court of Appeals for appellate proceedings.

SO ORDERED.⁸⁹

Petitioners filed a petition for *certiorari*, prohibition, and *mandamus* before this Court to assail the Decision and the Order of the RTC. Gawtee and Metrobank filed their respective comments⁹⁰ to the petition. Thereafter, petitioners submitted their consolidated reply.⁹¹ All the parties submitted their respective memoranda⁹² in compliance with the order of this Court. In its February 13, 2008 Resolution, the Court ordered the parties to maintain the status quo prior to the issuance of the January 22, 2008 Order of the RTC.⁹³

Petitioners argue *first*, that the RTC erred in denying their motion for reconsideration on the ground that they availed of the wrong remedy. Section 1, Rule 37 of the Rules of Procedure is clear that the aggrieved party has the right to file a motion for reconsideration of a judgment. Since the provision does not exclude judgments by default, petitioners' motion for reconsideration assailing the Decision of the RTC was the correct remedy.⁹⁴ The RTC likewise erred in declaring petitioners' motion for reconsideration to be *pro forma*, and thus did not toll the running of the period for an appeal.⁹⁵ *Second*, petitioners questioned the RTC's issuance of a writ of execution despite the fact that Sunrise's appeal was still pending with the CA. Petitioners share a communality of interest with Sunrise, particularly because the RTC held them solidarily liable to Gawtee.⁹⁶

Third, the RTC had no jurisdiction over the case because Section 267 of R.A. No. 7160 was not complied with. Section 267 requires the payment of a deposit for any action assailing the validity of the tax sale through a public auction of a real property under R.A. No. 7160. This is a jurisdictional requirement and is intended to protect the interests of the buyer at the public auction. Since the action filed by Sunrise was to assail the validity of the auction sale for its real property tax delinquencies, it should have complied with this requirement. Sunrise's failure to do so means that the RTC had no jurisdiction over its petition. Moreover, Sunrise filed a

⁸⁹ Id. at 289.

⁹⁰ Id. at 311-342, 480-561.

⁹¹ Id. at 642-669.

⁹² Id. at 707-772, 775-859, 863-990.

⁹³ Id. at 303.

⁹⁴ Id. at 725-727.

⁹⁵ Id. at 728-731.

⁹⁶ Id. at 739-740.

Notice of Dismissal wherein it acknowledged its failure to post the deposit. As such, the RTC should have dismissed the petition.⁹⁷

Fourth, the RTC should not have allowed Gawtee and Metrobank to intervene in the case. Under Section 1, Rule 19 of the Rules of Court, the court must consider whether the intervention will unduly delay the adjudication of the rights of the original parties, and whether the intervenor's rights may be protected in a separate case. Here, Gawtee and Metrobank's intervention undeniably delayed the resolution of the case. Gawtee even impleaded additional parties to the case. Further, Gawtee should have filed a separate case to pursue his claim of damages against petitioners. He should not have included it in a case concerning the validity of the auction sale.⁹⁸

Fifth, the RTC should not have awarded ₱120,000,000.00 as damages to Gawtee because the corresponding docket fees for it has not been paid. Consequently, the RTC did not even have jurisdiction to award the amount. Moreover, Gawtee only prayed for ₱50,000.00 as actual damages despite knowing the value of the machinery and equipment, perhaps to avoid paying a higher amount for the docket fees. The RTC therefore had no basis to grant more than double that amount to Gawtee. Further, the payment of docket fees cannot be considered a lien on the monetary awards. Docket fees should be paid before the finality or execution of the judgment or award.⁹⁹

Respondent Gawtee argues that *first*, petitioners filed their motion for reconsideration beyond the period given by law. Moreover, they misrepresented that they caused the dismissal of the petition in CA-G.R. No. 95947 at the time that they filed the petition before this Court. The truth was that the action was still pending. The CA only issued its Decision in said case on March 27, 2008. As for Abad, she was served with summons after Gawtee filed his petition-in-intervention. She was given the opportunity to be heard on the motion for admission of the supplemental petition-in-intervention. However, she did not question the RTC's jurisdiction over her and even filed a manifestation stating when she received the summons.¹⁰⁰

Second, petitioners should have first moved to set aside the default order against them in order to regain their right to be heard in the case. Their motion for reconsideration could not be considered by the RTC without complying with this requirement. In any event, the decision of the RTC was already final and executory even prior to their filing of their motion for reconsideration.¹⁰¹ *Third*, the proper remedy of petitioners to assail the RTC's Decision was to appeal it. Instead, they filed a petition for *certiorari*. As a consequence, the RTC's Decision became final and executory.¹⁰²

⁹⁷ Id. at 742-746.

⁹⁸ Id. at 748-752.

⁹⁹ Id. at 753-768.

¹⁰⁰ Id. at 952-964.

¹⁰¹ Id. at 968-970.

¹⁰² Id. at 972-974.

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Fourth, petitioners committed forum shopping by filing petitions before other courts while the case was still pending before the RTC. They filed a petition for *certiorari* before the CA in CA-G.R. SP No. 91543 to annul the proceedings in Civil Case No. 8164 even if they participated in the hearing for the issuance of a temporary restraining order in the latter case. Petitioners did not question the dismissal of their petition in CA-G.R. SP No. 91543 and continued to participate in Civil Case No. 8164. Before the RTC issued its ruling in Civil Case No. 8164, they once again filed a petition for *certiorari* with the CA in CA-G.R. SP No. 95947. Petitioners later moved for the dismissal of their own petition and before the CA ruled on it, they filed the instant petition before this Court.¹⁰³ Petitioners disregarded the doctrine of hierarchy of courts through their actions.¹⁰⁴

Fifth, the RTC properly took cognizance of the case which is simply about petitioners' violation of Gawtee's right to property and due process of law. Petitioners used Sunrise's tax liabilities as a subterfuge to take the machinery and equipment.¹⁰⁵ *Sixth*, petitioners' active participation in the case is tantamount to their recognition that the Court has jurisdiction over it.¹⁰⁶

Respondent Cameron *first* averred that the Decision of the RTC is now final and executory. Petitioners filed their motion for reconsideration on July 19, 2007, which was 30 days after they received a copy of the Decision. They argued that this was the period provided under the rules of the Court of Tax Appeals (CTA). However, the rules of the CTA do not apply in this case. Petitioners cannot resort to a petition for *certiorari* as a substitute for their lost right to appeal. Moreover, they failed to comply with the requirement under Section 1, Rule 65 of the Rules of Court that there must be no appeal or any plain, speedy, and adequate remedy in the ordinary course of the law available to them. Their failure to appeal the RTC Decision was entirely their own fault.¹⁰⁷ *Second*, petitioners cannot raise errors in the exercise of the RTC's jurisdiction in a petition for *certiorari*. Such matters are cognizable by an appeal.¹⁰⁸ *Third*, petitioners are estopped from assailing the jurisdiction of the RTC after participating in the proceedings before it. In any event, Section 267 of R.A. No. 7160 is not applicable in this case. Hence, there is no basis for petitioners' argument that the RTC has no jurisdiction over the case.¹⁰⁹ *Fourth*, petitioners were guilty of forum shopping when they failed to disclose to this Court that the CA has not yet acted on their motion to dismiss in CA-G.R. SP No. 95947. Notably, the petitions filed by petitioners in CA-G.R. SP No. 91543, 95947, and in this case all question the RTC's jurisdiction over the case.¹¹⁰ *Fifth*, petitioners should have moved for the lifting of the order declaring them in

¹⁰³ Id. at 974-979.

¹⁰⁴ Id. at 979-981.

¹⁰⁵ Id. at 981-982.

¹⁰⁶ Id. at 987.

¹⁰⁷ Id. at 795-807.

¹⁰⁸ Id. at 808-810.

¹⁰⁹ Id. at 810-814, 847-851.

¹¹⁰ Id. at 814-833.

default before filing their motion for reconsideration. Since their motion for reconsideration was an erroneous remedy, it did not toll the running of the period to appeal the Decision of the RTC. The appeal filed by Sunrise will not inure to their benefit because their interests are different.¹¹¹

On October 14, 2020, the Court required the parties to move in the premises by filing a manifestation of pertinent subsequent developments that may help the Court in the immediate disposition of the case or may have rendered the case moot and academic.¹¹² Cameron manifested that it is not aware of any developments because the property was prematurely taken over by petitioners.¹¹³ Gawtee likewise manifested that there were no subsequent developments that occurred except that Garcia died during the pendency of the petition.¹¹⁴ As for petitioners, they manifested that more than half of the real properties have been placed by the Department of Agrarian Reform (DAR) under its Compulsory Agrarian Reform Program (CARP) in 2016. The Province's protest against the coverage is currently pending before the Office of the Secretary of the DAR. Petitioners also manifested that the Province undertook extensive rehabilitation of the building and warehouse on the real properties out of concern that it will simply depreciate. The building is now used as the Command Center of the Metro Bataan Development Authority and also houses the Provincial Disaster Risk Reduction and Management Office as well as the satellite office of the Department of Health in relation to the Inter-Agency Task Force on COVID-19. A jail facility was constructed on a portion of the land. Some of the buildings in the jail facility were used as Bataan Central Mega Quarantine and Isolation Facility.¹¹⁵

Issues

- I. Whether the RTC has jurisdiction over the case;
- II. Whether the Decision of the RTC has become final and executory;
- III. Whether the intervention of Gawtee and Metrobank in the case was proper;
- IV. Whether the auction sale was valid; and
- V. Whether petitioners should be held liable for damages to Gawtee.

Ruling of the Court

We dismiss the petition.

Under the doctrine of hierarchy of courts, where the issuance of an extraordinary writ is also within the competence of the CA or the RTC, it is

¹¹¹ Id. at 834-846.

¹¹² Id. at 1311.

¹¹³ Id. at 1302.

¹¹⁴ Id. at 1307.

¹¹⁵ Id. at 1312-1314.

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in either of these courts that the specific action for the writ's procurement must be presented. The doctrine of hierarchy of courts is a constitutional imperative and is not a matter of mere policy. Failure to comply may result in the dismissal of the action.¹¹⁶ Nonetheless, the doctrine is subject to certain exceptions, namely:

- (1) when there are genuine issues of constitutionality that must be addressed at the most immediate time;
- (2) when the issues involved are of transcendental importance;
- (3) cases of first impression;
- (4) the constitutional issues raised are better decided by the Court;
- (5) exigency in certain situations;
- (6) the filed petition reviews the act of a constitutional organ;
- (7) when petitioners rightly claim that they had no other plain, speedy, and adequate remedy in the ordinary course of law that could free them from the injurious effects of respondents' acts in violation of their right to freedom of expression; [and]
- (8) the petition includes questions that are "dictated by public welfare and the advancement of public policy, or demanded by the broader interest of justice, or the orders complained of were found to be patent nullities, or the appeal was considered as clearly an inappropriate remedy."¹¹⁷

Petitioners justified their direct recourse to the Court because of the issuance of the writ of execution by the RTC. They also claimed that there is no appeal, or any plain, speedy, and adequate remedy in the ordinary course of law that is available to them.¹¹⁸

Section 9 of *Batas Pambansa Bilang* 129, or the "Judiciary Reorganization Act of 1980," as amended by R.A. No. 7902, provides that the CA has original jurisdiction to issue writs of *mandamus*, prohibition, *certiorari*, *habeas corpus*, and *quo warranto*, and auxiliary writs or processes, whether or not in aid of its appellate jurisdiction. Clearly then, the CA could take cognizance of a petition for *certiorari*.

Petitioners could have appealed the Decision of the RTC to the CA. The Court is mindful of Section 7(a)(3) of R.A. No. 1125, as amended, which provides that the CTA has exclusive appellate jurisdiction over the decisions, orders, or resolutions of the RTCs in local tax cases originally decided or resolved by them in the exercise of their original or appellate jurisdiction. However, this case is not a purely local tax case. A local tax case must involve a tax issue.¹¹⁹ It is a dispute between the local

¹¹⁶ *Gios-Samar, Inc. v. Department of Transportation and Communications*, G.R. No. 217158, March 12, 2019.

¹¹⁷ *Id.*, citing *The Diocese of Bacolod v. Commission on Elections*, 751 Phil. 301 (2015).

¹¹⁸ *Rollo*, pp. 5-6.

¹¹⁹ *City of Iloilo v. Philippine Ports Authority*, G.R. No. 233861, January 12, 2021.

government unit (LGU) and a taxpayer involving the imposition of the LGU's power to levy tax, fees, or charges against the property or business of the taxpayer concerned.¹²⁰ Some examples of local tax cases are those which concern the legality or validity of the real property tax assessment; protests of assessments; disputed assessments, surcharges, or penalties; legality or validity of a tax ordinance; claims for tax refund/credit; claims for tax exemption; actions to collect the tax due; and even prescription of assessments.¹²¹ In *Salva v. Magpile (Salva)*,¹²² the Court held that the CA properly exercised its appellate jurisdiction over the decision of the RTC because what was questioned was the non-compliance with the requirements for tax delinquency sale under R.A. No. 7160 and not the validity or reasonableness of the tax assessment. The taxpayer therein asserted that he did not receive any of the notices of delinquency sent by the City Treasurer.¹²³ Sunrise likewise did not question the validity of the assessment against it but only the Province's failure to comply with the notice requirements under R.A. No. 7160. Gawtee and Cameron did not assail the propriety of the tax assessment against Sunrise but only sought to protect their right to the properties sold at the auction sale to satisfy Sunrise's liabilities. Hence, the CA could take cognizance of the appeal of the RTC's ruling.

Based on the foregoing, petitioners cannot claim that they had no other plain, speedy, and adequate remedy in the ordinary course of law that would justify their direct resort to the Court. A strict application of the doctrine of hierarchy of courts would warrant the outright dismissal of their petition. However, the Court finds that the fifth exception, namely the exigency of the resolution of this case, justifies a liberal application of the doctrine of hierarchy of courts. The issues in this case do not only concern the jurisdiction of the RTC but the right of Gawtee as the owner of the machinery and equipment, the right of Cameron as a mortgagee of the real properties, and the extent of the damage they may have suffered because of petitioners. In any event, the Court is not required to rule on the factual issues of this case in the first instance. Accordingly, it is best for the Court to resolve once and for all the controversies surrounding the parties in this case.

I. The RTC has jurisdiction over the case

We first clarify whether the CA's October 11, 2005 Resolution¹²⁴ in CA-G.R. SP No. 91543 and its March 27, 2008 Decision¹²⁵ in CA-G.R. SP No. 95947 constitute *res judicata* and preclude the Court from ruling on the issue of the jurisdiction of the RTC. *Res judicata* bars the filing of another

¹²⁰ *Mactel Corp. v. City Government of Makati*, G.R. No. 244602, July 14, 2021.

¹²¹ *Ignacio v. Office of the City Treasurer of Quezon City*, 817 Phil. 1133, 1144 (2017).

¹²² 820 Phil. 803 (2017).

¹²³ *Id.*

¹²⁴ Penned by Associate Justice Vicente Q. Roxas, with the concurrence of Associate Justices Conrado M. Vasquez, Jr. and Juan Q. Enriquez, Jr.; *rollo* at 369-370.

¹²⁵ Penned by Associate Justice Andres B. Reyes, Jr. (former Member of this Court), with the concurrence of Associate Justices Jose C. Mendoza (former Member of this Court) and Arturo G. Tayag; *id.* at 993-1002.

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action based on the same claim, demand, or cause of action when: (1) there is a final judgment or order; (2) it is a judgment or order on the merits; (3) it was rendered by a court having jurisdiction over the subject matter and parties; and (4) there is “identity of parties, of subject matter, and of causes of action” between the first and second actions. *Res judicata* may also refer to the conclusiveness of judgment, which is when there is an identity of issues in two cases between the same parties involving different causes of action.¹²⁶

In CA-G.R. SP No. 91543, the CA dismissed the Province’s petition for suffering the following infirmities: (1) lack of an affidavit of service to Gawtee’s counsel; (2) absence of an allegation on the material dates; and (3) failure to file a motion for reconsideration of the assailed orders.¹²⁷ Clearly then, the CA did not rule on the issue of the RTC’s jurisdiction.

In CA-G.R. SP No. 95947, the CA dismissed the petition for being moot and academic. It declared that an ordinary appeal is available to the Province as a plain and adequate remedy to assail the May 30, 2006 and May 31, 2006 Orders of the RTC.¹²⁸ The CA likewise refused to rule on the issue and held that it was prudent to dismiss the petition “to preclude this Court from inadvertently issuing a conflicting decision on the factual issues of the case, or influencing the merits of the case on appeal, where the issue of jurisdiction may now be properly brought together with the merits of the case.”¹²⁹ That being so, this Decision cannot constitute *res judicata* on the issue of the RTC’s jurisdiction because the CA did not even rule on this issue.

We now address whether the RTC had jurisdiction over the case, an issue that was first raised by the Province in its Answer.¹³⁰ Section 267 of R.A. No. 7160 provides:

Section 267. *Action Assailing Validity of Tax Sale.* – No court shall entertain any action assailing the validity of any sale at public auction of real property or rights therein under this Title until the taxpayer shall have deposited with the court the amount for which the real property was sold, together with interest of two percent (2%) per month from the date of sale to the time of the institution of the action. The amount so deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid but it shall be returned to the depositor if the action fails.

Neither shall any court declare a sale at public auction invalid by reason of irregularities or informalities in the proceedings unless the substantive rights of the

¹²⁶ *Spouses Aboitiz v. Spouses Po*, 810 Phil 123, 153 (2017).

¹²⁷ *Rollo*, pp. 369-370.

¹²⁸ *Id.* at 1002.

¹²⁹ *Id.* at 1001.

¹³⁰ *Records*, p. 168.

delinquent owner of the real property or the person having legal interest therein have been impaired.

In *National Housing Authority v. Iloilo City*,¹³¹ We explained that the requirement for a deposit is jurisdictional¹³² and is an “ingenious legal device to guarantee the satisfaction of the tax delinquency, with the local government unit keeping the payment on the bid price no matter the final outcome of the suit to nullify the tax sale.”¹³³ But the requirement only applies to initiatory actions¹³⁴ and does not apply to the government or any of its agencies, especially when it is acknowledged to be tax-exempt.¹³⁵ And in the case of *Beaumont Holdings Corp. v. Reyes*,¹³⁶ We clarified that the requirement for a deposit is jurisdictional only if the tax delinquency of the real property is not disputed.¹³⁷

The taxpayer in Section 267 refers to the “declarant of the property in a real property tax declaration, who is generally its owner, and his declared property is realty tax delinquent.”¹³⁸ The taxpayer in this case is undoubtedly Sunrise whose properties were levied because of its failure to pay the real property taxes due to the Province. Sunrise filed a petition for injunction against petitioners to declare the auction sale void on the ground that it was not duly notified of it.¹³⁹ Sunrise did not refute having any outstanding liability for real property taxes. It is also not part of the government or a tax-exempt entity. That being the case, Sunrise should have made a deposit pursuant to Section 267. Sunrise, however, stated in no uncertain terms that it was unable to deposit the amount required under Section 267 in its June 29, 2005 Notice of Dismissal. It even declared that the RTC did not have jurisdiction over the case.¹⁴⁰

Nonetheless, Sunrise’s failure to pay the deposit required under Section 267 shall not result in the dismissal of the case before Us. The RTC refused to require the payment of the deposit from Sunrise. The dismissal of the case will certainly prejudice Gawtee and Cameron. Intervention cannot exist as an independent action and is supplemental to an existing litigation.¹⁴¹ The RTC correctly observed that there are substantial issues involved considering the intervention of Gawtee and Cameron. In any event, the Court held in *Metropolitan Bank and Trust Co. v. Presiding Judge, RTC Manila, Br. 39*,¹⁴² and *Eagle Realty Corp. v. Republic*¹⁴³ that the dismissal of the plaintiff’s action shall not necessarily result in the dismissal of the intervenor’s complaint-in-intervention. The Court explained in *Eagle Realty*

¹³¹ 584 Phil. 604 (2008).

¹³² See *Gamilla v. Burgundy Realty Corp.*, 761 Phil. 549 (2015).

¹³³ Supra note 131 at 611.

¹³⁴ *Spouses Plaza v. Lustiva*, 728 Phil. 359 (2014).

¹³⁵ Supra note 131.

¹³⁶ 815 Phil. 584 (2017).

¹³⁷ Id.

¹³⁸ Id. at 595.

¹³⁹ Records, pp. 5-6.

¹⁴⁰ Id. at 315.

¹⁴¹ *International Pipes, Inc. v. F.F. Cruz & Co., Inc.*, 415 Phil 559, 562 (2001).

¹⁴² 267 Phil. 875 (1990).

¹⁴³ 579 Phil. 355 (2008).

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Corp. that “An intervenor has the right to claim the benefit of the original suit and to prosecute it to judgment. Having been permitted to become a party in order to better protect his interest, an intervenor is entitled to have the issues raised between him and the original parties tried and determined.”¹⁴⁴ As such, Gawtee and Cameron’s petitions-in-intervention cannot be dismissed notwithstanding Sunrise’s failure to pay the deposit required under Section 267 of R.A. No. 7160. Besides, Sunrise already paid the Province ₱700,000.00 for its tax liability and ₱81,685.68 for the cost of the auction sale of its properties.

II. The Decision dated June 15, 2007 and the Resolution dated January 22, 2008 of the RTC are not yet final and executory

The Province and Talento received the June 15, 2007 Decision of the RTC on June 19, 2007.¹⁴⁵ According to them, they had 30 days from their receipt of the RTC’s Decision to assail it pursuant to Section 11 of R.A. No. 1125,¹⁴⁶ as amended by R.A. No. 9282.¹⁴⁷ Hence, they filed their motion for reconsideration on July 19, 2007.¹⁴⁸ As for Abad, she received a copy of the Decision on June 18, 2007¹⁴⁹ and filed her motion for reconsideration on July 3, 2007.¹⁵⁰

¹⁴⁴ Id. at 371.

¹⁴⁵ Records, p. 1064.

¹⁴⁶ Section. 11. *Who May Appeal; Mode of Appeal; Effect of Appeal.* – Any party adversely affected by a decision, ruling or inaction of the Commissioner of Internal Revenue, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals or the Regional Trial Courts may file an appeal with the CTA within thirty (30) days after the receipt of such decision or ruling or after the expiration of the period fixed by law for action as referred to in Section 7(a)(2) herein.

Appeal shall be made by filing a petition for review under a procedure analogous to that provided for under Rule 42 of the 1997 Rules of Civil Procedure with the CTA within thirty (30) days from the receipt of the decision or ruling or in the case of inaction as herein provided, from the expiration of the period fixed by law to act thereon. A Division of the CTA shall hear the appeal: *Provided, however,* That with respect to decisions or rulings of the Central Board of Assessment Appeals and the Regional Trial Court in the exercise of its appellate jurisdiction, appeal shall be made by filing a petition for review under a procedure analogous to that provided for under rule 43 of the 1997 Rules of Civil Procedure with the CTA, which shall hear the case *en banc*.

All other cases involving rulings, orders or decisions filed with the CTA as provided for in Section 7 shall be raffled to its Divisions. A party adversely affected by a ruling, order or decision of a Division of the CTA may file a motion for reconsideration of new trial before the same Division of the CTA within fifteen (15) days from notice thereof: *Provide, however,* That in criminal cases, the general rule applicable in regular Courts on matters of prosecution and appeal shall likewise apply.

No appeal taken to the CTA from the decision of the Commissioner of Internal Revenue or the Commissioner of Customs or the Regional Trial Court, provincial, city or municipal treasurer or the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture, as the case may be, shall suspend the payment, levy, distraint, and/or sale of any property of the taxpayer for the satisfaction of his tax liability as provided by existing law: *Provided, however,* That when in the opinion of the Court the collection by the aforementioned government agencies may jeopardize the interest of the Government and/or the taxpayer the Court any stage of the proceeding may suspend the said collection and require the taxpayer either to deposit the amount claimed or to file a surety bond for not more than double the amount with the Court.

In criminal and collection cases covered respectively by Section 7(b) and (c) of this Act, the Government may directly file the said cases with the CTA covering amounts within its exclusive and original jurisdiction.

¹⁴⁷ Records, p. 1064.

¹⁴⁸ *Rollo*, p. 94.

¹⁴⁹ Records, p. 1047.

¹⁵⁰ *Rollo*, p. 275.

The RTC denied the motion for reconsideration for being a wrong remedy.¹⁵¹ The RTC held the Province should have appealed its Decision instead of filing a motion for reconsideration. The RTC cited Our ruling in *Crisologo v. Globe Telecom, Inc.*¹⁵² wherein we ruled that a party declared in default may appeal the judgment rendered against him without need of filing a petition to set aside the order of default.¹⁵³

It is true that a judgment in default may be appealed. In *Martinez v. Republic*,¹⁵⁴ the Court held that a judgment by default may be appealed even if the 1997 Rules of Court no longer retained the phrase under Section 2, Rule 41 of the previous Rules of Court that “[a] party who has been declared in default may likewise appeal from the judgment rendered against him as contrary to the evidence or to the law, even if no petition for relief to set aside the order of default has been presented by him in accordance with Rule 38.” The Court held that there is nothing in the 1997 Rules of Court which expressly denies the right of a party to appeal a judgment by default.¹⁵⁵ There is likewise nothing in the 1997 Rules of Court, or the 2019 Amendments thereto,¹⁵⁶ that prohibits a party declared in default from filing a motion for reconsideration with respect to the judgment rendered by the trial court. Moreover, the Court made the following statement in *Gomez v. Montalban*:¹⁵⁷ “[f]inally, even assuming *arguendo* that the RTC had no jurisdiction over respondent on account of the non-service upon her of the summons and complaint, the remedy of the respondent was to file a motion for the reconsideration of the 4 May 2004 Decision by default or a motion for new trial within 15 days from receipt of notice thereof.”¹⁵⁸ The Court has therefore recognized that a motion for reconsideration of a judgment by default may be filed. Hence, petitioners’ filing of a motion for reconsideration was permissible. The question now is whether petitioners were able to timely assail the ruling of the RTC and lodge the proper remedy with the proper court.

Section 7(a)(3) of R.A. No. 1125, as amended, provides that the CTA has exclusive appellate jurisdiction over the decisions, orders, or resolutions of the Regional Trial Courts in local tax cases originally decided or resolved by them in the exercise of their original or appellate jurisdiction. We reiterate the Court’s ruling in *Salva* that the CA has jurisdiction over the decision of the RTC when what was questioned was the non-compliance with the requirements for tax delinquency sale under R.A. No. 7160 and not the validity or reasonableness of the tax assessment. Since Sunrise did not assail the validity of the tax assessment against it but only the Province’s compliance with the notice requirements under R.A. No. 7160, R.A. No.

¹⁵¹ Id. at 289.

¹⁵² 514 Phil. 618 (2005).

¹⁵³ *Rollo*, p. 282.

¹⁵⁴ 536 Phil. 868 (2006).

¹⁵⁵ Id.

¹⁵⁶ 2019 Amendments to the 1997 Rules of Civil Procedure, A.M. No. 19-10-20-SC.

¹⁵⁷ 572 Phil. 460 (2008).

¹⁵⁸ Id. at 473.

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1125, as amended, is inapplicable in this case. In any event, the 30-day period in Section 11 of R.A. No. 1125, as amended, refers to the appeal from the adverse decision of the Commissioner of Internal Revenue, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals, or the RTC by filing a petition for review with the CTA. Section 11 of R.A. No. 1125, as amended, does not provide the period within which a motion for reconsideration may be filed assailing the decision of the RTC.

The period for filing a motion for reconsideration of the RTC's Decision was 15 days from notice thereof pursuant to Section 1, Rule 37 in relation to Section 3, Rule 41 of the 1997 Rules of Court. Since the Province received the Decision dated June 19, 2007 of the RTC, it had until July 4, 2007 to file its motion for reconsideration. As stated previously, the Province and Talento only filed their motion for reconsideration on July 19, 2007. Clearly, it was out of time. Nonetheless, Abad was able to timely file her motion for reconsideration. She received the Decision dated June 18, 2007 of the RTC and filed her motion for reconsideration on July 3, 2007.

Petitioners received the Resolution dated January 22, 2008 of the RTC on January 29, 2008. They filed their petition for *certiorari* before Us on February 5, 2008. Thus, the rulings of the RTC have not yet attained finality insofar as Abad is concerned. The same cannot be said for the Province who failed to timely file a motion for reconsideration. Even so, the Court shall address the other issues raised by petitioners because their interests are intertwined and in order to fully settle this case.

III. The intervention of Gawtee and Metrobank in the case was valid.

According to Section 1, Rule 19 of the Rules of Court, the following persons may, with leave of court, intervene in an action: (1) one who has legal interest in the matter in litigation; (2) one who has legal interest in the success of either of the parties, or an interest against both; (3) one who is so situated as to be adversely affected by a distribution or other disposition of property in the custody of the court or of an officer thereof. Pursuant to the same provision, the court shall consider the following in deciding if intervention should be allowed: (1) whether or not the intervention will unduly delay or prejudice the adjudication of the rights of the original parties; and (2) whether or not the intervenor's rights may be fully protected in a separate proceeding. Legal interest refers to such interest that is actual and material, direct and immediate such that the intervenor will either gain or lose by the direct legal operation and effect of the judgment.¹⁵⁹

The Province levied on all the real properties, including the buildings, and the machineries thereon. Metrobank, now succeeded by Cameron, holds a secondary lien over the real properties while Gawtee became the owner of

¹⁵⁹ *Office of the Ombudsman v. Bongais*, 836 Phil. 979, 987-989 (2018).

the machineries and equipment after he foreclosed on the mortgage over it. A Certificate of Sheriff's Sale was issued to Gawtee on August 10, 2004 and subsequently, a Certificate of Ownership on October 8, 2004. Clearly then, Cameron and Gawtee both have legal interest on the properties subject of this case. Hence, they have legal interest in the matter in litigation, which are the real properties, machinery, and equipment. They also have an interest in the success of Sunrise's petition against petitioners. Cameron and Gawtee's respective claim over the real properties, machinery, and equipment will be adversely affected if petitioners' claim of ownership over these properties is upheld. It must be remembered that the purpose of intervention is "to enable a stranger to an action to become a party in order for him to protect his interest and for the court to settle all conflicting claims. Intervention is allowed to avoid multiplicity of suits more than on due process considerations."¹⁶⁰ Cameron and Gawtee's intervention in the case meets this purpose as it enabled the RTC to fully settle the issue of who should have ownership and possession of the real properties, machineries, and equipment. Their invention did not unduly delay the case. On the contrary, it avoided multiplicity of suits concerning the same properties.

IV. The auction sale was null and void.

Sections 258 and 260 of R.A. No. 7160, which provide for the requisites for a notice of delinquency in the payment of real property tax and the levy on real property, state:

Section 258. *Levy on Real Property.* – After the expiration of the time required to pay the basic real property tax or any other tax levied under this Title, real property subject to such tax may be levied upon through the issuance of a warrant on or before, or simultaneously with, the institution of the civil action for the collection of the delinquent tax. The provincial or city treasurer, or a treasurer of a municipality within the Metropolitan Manila Area, as the case may be, when issuing a warrant of levy shall prepare a duly authenticated certificate showing the name of the delinquent owner of the property or person having legal interest therein, the description of the property, the amount of the tax due and the interest thereon. The warrant shall operate with the force of a legal execution throughout the province, city or a municipality within the Metropolitan Manila Area. The warrant shall be mailed to or served upon the delinquent owner of the real property or person having legal interest therein, or in case he is out of the country or cannot be located, the administrator or occupant of the property. At the same time, written notice of the levy with the attached warrant shall be mailed to or served upon the assessor and the Registrar of Deeds of the province, city or municipality within the Metropolitan Manila Area where the property is located, who shall annotate the levy on the tax declaration and certificate of title of the property, respectively.

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Risos-Vidal v. Commission on Elections, 751 Phil. 479, 601-602 (2015).

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The levying officer shall submit a report on the levy to the sanggunian concerned within ten (10) days after receipt of the warrant by the owner of the property or person having legal interest therein.

Section 260. *Advertisement and Sale.* – Within thirty (30) days after service of the warrant of levy, the local treasurer shall proceed to publicly advertise for sale or auction the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale. The advertisement shall be effected by posting a notice at the main entrance of the provincial, city or municipal building, and in a publicly accessible and conspicuous place in the barangay where the real property is located, and by publication once a week for two (2) weeks in a newspaper of general circulation in the province, city or municipality where the property is located. The advertisement shall specify the amount of the delinquent tax, the interest due thereon and expenses of sale, the date and place of sale, the name of the owner of the real property or person having legal interest therein, and a description of the property to be sold. At any time before the date fixed for the sale, the owner of the real property or person having legal interest therein may stay the proceedings by paying the delinquent tax, the interest due thereon and the expenses of sale. The sale shall be held either at the main entrance of the provincial, city or municipal building, or on the property to be sold, or at any other place as specified in the notice of the sale.

Within thirty (30) days after the sale, the local treasurer or his deputy shall make a report of the sale to the sanggunian concerned, and which shall form part of his records. The local treasurer shall likewise prepare and deliver to the purchaser a certificate of sale which shall contain the name of the purchaser, a description of the property sold, the amount of the delinquent tax, the interest due thereon, the expenses of sale and a brief description of the proceedings: *Provided, however,* That proceeds of the sale in excess of the delinquent tax, the interest due thereon, and the expenses of sale shall be remitted to the owner of the real property or person having legal interest therein.

The local treasurer may, by ordinance duly approved, advance an amount sufficient to defray the costs of collection through the remedies provided for in this Title, including the expenses of advertisement and sale.

Sunrise, Gawtee, and Metrobank all argued before the RTC that the Province did not comply with the requirement for a notice of sale in the foregoing provisions. Sunrise and Gawtee claimed that the notice was not published in a publicly accessible and conspicuous place in the *barangay*

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where the properties are located.¹⁶¹ The notice was also sent to Sunrise's address in Quezon City where it was received by an unknown and unauthorized person.¹⁶² Metrobank and Gawtee said that they did not receive notices of the warrant of levy or the sale.¹⁶³ Worse, the notice that the properties were sold was sent to Metrobank's branch office in Balanga, Bataan instead of its principal office.¹⁶⁴

Petitioners insisted that a notice of sale was sent to Sunrise's address in Quezon City and to Metrobank. These notices were duly received. The Province also published the notice of sale in Mount Samat Weekly Forum once a week from January 19 to February 1, 2003. The Municipal Treasurer of Orani, Bataan issued a certification on January 28, 2004 that the notice was likewise posted on the main entrance of the municipal building and in conspicuous and publicly accessible places in the barangay where the real properties are located.¹⁶⁵

First, the Province did not comply with the requirements under Section 260 regarding the notice of the sale. It failed to prove that: (1) it posted a notice at the main entrance of the provincial, city or municipal building, and in a publicly accessible and conspicuous place in the barangay where the real property is located; and (2) it published the notice once a week for two weeks in a newspaper of general circulation in the province, city or municipality where the real properties are located. Since the Province was declared in default for not filing a responsive pleading to the petitions-in-intervention of Gawtee and Cameron and for failing to attend the pre-trial, it lost its standing in court, its right to adduce evidence, and to present its defense.¹⁶⁶ Even if the Province attached a certification from the Municipal Treasurer, We cannot consider this or any other document that it attached to its pleadings to prove that it complied with the requirements in Section 260 because these have not been offered as evidence. Hence, the Province was unable to present proof of its compliance with Section 260.

Second, the auction sale sold more property than what was necessary or permissible under Section 260, which directs the auction of the property "or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale." The total for the taxes, the cost of sale, and the penalties at the sale of the real properties, machinery, and equipment is ₱2,291,134.94.¹⁶⁷ According to the Certificate of Sale of Delinquent Real Property issued to the Province, the assessed value of the real property covered by TCT No. 210599 was ₱24,607,950.00 while the assessed value of the real property covered by TCT No. 210560 was ₱233,850.00.¹⁶⁸ Notably, the fair market value of the real properties according to the

¹⁶¹ Records, p. 4; *rollo*, p. 292.

¹⁶² *Id.*

¹⁶³ *Id.* at 237; *rollo*, p. 292.

¹⁶⁴ *Id.* at 238.

¹⁶⁵ *Id.* at 163, 166-167.

¹⁶⁶ See *Nabua v. Lu Ym*, 594 Phil. 515 (2008).

¹⁶⁷ Records, p. 42.

¹⁶⁸ *Id.*

Appraisal Report dated April 25, 2002 was ₱72,869,000.¹⁶⁹ The two real properties were more than sufficient to cover the tax liability, costs of sale, and penalties due from Sunrise. The machinery and equipment should not have been included in the properties sold to the Province at the auction sale.

Third, though Metrobank, now substituted by Cameron, was not entitled to notices of the auction sale, the mortgage in its favor should have been annotated on the new titles issued to the Province.¹⁷⁰ However, TCT Nos. T-246955 and T-246956 did not include the mortgages in favor of Cameron. In *Lukban v. Optimum Development Bank*,¹⁷¹ the mortgagee assailed the issuance of a new title to the buyer of a property sold at a public auction due to non-payment of real property tax by claiming that it was not duly notified of the auction sale and was not given the opportunity to redeem the property. While the Court held that the mortgagee was not entitled to notices of the auction sale, the mortgagee's right was amply protected under Section 180¹⁷² of R.A. No. 7160. The Court upheld the ruling of the trial court that the mortgage annotated on the original title should be annotated on the new title.¹⁷³

In any case, TCT Nos. T-246955 and T-246956 are not valid. The Court held in *Salva* that "strict adherence to the statutes governing tax sales is imperative not only for the protection of the taxpayers, but also to allay any possible suspicion of collusion between the buyer and the public officials called upon to enforce the laws."¹⁷⁴ Failure to comply with these requisites shall render the tax sale null and void.¹⁷⁵ Accordingly, the RTC was correct in declaring that the tax sale conducted by the Province was null and void. The nullity of the tax sale means that the issuance of TCT Nos. T-246955 and T-246956 is also null and void.

V. Gawtee is entitled to damages from the Province.

Petitioners assail the award of ₱120,000,000.00 as actual damages to Gawtee on the following grounds: (1) Gawtee did not pay the docket fees for this award; and (2) the awarded damages greatly exceeded what Gawtee prayed for in his petition, which was ₱50,000.00.

Petitioners forget that at the time that Gawtee intervened in this case, there was no indication that the machinery and equipment were destroyed or disposed of. As such, Gawtee only asserted his ownership over these properties and prayed for ₱50,000.00 as actual damages. The RTC

¹⁶⁹ Id. at 324.

¹⁷⁰ *Lukban v. Optimum Development Bank*, 778 Phil. 824 (2016).

¹⁷¹ Id.

¹⁷² Section 180. *Final Deed to Purchaser*. – In case the taxpayer fails to redeem the property as provided herein, the local treasurer shall execute a deed conveying to the purchaser so much of the property as has been sold, free from liens of any taxes, fees, charges, related surcharges, interests, and penalties. The deed shall succinctly recite all the proceedings upon which the validity of the sale depends.

¹⁷³ Id.

¹⁷⁴ *Supra* note 122 at 822.

¹⁷⁵ *Solco v. Megaworld Corp.*, 827 Phil. 77 (2018).

subsequently awarded ₱120,000,000.00 to Gawtee because during the pendency of the case, the machineries and equipment were destroyed by petitioners. Gawtee could not have possibly foreseen this outcome. It is absurd to expect him to include in his petition-in-intervention an event which has yet to occur. As for Gawtee's supplemental petition, his mere failure to state the exact amount of damages that he was seeking is not enough to say that he intended to defraud the court and avoid the payment of the correct amount of docket fees. The RTC itself acknowledged that Gawtee paid the docket fee for his intervention,¹⁷⁶ thus negating petitioners' allegation of bad faith on his part. In any case, Gawtee prayed "for such other relief as may be just and equitable in the premises."¹⁷⁷ In *Ilusorio v Ilusorio*,¹⁷⁸ We held that this general prayer sufficiently enabled the court to "award reliefs supported by the complaint or other pleadings, by the facts admitted at the trial, and by the evidence adduced by the parties, even if these reliefs are not specifically prayed for in the complaint."¹⁷⁹

Moreover, the tax due from Sunrise is only ₱1,715,398.15 as of December 2002. The Province made a bid of ₱2,291,134.94 for the real properties during the auction sale. The assessed value of the real property covered by TCT No. 210599 was ₱24,607,950.00 while the assessed value of the real property covered by TCT No. 210560 was ₱233,850.00. To reiterate, what must be auctioned under Section 260 of R.A. No. 7160 is the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses of sale. Also, any proceeds of the sale in excess of the delinquent tax, the interest due thereon, and the expenses of sale shall be remitted to the owner of the real property or person having legal interest therein. The real properties, machineries, and heavy equipment levied upon by the Province were well above and beyond what it was entitled to. The Province's act of taking more than what is due to it has undoubtedly prejudiced Gawtee. Thus, the RTC is correct in awarding damages in his favor.

Article 2199 of the Civil Code states "Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved. Such compensation is referred to as actual or compensatory damages." Under Article 2200, actual or compensatory damages shall include not only the loss suffered but also the profits that the obligee failed to obtain. *First*, the real properties alone were more than enough to settle Sunrise's liabilities. But the Province still claimed ownership over the machinery and equipment. *Second*, the Province entered into a Compromise Agreement with Sunrise despite knowing that the latter was no longer the owner of machinery and equipment because ownership was transferred to Gawtee. *Third*, the Province disregarded the order of the RTC to maintain the status quo of the case and appropriated the properties for itself. The RTC discovered the total destruction of the

¹⁷⁶ *Rollo*, p. 287.

¹⁷⁷ *Records*, p. 658.

¹⁷⁸ 829 Phil. 493 (2018).

¹⁷⁹ *Id.* at 499.

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machineries and equipment at the ocular inspection. The RTC held that petitioners illegally took and destroyed the machineries and equipment during the pendency of the case. It is quite notable that the Province did not assail the findings of the RTC that it is liable for the destruction of the paper mill. The Province made no attempt before this Court to prove that it is not to blame for what happened to the paper mill. In effect, the Province has admitted that it is at fault for the loss of Gawtee's machineries and equipment.

Considering the foregoing, it cannot be denied that the Province acted in bad faith against Gawtee. Its act of buying all the real properties, machinery, and equipment at the auction sale even though Sunrise's obligation could have been satisfied with only one of the real properties, entering into a Compromise Agreement with Sunrise despite knowing that it is no longer the owner of the machinery and equipment, and taking the machinery and equipment in disregard of the order of the RTC and pending the resolution of the case sufficiently established that it acted in bad faith to the prejudice of Gawtee. Justice demands that the Province compensate Gawtee for the loss he suffered because of its unjustifiable actions.

Even so, Garcia, Talento, and Abad cannot be held liable for the damages to Gawtee. Section 24 of R.A. No. 7160 states that "Local government units and their officials are not exempt from liability for death or injury to persons or damage to property." However, the specific acts of Garcia, Talento, and Abad that caused damage to Gawtee have not been established in this case. Notably, Gawtee claimed that Garcia already died while the case was pending before this Court, though this was not confirmed by petitioners.

The RTC ordered petitioners to pay Gawtee not only ₱120,000,000.00 as actual damages but also to reimburse him the net amount of ₱9,676,465.46, which pertains to the proceeds of the sale to Bei Hai less the taxes due to the Province. But the RTC ordered the deduction of the amount of ₱9,676,465.46 from the award of actual damages of ₱120,000,000.00. The award of two different amounts to Gawtee, only for one to be deducted from the other, is unnecessary. Both amounts refer to the machineries and equipment that Gawtee lost. The amount of ₱120,000,000.00 is sufficient compensation for his loss. This is the value of the machineries and equipment given by the Province under the Compromise Agreement. This is also consistent with the findings in the Technical Report submitted to the RTC that the rough estimate of the value of the paper mill was ₱100,000,000.00 in its non-operational state.¹⁸⁰ Notably, the Appraisal Report attached to the Technical Report stated that the fair market value of the machinery and equipment alone was ₱313,005,200.00 as of April 5, 2002.¹⁸¹ Respondents assented to the contents of the Technical Report based on the Order dated February 17, 2006 of the RTC.¹⁸²

¹⁸⁰ Records, p. 322.

¹⁸¹ Id. at 324.

¹⁸² Id. at 643.

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However, the damages awarded to Gawtee should not be subject to a deduction of ₱2,291,134.94 pertaining to the tax due to the Province. Gawtee should not be made liable for Sunrise's tax obligation.

As for the interest on the amount awarded, the Court agrees with the RTC that it is proper to award interest pursuant to Article 2211 of the Civil Code.¹⁸³ In *Nacar v. Gallery Frames*,¹⁸⁴ the Court clarified that an interest on the amount of damages awarded that is subject to the discretion of the court is six percent (6%) *per annum*. When Gawtee filed his supplemental petition before the RTC wherein he prayed that petitioners be held liable for the disposal of the machineries and equipment, he did not specify the exact amount that he suffered. It was only when the RTC rendered its Decision on June 15, 2007 that the amount was determined. Thus, pursuant to the guidelines set in *Nacar*, the interest shall begin to run from the date of judgment of the RTC until the finality of this Decision. A legal interest of six percent (6%) *per annum* shall likewise be imposed on total amount that Gawtee is entitled to from the finality of this Decision until its full payment.

With respect to the docket fees, Section 2, Rule 141 of the Rules of Court provides that “[w]here the court in its final judgment awards a claim not alleged, or a relief different from, or more than that claimed in the pleading, the party concerned shall pay the additional fees which shall constitute a lien on the judgment in satisfaction of said lien. The clerk of court shall assess and collect the corresponding fees.” Accordingly, non-payment of the docket fees for the ₱120,000,000.00 actual damages awarded will not result in the dismissal of this case. The docket fees due shall only constitute a lien on the judgment. The RTC thus correctly subjected the amount of ₱120,000,000.00 awarded to Gawtee to a lien for the payment of any deficiency in the docket and other lawful fees due on said award.

With regard to Cameron, the Court reiterates that its interest as a mortgagee should be protected. The RTC is correct in ordering that the re-issued TCT Nos. 210559 and T-210560 should include the annotations of the mortgages in favor of Cameron, there being no proof that there is any basis for its cancellation.

As for the developments concerning the real properties, it is beyond the jurisdiction of this Court to rule on these matters especially considering that petitioners' protest against the coverage of a portion of the real properties under the CARP is still pending before the Office of the Secretary of the DAR.

¹⁸³ Article 2211. In crimes and quasi-delicts, interest as a part of the damages may, in a proper case, be adjudicated in the discretion of the court.

¹⁸⁴ 716 Phil. 267 (2013).

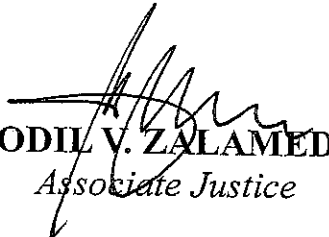
WHEREFORE, the petition is **DISMISSED**. The Decision dated June 15, 2007 and the Order dated January 22, 2008 of the Regional Trial Court in Civil Case No. 8164 are **AFFIRMED with MODIFICATION** in that petitioner Province of Bataan and Sunrise Paper Products, Inc. are held jointly and severally liable to pay respondent Victor G. Gawtee ₱120,000,000.00 as actual damages, subject to an interest of six percent (6%) *per annum* from June 15, 2007 until the finality of this Decision. The total amount shall be subject to a legal interest of six percent (6%) *per annum* from the finality of this Decision until its full satisfaction. The total amount awarded shall be subject to a lien corresponding to the additional fees. The Clerk of Court of the Regional Trial Court of Balanga City is **DIRECTED** to assess and collect the additional filing fees. Paragraphs 1, 2, 5, 6, and 7 of the dispositive portion of the Decision dated June 15, 2007 of the Regional Trial Court stand.

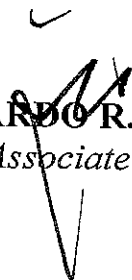
SO ORDERED.


ROSMARI D. CARANDANG
Associate Justice

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
Associate Justice



RODIL V. ZALAMEDA
Associate Justice

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RICARDO R. ROSARIO
Associate Justice


JAPAR B. DIMAAMPAO
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.


MARVIC MARIO VICTOR F. LEONEN
Associate Justice

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.


ALEXANDER G. GESMUNDO
Chief Justice