



REPUBLIC OF THE PHILIPPINES  
SUPREME COURT  
Manila

SECOND DIVISION

**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **09 December 2020** which reads as follows:*

**“G.R. No. 228703 (*Development Bank of the Philippines v. Pedro Salazar*).**

Generally, this Court does not entertain legal issues, arguments, and theories raised for the first time on appeal because it will violate the right of the other party to due process.<sup>1</sup> As an exception, the Court may resolve such issues if it is necessary in arriving at a just decision and complete resolution of the case or to serve the interests of justice or to avoid dispensing piecemeal justice.<sup>2</sup> Hence, this Court opts to resolve the question regarding Salazar’s equity to finally settle the rights of the parties arising from their agreement.

Foremost, this Court finds no reason to disturb the Court of Appeal’s (CA) factual finding<sup>3</sup> that the amount of equity is ₱37,128.82. The Development Bank of the Philippines (DBP) Appraiser-Examiner Reynaldo Santos even recommended that this amount be released. Yet, the CA should have applied the rule on legal compensation. Under Article 1279 of the Civil Code, the elements of compensation are the following: (a) each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other; (b) both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated; (c) the two debts be due; (d) they are liquidated and demandable; and (e) over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor. Article 1290 of the Civil Code further provides that when all these requisites are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation.

<sup>1</sup> *Mendoza v. Bautista*, 493 Phil. 804, 813 (2005).

<sup>2</sup> *Figuera v. Ang*, 788 Phil. 607, 617 (2016).

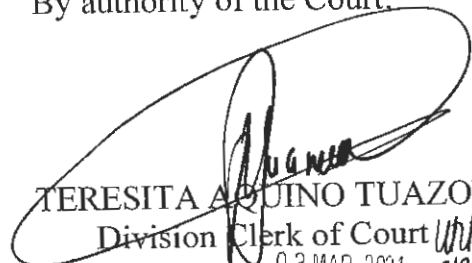
<sup>3</sup> *Rollo*, pp. 26-46.

Here, the records show that as of July 21, 1986, Pedro Salazar's outstanding obligation is ₱423,004.03.<sup>4</sup> Given that the foreclosure sale only amounted to ₱155,000.00, the DBP is still entitled to a deficiency of ₱268,004.03. As such, Salazar's remaining equity was set-off by operation of law with his outstanding obligations with DBP. To be sure, a mortgagee is entitled to deficiency claims if the proceeds of the sale are insufficient to cover the debt.<sup>5</sup>

**FOR THESE REASONS**, the petition is **PARTIALLY GRANTED**. The Court of Appeals' Decision dated April 18, 2016 CA-G.R. CV No. 97071 is **AFFIRMED** with **MODIFICATION** in that the directive to return to Pedro Salazar his equity amounting to ₱37,128.00 with interest at six percent (6%) from the finality of the Decision until full payment is **DELETED**.

**SO ORDERED.**" (Hernando, J., designated additional Member vice Javier, J. per Raffle dated November 23, 2020; Rosario, J. designated additional Member.)

By authority of the Court:

  
TERESITA AQUINO TUAZON  
Division Clerk of Court *with*  
03 MAR 2021 3/3

\*DEVELOPMENT BANK OF THE PHILIPPINES (reg)  
Legal Services Group  
Legal Officer  
Regional Marketing Center for Bicol  
Pangasinan Drive, Naga City, Camarines Sur

\*ATTY. OLIVER O. OLAYBAL (reg)  
Counsel for Respondent  
Guinobatan, 5403 Albay

HON. PRESIDING JUDGE (reg)  
Regional Trial Court, Branch 53  
Sorsogon City  
(Civil Case No. 5200)

JUDGMENT DIVISION (x)  
Supreme Court, Manila

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Supreme Court, Manila

COURT OF APPEALS (x)  
Ma. Orosa Street  
Ermita, 1000 Manila  
CA-G.R. CV No. 97071

\*with copy of CA Decision dated 18 April 2016  
*Please notify the Court of any change in your address.*  
GR228703. 12/09/2020(252)URES

<sup>4</sup> *Id.* at 29.

<sup>5</sup> *Development Bank of the Philippines v. Zaragoza*, 174 Phil. 153, 155 (1978).