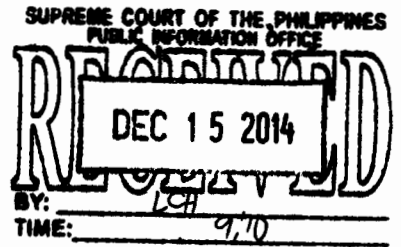




Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION



NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **November 19, 2014** which reads as follows:*

“**G.R. No. 214055** (John Lawrence Sia, *petitioner*, v. Camilo Parrilla, Quirino M. Parrilla, Jonathan M. Parrilla, Celso Aristotle M. Parrilla, Ma. Teresa M. Parrilla, Jennifer M. Parrilla, *respondents*). – The petitioner’s motion for an extension of thirty (30) days within which to file a petition for review on certiorari is **GRANTED**, counted from the expiration of the reglementary period.

The petitioner is hereby required to **SUBMIT** within five (5) days from notice hereof, a verified declaration of the petition for review on certiorari and its annexes pursuant to A.M. Nos. 10-3-7-SC and 11-9-4-SC.

Rosalinda Parrilla (Rosalinda), wife of respondent Camilo Parrilla (Camilo) and mother of respondents Quirino, Jonathan, Celso Aristotle, Ma. Teresa and Jennifer, all surnamed Parrilla, was the registered owner of a 143 square meter property in Paco, Manila where a four-door apartment stands. The subject property is covered by TCT No. 205184 in the name of “Rosalinda M. Parrilla married to Camilo B. Parrilla.” Rosalinda died on 19 November 1998.

Oddly, after Rosalinda’s death, the subject property was mortgaged by Camilo to petitioner John Lawrence Sia (Sia) as security for a ₱1,000,000.00 loan embodied in a private document (not notarized) dated 5 October 2001. Apparently, Camilo and/or Celso made it appear that he and Rosalinda mortgaged the subject property to Sia.

Upon Camilo’s and Rosalinda’s supposed default in payment, Sia filed an Extrajudicial Foreclosure Sale over the subject property.

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On 30 January 2006, Clerk of Court, Jennifer H. Dela Cruz-Buendia (Buendia) and Sheriff-in-Charge, Emerson B. Pilipina (Pilipina), issued a Notice of Extra-Judicial Sale.

At the public auction on 28 February 2006, Sia bought the subject property and consolidated ownership thereon upon expiration of the redemption period.

On 23 October 2007, a Writ of Possession was issued by the Regional Trial Court, Branch 4, Manila, directing the sheriff to place Sia in actual and physical possession of the property and to eject mortgagors Rosalinda and Camilo therefrom, and all other persons claiming rights under them.

On 14 January 2008, a Notice to Vacate was issued.

Forthwith, upon receipt of the Notice to Vacate, respondents, except for Camilo, filed a petition against Sia,¹ the Clerk of Court, Buendia, and the Sheriff-in-Charge, Pilipina, to declare null and void the 5 October 2001 Deed of Real Estate Mortgage, the Extra-Judicial Foreclosure Mortgage filed by Sia, and Writ of Possession issued in relation to the foreclosure proceedings.

In refutation, Sia answered that:

1. In 2001, he and his father met with Camilo and a lady whom Camilo introduced as his wife, Rosalinda. They entered into a ₱1,000,000.00 loan transaction with Camilo and the purported Rosalinda mortgaging the subject property as security for the loan. The loan and real estate mortgage was finalized after Sia verified the authenticity of the title and the subject property. Celso, one of the respondents herein, was supposedly present at the said meeting and at the closing transaction between the parties.

2. Camilo made interest payments, with most of the payment transactions involving only Sia and Celso. The principal, however, remained unpaid.

3. When the interest payments suddenly stopped, and the demand of Sia for payment thereof went unheeded, Sia extrajudicially foreclosed on the mortgage.

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¹ Rollo, pp. 92-102.

4. Sia asseverated that he is an innocent creditor who was defrauded by Camilo and Celso into lending them money and making it appear that Rosalinda was alive and could mortgage the subject property.²

At the trial, after the petition was amended to include a prayer for Sia's return of the rentals he had received from the lessees of the subject property, and answer thereto of Sia, respondents Jennifer and Celso testified for the prosecution.

Jennifer testified that their family did not know that the subject property had been mortgaged. They came to know of such only when Sia and his father came to their house and showed them the new title thereto under Sia's name. Thereafter, respondents investigated and inquired with the Registry of Deeds.

Celso corroborated Jennifer's testimony on their lack of knowledge that the property had been mortgaged to Sia. Celso confirmed that he entered into a personal loan transaction with Sia who initially wanted to purchase the subject property, but subsequently wanted it mortgaged to him as security for a personal loan procured by Celso. Celso purportedly told Sia that the property could no longer be mortgaged since his mother, Rosalinda, was already dead. Celso claimed that he was made to sign the Deed of Real Estate Mortgage, which had no other signatures thereon as witnesses, and was asked to surrender the title upon receipt of the ₱1,000,000.00. Celso supposedly did not feel compelled to inform his father or his siblings about the loan and that he had handed title thereto to Sia because he thought he could pay the loan in due time.³

The RTC listed six (6) issues for resolution: (1) whether the Deed of Real Estate Mortgage, and all the proceedings and court orders that stemmed from its enforcement, should be declared null and void; (2) whether Camilo and Rosalinda borrowed money from Sia with the subject property as collateral; (3) whether there was default in payment of the loan; (4) whether TCT No. 277513 under Sia's name should be annulled; (5) whether Sia should be ordered to consign to the court rentals from the property he has been collecting; and (6) whether respondents are entitled to an award for damages and attorney's fees.⁴

The RTC granted the petition of respondents on the main ground that it was impossible for Sia not to have been aware that Rosalinda was already dead when he accepted the subject property as collateral for the loan. The trial court also found that the ₱1,000,000.00 loan has been fully

² Id. at 49; Court of Appeals Decision.

³ Id. at 50-51.

⁴ Id. at 54.

paid and since the succeeding loans are deemed as ordinary loans and without security, demand for payment thereof must be made. Without demand, respondents cannot be considered in default. The trial court annulled Sia's title, TCT No. 277513, as all orders and proceedings that stemmed from the Extra-Judicial Foreclosure Sale of Mortgage had been declared null and void *ab initio*. Consequently, Sia was ordered to consign to the court all rentals collected, since his claim of ownership is null and void. Lastly, the trial court did not award attorney's fees and moral damages as both parties only sought to protect their rights in good faith.

The dispositive portion of the RTC Decision reads:

WHEREFORE, in view of all the foregoing, judgment is hereby rendered as follows:

(1) The Deed of Real Estate Mortgage dated October 5, 2001, Extra-Judicial Foreclosure of Mortgage filed by [petitioner] John Lawrence Sia, and TCT No. 277513 in the name of John Lawrence Sia, and the Writ of Possession are hereby declared null and void.

(2) The Registry of Deeds of Manila is hereby ordered to cancel TCT No. 277513 in the name of John Lawrence Sia and to reinstate TCT No. 205184 in the name of Rosalinda Mendoza Parrilla, "*married to Camilo B. Parrilla*," giving it therefore all force and effect as though it had not been cancelled.

(3) [Petitioner] John Lawrence Sia is hereby ordered to reconvey the subject property to [respondents] herein, as legal and compulsory heirs of the late Rosalinda M. Parrilla;

(4) [Respondents] Parrilla are hereby ordered to pay [petitioner] John Lawrence Sia the loan in the total amount of ₱550,000.00 (₱550,000.00 + ₱250,000.00 + ₱150,000.00 = ₱950,000.00 minus ₱400,000.00 equals ₱550,000.00), which amount shall earn an interest of 12% *per annum* from the date of receipt of this judgment until fully paid;

(5) [Petitioner] Sia is ordered to turn-over to [respondents] the amount collected as rentals for the subject premises commencing from October 2008 up to such period of time the same is fully complied with;⁵

On appeal by Sia, the appellate court affirmed the Decision of the trial court. The appellate court agreed with the disquisition of the trial court that Camilo, upon the death of Rosalinda, did not become the absolute owner of the subject property such that he could mortgage it, as claimed by Sia. At the time of the execution of the mortgage in 2001, the uncontroverted fact is that Rosalinda had long been dead then. Thus, the Deed of Real Estate Mortgage was null and void.⁶

⁵ Id. at 83-84.

⁶ Id. at 44-59.

We do not find reversible error in the lower courts' uniform annulment of Sia's title over the subject property and all rights claimed by him as a result of a void Deed of Real Estate Mortgage.

As found by the lower courts, whose factual findings we do not reverse on appeal, except in exceptional circumstances which are not present herein, the 5 October 2001 Deed of Real Estate Mortgage is void *ab initio*, Rosalinda, the owner of the subject property, having been long dead when the real estate mortgage was supposedly executed.

Article 2085, paragraph 2, of the Civil Code requires that the mortgagor be the absolute owner of the thing mortgaged. Thus, even if upon Rosalinda's death, ownership over the subject property transferred to her heirs,⁷ herein respondents, individually, they could not have mortgaged the subject property as they were still not absolute owners thereof.

As for the 4th paragraph of the dispositive portion of the RTC's Decision which reads:

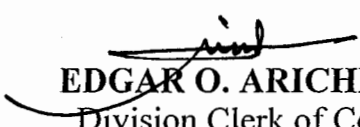
(4) [Respondents] Parrilla are hereby ordered to pay [petitioner] John Lawrence Sia the loan in the total amount of ₱550,000.00 (₱550,000.00 + ₱250,000.00 + ₱150,000.00 = ₱950,000.00 minus ₱400,000.00 equals ₱550,000.00), which amount shall earn an interest of 12% *per annum* from the date of receipt of this judgment until fully paid;⁸

we modify the imposition of legal interest to 6% *per annum* in accordance with Bangko Sentral ng Pilipinas Circular No. 799, Series of 2013.

WHEREFORE, the petition is **DENIED** for no reversible error in the Court of Appeal's Decision dated 4 April 2014 in CA-G.R. CV No. 98400. The Decision of the Regional Trial Court, Branch 27, Manila, affirmed by the Court of Appeals is **MODIFIED**. The imposition of legal interest on the order to respondents Camilo Parrilla, Quirino M. Parrilla, Jonathan M. Parilla, Celso Aristotle M. Parrilla, Ma. Teresa M. Parilla, Jennifer M. Parrilla to pay petitioner John Lawrence Sia the amount of ₱550,000.00 is reduced to 6% *per annum*.

SO ORDERED." **BERSAMIN, J.**, on official travel; **VELASCO, JR., J.**, acting member per S.O. No. 1870 dated 4 November 2014.

Very truly yours,


EDGAR O. ARICHETA
Division Clerk of Court

⁷ See Article 777 of the Civil Code.
⁸ *Rollo*, pp. 83- 84.

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