RECENT JURISPRUDENCE ON CIVIL LAW*

INTRODUCTION

This article is a survey of recent cases decided by the Supreme Court across nine sub-fields of civil law: persons and family relations; obligations and contracts; agency, partnerships, and trusts; private international law; succession; torts; sales; credit transactions; and land, titles, and deeds. All these cases were decided in 2021.

I. PERSONS AND FAMILY RELATIONS

A. *Tan-Andal v. Andal*[1]

In this case, the Court unanimously modified the interpretation of the requirements for psychological incapacity as a ground for declaration of nullity of marriage under Art. 36 of the Family Code. Petitioner Rosanna Andal sought to nullify her marriage with respondent Mario Andal on the ground of Mario's psychological incapacity. Even before their marriage, Mario had already showed signs of peculiar behavior, and during their marriage, his behavior worsened. Rosanna discovered that Mario had been using illegal drugs, which the latter justified as his way of coping with pressure from work.[2] After Rosanna and Mario separated and reconciled many times, Rosanna filed a petition for the declaration of nullity of their marriage. The Regional Trial Court declared the marriage void, but the Court of Appeals reversed, holding that the psychiatric evaluation of Mario was unreliable since the physician-psychiatrist only examined the family members of Mario and not Mario himself.[3]

In a departure from the doctrine established in *Republic v. CA and Molina*,[4] the Court declared that psychological incapacity is not a medical but a legal

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This Article is part of a series published by the JOURNAL, providing updates in jurisprudence across the eight identified fields of the law. The other articles focus on political law, labor law, taxation, criminal law, mercantile law, remedial law, and judicial ethics.

[1] [Hereinafter "*Tan-Andal*"], G.R. No. 196359, May 11, 2021.

[2] *Id.* at 4–10. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[3] *Id.* at 14–16.

[4] [Hereinafter "*Molina*"], G.R. No. 108763, 268 SCRA 198, 210–211, February 13, 1997.

concept. The Court categorically abandoned the second guideline in *Molina* that required that psychological incapacity be medically or clinically identified, be alleged in the complaint, and be sufficiently proven by experts. To prove psychological incapacity as a ground for declaration of nullity of marriage, there would be no more need to resort to medical examination. The Court explained that "ordinary witnesses who have been present in the life of the spouses before the latter contracted marriage may testify on behaviors that they have consistently observed from the supposedly incapacitated spouse."[5] The Court also modified the first and fourth guidelines established in *Molina*. Regarding the first guideline, the Court explained that while the burden of proof still belongs to the plaintiff, the plaintiff must now prove his or her case with clear and convincing evidence, which means evidence that is more than preponderance of evidence but less than proof beyond reasonable doubt. Regarding the fourth guideline, the Court held that psychological incapacity must be incurable in the legal sense: the incapacity must persist and the personality structures of the couple must be so incompatible as to inevitably result in the breakdown of the marriage.[6]

II. OBLIGATIONS AND CONTRACTS

A. *Waterfront Philippines, Inc. v. Social Security System*[7]

Waterfront Philippines and its sister companies entered into a contract of loan with the Social Security System (SSS) and mortgaged two parcels of land as security. The companies sought to assign the mortgaged properties to SSS through a *dacion en pago* in order to satisfy the debt. The companies, however, failed to transfer the properties because they did not pay the proper taxes due. After the companies failed to settle the demand for payment of the total loan obligation, SSS extrajudicially foreclosed the properties.[8] The CA upheld the validity of the foreclosure and the mortgage contract, holding that SSS rightfully demanded that Waterfront and its sister companies satisfy their obligation. The CA noted that the companies assailed the authority of the officers of SSS to enter into contracts on its behalf only after the parties had formally offered their respective evidence, And not during the trial or pre-trial or in any of the pleadings.[9]

Though the issue was not raised during the trial proper, the Court held that it could not ignore any issue on the authority of parties to enter into contracts

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[5] *Tan-Andal*, at 30–32.

[6] *Id.* at 32–34.

[7] G.R. No. 249337, July 6, 2021.

[8] *Id.* at 1–3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[9] *Id.* at 6–7.

on account of mere procedural technicalities. The mandate of the courts to determine the validity of contracts trumps the need to observe procedural technicalities that would stifle the rights of the parties. The Court found that the SSS officers acted beyond the scope of their authority when they entered into the contract of loan on behalf of SSS; in other words, they committed an *ultra vires* act. The Court declared the contract of loan null and void.[10]

B. *Goldwell Properties Tagaytay, Inc. v. Metropolitan Bank and Trust Company*[11]

Goldwell Properties Tagaytay, Inc. and Nova Northstar Realty Corporation obtained loans from Metropolitan Bank and Trust Company (Metrobank), which were secured by real estate mortgages. When the debtor-companies experienced financial difficulties, they executed debt restructuring agreements.[12] After multiple attempts to settle based on various proposed evaluations of the existing debt, Metrobank insisted on a payment scheme based on the mortgaged properties' appraised value as determined by the bank's in-house appraisers at the time of the execution of the loan. The debtor-companies, on the other hand, insisted on a higher valuation made by independent appraisers.[13]

The Court held that Metrobank could not be compelled to adopt the valuation of the independent appraisers as the appraisal was made after the loan had already been obtained. To use the valuation made by the independent appraisers would amount to a violation of the principle of mutuality of contracts. Parties are free to stipulate on the terms of a contract, as long as the terms are not contrary to law, morals, good customs, public order, and public policy. If a party is allowed to determine the value of properties in a mortgage transaction after the execution of the contract, it would amount to a unilateral decision in violation of the principle of mutuality of contracts. The debtor-companies cannot compel Metrobank to adopt the appraised values after the execution of the contract of loan.[14]

III. AGENCY, PARTNERSHIPS, AND TRUSTS

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[10] *Id.* at 16–18.

[11] G.R. No. 209837, May 12, 2021.

[12] *Id.* at 2–8. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[13] *Id.* at 9–12.

[14] *Id.* at 25.

A. *De Villa v. Mallo*[15]

Spouses Ernesto and Pilar de Villa owned a parcel of land. They authorized Atty. Andrew Ferrer to sell the land to a third person under a Special Power of Attorney ("SPA"). Pilar later executed a revocation of the SPA, but more than a month later, the SPA was duly registered and inscribed on the title of the property. Atty. Ferrer had sold the land to Esmerelda Mallo, whose properties were subsequently foreclosed, with Susan Tan buying the subject parcel of land at a public auction.[16] The Court of Appeals held that Spouses de Villa's revocation of the SPA in favor of Atty. Ferrer was validly made by virtue of a public instrument. Therefore, Atty. Ferrer had no right to enter into a contract of sale with Mallo. However, because the property had already ended up in the possession of Tan, an innocent third party, Spouses de Villa could no longer seek reconveyance of the property. [17]

The Court held that Spouses de Villa could seek reconveyance of the property, because Tan—who did not go beyond the mere annotations to the title of Mallo—was not a purchaser in good faith. Where the land sold is in the possession of a person other than the vendor, such as an agent, the purchaser must go beyond the certificates presented by the agent and make inquiries concerning the actual possessor of the property in question. Tan should have exercised greater diligence and prudence in ascertaining the validity of the inscribed SPA of Atty. Ferrer, which enabled the sale to Mallo.[18] The Court declared Mallo's purchase and the subsequent sale to Tan null and void. [19]

B. *Spouses Yabut v. Nachbaur*[20]

Spouses Danilo and Nelda Yabut, represented by their son Manuel, purchased a parcel of land from the brothers Jose and Antonio So. Another group later claimed ownership over the property under the authority of an original Owner's Duplicate Certificate of the Transfer Certificate of Title (TCT), to which was annotated an SPA executed by the brothers So. Manuel Yabut eventually discovered that the TCT given to him was fake, the brothers' signatures having been forged. While Spouses Yabut had possession of the land, the brother So

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[15] G.R. No. 218377 (Notice), May 14, 2021.

[16] *Id.* at 1–3. This pinpoint citation refers to the copy of this unsigned resolution uploaded to the Supreme Court Website.

[17] *Id.* at 5–6.

[18] *Id.* at 8–12.

[19] *Id.* at 15–16.

[20] G.R. No. 243470, Jan. 12, 2021.

mortgaged it in favor of respondent Michelle Nachbaur.[21] The Regional Trial Court and the Court of Appeals ruled that Nachbaur was a mortgagee in good faith, because she was not aware of any lien or encumbrance on the title.[22]

While the deed of sale to Spouses Yabut was forged, it could still be the source of conferred rights.[23] An SPA cannot defeat the rights of an innocent contracting party. Respondent Nachbaur cannot be considered a mortgagee in good faith since she failed to ascertain the validity of the authority granted by the SPA to the attorney-in-fact with whom she contracted. The sale through an SPA cannot defeat the vested rights of Spouses Yabut over the property they had purchased. A spurious SPA cannot grant a mortgagee greater rights than a deed of absolute sale even though the deed is falsified. As the SPA in this case was spurious, the deed of absolute sale, though falsified, defeated the rights of respondent.[24]

IV. PRIVATE INTERNATIONAL LAW

A. In re *Lopez*[25]

In the State of California, Respondent lawyer Jaime Lopez facilitated a bodily injury settlement between his client, Jemuel Monte-Alegre, and Viking Insurance Company. Lopez received USD 25,000 as settlement from Viking Insurance Company but he did not notify Monte-Alegre about his receipt of the settlement proceeds. Lopez deposited the settlement proceeds to Monte-Alegre's trust account but did not disburse any portion to Monte-Alegre or to any lienholder. The balance was eventually overdrawn until the account was closed. Lopez knowingly issued checks from Monte-Alegre's trust account to various medical providers on behalf of his clients while the account had insufficient funds.[26] The California State Bar began disbarment proceedings against Lopez, charging him with violation of the Rules of Professional Conduct and the Business and Professions Code on the following grounds: his failure to notify Monte-Alegre of the receipt of the settlement funds, his failure to maintain the funds in Monte-Alegre's trust account, his misappropriation of the funds, and his issuance of bad checks. The Supreme Court of the State of California disbarred Lopez. In

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[21] *Id.* at 2–4. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[22] *Id.* at 4–5.

[23] *Id.* at 7.

[24] *Id.* at 7–8.

[25] A.C. No. 7986, July 27, 2021.

[26] *Id.* at 3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

the Philippines, Chief Justice Reynato Puno received a letter informing the Court of the disbarment proceedings.[27] The Investigating Commissioner of the Integrated Bar of the Philippines (IBP) recommended Lopez's suspension from the practice of law. The IBP Board of Governors modified the penalty and resolved to disbar Lopez and have his name stricken from the Roll of Attorneys.[28]

The Court affirmed the Resolution of the IBP Board of Governors. It discussed the principle of reciprocal discipline and ruled that when a lawyer is held by one jurisdiction to have violated a bar's disciplinary rules or rules of conduct, other jurisdictions where the lawyer is admitted to practice law must have separate proceedings in order to impose disciplinary sanctions for the same violation. The findings of the first jurisdiction are considered conclusive evidence that a violation has occurred. However, the second jurisdiction decides if a sanction in its jurisdiction is appropriate, independent from the findings of the first jurisdiction, although such findings are given great weight. The Court emphasized that reciprocal discipline is part of a developing practice for international cooperation on lawyer discipline. Reciprocal discipline is embodied in Rule 138, Section 27 of the Rules of Court, which grants the Court authority to impose sanctions on a lawyer for acts or omissions committed in a foreign jurisdiction.[29] Decisions of foreign courts, such as the California Supreme Court, are considered *prima facie* evidence of grounds for disciplinary action against lawyers in the Philippines. In this case, the decision of the Supreme Court of California was deemed properly recognized because proof of fact of the judgment was established by substantial evidence.[30] Thus, the Court concluded that Lopez's acts, as evidenced by the decision of the Supreme Court of California, constituted grounds for imposing disciplinary sanctions on him. Lopez's failure to notify Monte-Alegre of the receipt of the settlement proceeds, his failure to maintain the funds in Monte-Alegre's trust account, and his misappropriation of the funds violated Canons 7, 10, and 16 of the Code of Professional Responsibility. Therefore, the imposition of the penalty of disbarment, as recommended by the IBP Board of Governors, was proper.[31]

B. *Alcala Vda. de Alcañeses v. Alcañeses*[32]

Efren Alcañeses, a Filipino pilot on board a Kenya Air flight as a non-paying passenger, was killed when the plane exploded mid-air. Petitioner Esther Victoria Alcala, Efren's surviving widow, executed an Affidavit of Self-

[27] *Id.* at 2–5.
[28] *Id.* at 8–9.
[29] *Id.* at 10–12.
[30] *Id.* at 12–13.
[31] *Id.* at 13–20.
[32] [Hereinafter "*Vda. de Alcañeses*"], G.R. No. 187847, June 30, 2021.

Adjudication and was appointed the legal representative of Efren's estate. Petitioner Esther filed a claim for damages with Kenya Air for "indemnity and compensation for the loss of her husband," which was amicably settled for the award of USD 430,000.00. Respondents Jose Alcañeses et al., who are collateral relatives of Efren, sought to nullify the Affidavit of Self-Adjudication; they argued that they had a share in Efren's estate, which included the proceeds of the Kenya Air settlement. Petitioner Esther argued that the Fatal Accidents Act of Kenya, which excluded collateral relatives as dependents, governed her claim for damages against Kenya Air. [33] The trial court ruled in favor of respondents, nullified the Affidavit, and ordered the delivery of half of the proceeds of the Kenya Air settlement to respondents. The Court of Appeals affirmed and held that the proceeds of the Kenya Air settlement were governed by the Civil Code of the Philippines and not Kenyan law. [34]

The Court reversed the CA decision and ruled that the proceeds of the Kenya Air settlement belonged exclusively to petitioner Esther. The Court emphasized that choice of law is determined on a case-by-case basis and there is no prescribed means of resolving a conflicts of law problem. [35] Pursuant to *Saudi Arabian Airline v. Court of Appeals*, [36] the Court applied the "state with the most significant relationship" test to resolve the choice of law problem in this case. It held that the material "points of contact" for determining choice of law in this case are the parties' nationalities, the principal place of business, the place where the tort occurred, and the intention of the contracting parties as to the applicable governing law. The Court concluded that although the parties to the settlement case were Filipinos, Kenyan law had the "most significant relationship" to the case because Kenya Air was a foreign corporation with a principal place of business in Kenya, the tort was committed aboard a Kenya Air plane, Kenya Air granted the proceeds of the settlement, and the Release and Receipt expressly provided that the settlement was subject to Kenyan law and was signed in the Philippines for the convenience of petitioner Esther. The only "point of contact" with Philippine law was the fact that Efren, the decedent, was Filipino. [37] Because Kenyan law had the most significant relationship to the case, the Court applied the Fatal Accidents of Kenya, which provides that damages for an action against one causing death through a wrongful act is for the benefit of the wife, husband, parent, or child of the deceased only. Because the Fatal Accidents Act of Kenya does not include

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[33] *Id.* at 2–4. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[34] *Id.* at 4–5.

[35] *Id.* at 11.

[36] G.R. No. 122191, 297 SCRA 469, 490–91, Oct. 8, 1998.

[37] *Vda. de Alcañeses*, at 11–13.

collateral relatives among the decedent's heirs, the Court ruled that respondents were not entitled to any share of the proceeds of the Kenya Air settlement.[38]

V. SUCCESSION

A. *Guia v. Cosico (*In re *Cosico)*[39]

Cecilia Esguerra Cosico was born with a physical disability and was known in her locality as a "*lumpo*." Because of her physical condition, Cecilia neither attended school nor learned to read and write. When Cecilia was 64 years old, she decided to execute her last will and testament. Cecilia discussed with notary public Atty. Danton Bueser (now a retired Associate Justice of the Court of Tax Appeals), the execution of her last will and testament; two days later, Atty. Bueser returned to Cecilia with a finished copy of her will. Atty. Bueser, in the presence of three notarial witnesses, read the contents of the will to Cecilia and explained its effects and consequences. When asked if she fully understood the contents of the will, Cecilia answered in the affirmative and affixed her thumbmark above her printed name and on the first two pages in the presence of Atty. Bueser and the notarial witnesses. Cecilia and Atty. Bueser also signed on the left margins of the first two pages of the will and at the end of the attestation clause. [40]

After Cecilia died, her maternal aunt's legally adopted daughter Thelma Esguerra Guia filed a petition with the trial court for the probate of the will. Cecilia's half-siblings, led by Jose Cosico, Jr., opposed the petition and argued that the formalities of a valid will were not complied with, because the will was not read to Cecilia twice, once by one of the subscribing witnesses and again by the notary public.[41] The trial court admitted Cecilia's will to probate, ruling that the will complied with the formal requirements under the Civil Code, as two days before subscribing to the will, Cecilia conferred with Atty. Bueser regarding the terms by which she wanted to dispose of her properties. The Court of Appeals reversed, ruling that Article 808 of the Civil Code was not strictly complied with; jurisprudence provides that the will must be read twice to a blind or illiterate testator.[42]

The Court ruled in favor of petitioner Thelma. It held that although Article 808 of the Civil Code expressly requires that the contents of a last will and

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[38] *Id.* at 13–15.

[39] [Hereinafter "In re *Cosico*"], G.R. No. 246997, May 5, 2021.

[40] *Id.* at 2–6. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[41] *Id.* at 6–7.

[42] *Id.* at 7–12.

testament be read twice to a blind testator—once by one of the subscribing witnesses and again by the notary—*In re Alvarado v. Gaviola, Jr.*[43] has expanded the provision's coverage to illiterate testators. The rationale behind this requirement is to make known the provisions to the testator and to allow the testator to object to and disagree with the read provisions. Notwithstanding the expanded coverage of Article 808 of the Civil Code, *Alvarado* also provided substantial compliance as an exception to the requirement that the will be read twice to a blind or illiterate testator.[44] In this case, the Court allowed the probate of Cecilia's will on the ground of substantial compliance. Atty. Bueser read and explained the contents of the will to Cecilia in the presence of the subscribing witnesses, who had the opportunity to object to any of the provisions read that may not have been in accordance with Cecilia's wishes. Further, Cecilia and her subscribing witnesses made no corrections to the statements of Atty. Bueser. Thus, the Court concluded that the requirement of Article 808 had been substantially complied with. It allowed Cecilia's will to probate.[45]

B. *Rivera v. Villanueva*[46]

Donato Pacheco, Sr. was legally married to Anatacia Santos. They had two children, Emerenciana Pacheco-Tiglao and Milagros Pacheco-Rivera. Petitioners Daniel Rivera and Elpidio Rivera are the children of Milagros. Donato, Sr., had an illicit relation with Emiliana dela Cruz, with whom he had four children, respondents Flora Pacheco, Donato Pacheco, Jr. (represented by his heirs), Ruperto Pacheco, and Virgilio Pacheco. Upon the death of Donato, Sr., Emerenciana and, subsequently, Milagros took over the management of his business and properties.[47] When Emerenciana died, her husband filed a petition for issuance of letters of administration during the special proceedings for the settlement of her estate. Respondents intervened in the settlement proceedings of Emerenciana's estate, arguing that the properties of Donato, Sr., were included in the estate of Emerenciana. The lower court declared that respondents were illegitimate children of Pacheco, Sr. and were entitled to inherit from his estate.[48] Respondents then filed a complaint demanding the partition of the subject properties and claiming that petitioners were their half-blood nephews. The trial court ruled that respondents were the illegitimate children, nephews, and nieces of Donato, Sr. Therefore, the legitime of each illegitimate child of Donato, Sr., was one-half of the legitime of each legitimate child. The Court of Appeals

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[43] [Hereinafter "*Alvarado*"], G.R. No. 74695, 226 SCRA 347, 352, Sept. 14, 1993.

[44] *Id.* at 353–55.

[45] In re *Cosico*, at 16–18.

[46] G.R. No. 197310, June 23, 2021.

[47] *Id.* at 2–3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[48] *Id.* at 3–4.

affirmed insofar as the legitimes of the illegitimate children of Pacheco, Sr. were concerned.[49]

The Court reversed and ruled that the legitime of each respondent illegitimate child—Flora, Ruperto, Virgilio, and Donato, Jr.—did not consist of one-half of the legitime of each legitimate child. The provisions of the Civil Code were applied to this case because Donato, Sr., died on August 21, 1956, which was before the effectivity of the Family Code. Upon the death of Donato, Sr., each respondent illegitimate child effectively became co-owners of the properties of their father. Although Article 255 of the Family Code gives retroactive effect to the provisions of the Code, the Court held that such retroactive affect cannot prejudice vested or acquired rights under the Civil Code or other laws. In this case, petitioners had already acquired vested rights over their share in the legitime consisting of one-half of the hereditary estate of Donato, Sr., in accordance with Article 888 of the Civil Code. Although the appellate court applied the Civil Code provisions, the lower courts erred in ruling that the legitime of each of the respondents Flora, Ruperto, Virgilio, and Donato, Jr. consisted of one-half of the legitime of each legitimate child. The Court held that the share of each of the respondents was only four-fifths of the legitime of an acknowledged natural child, in accordance with Article 895 of the Civil Code. Respondents were not acknowledged natural children of Donato, Sr., because at the time of their conception, their parents were disqualified by a legal impediment to marry each other, which was the marriage of Donato, Sr., to Anatacia. Thus, respondents were acknowledged illegitimate children and not acknowledged natural children of Donato, Sr. The legitime of each of them was only four-fifths of the legitime of an acknowledged natural child or two-fifths, and not one-half, of the legitime of each legitimate child.[50]

VI. TORTS

A. *Sanggacala v. National Power Corporation*[51]

Petitioners Pacalna Sanggacala, Ali Macaraya Mato, Mualam Dimatingcal and Casimra Sultan filed separate claims for damages against the National Power Corporation (NAPOCOR) for the latter's refusal to open the floodgates of the Agus Regulation Dam, which allegedly resulted in damage to the farmland and crops of petitioners. Petitioners asserted that a deviation in the normal water elevation of Lake Lanao caused damage to aquatic resources, farmlands, and

[49] *Id.* at 4–7.

[50] *Id.* at 12–13.

[51] [Hereinafter "*Sanggacala*"], G.R. No. 209538, July 7, 2021.

fishponds along the lakeshore. Respondent NAPOCOR alleged that petitioners' properties were not among those damaged, and even if they were, the damage was not an actionable wrong as it was a *damnum absque injuria.* Respondent claimed that it was merely exercising its functions under Memorandum Order No. 398, which set the maximum lake elevation at 702 meters above sea level. Respondent also claimed that petitioners had introduced improvements on the lakeshore in violation of Memorandum Order No. 398.[52]

The Court ruled that respondent was liable for damages under the concept of an environmental tort, a hybrid of tort law and environmental law that provides means by which environmental harm could be addressed. Environmental harm "may include 'immediate and future physical injury to people, emotional distress from fear of future injury, social and economic disruption, remediation costs, property damage, ecological damage, and regulatory harms.'"[53] To be actionable as an environmental tort, the environmental harm must meet the following requisites: it must be "in a well-defined area or specific person or class of persons, is readily supported by general and specific causation, and closely fits the traditional elements of a tort cause of action."[54] There must also be an actual injury to a person or group of persons or to property.[55] The complaining party had the burden of proving that the defending party was negligent. Moreover, the required degree of diligence is that of a good father of a family, unless the law requires a different degree of diligence.[56] The Court ruled that it was bound by its previous decisions,[57] involving similarly situated petitioners, that found NAPOCOR negligent in operating the Agus Regulation Dam.[58] The Court also found that respondent acted negligently in performing its duty under Memorandum Order No. 398, because respondent failed to show that it sufficiently informed petitioners and other individuals around the affected area that the introduction of improvements on the lakeshore was prohibited. The Court considered as an admission on the part of respondent the Resolution of respondent's Board of Directors authorizing the release of financial assistance to those claiming damages due to high water elevation.[59]

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[52] *Id.* at 3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[53] *Id.* at 13.

[54] *Id.* at 24.

[55] *Id.* at 15.

[56] *Id.* at 17.

[57] Nat'l Power Corp. v. Ct. of Appeals, G.R. No. 96410, 211 SCRA 162, July 3, 1992; Nat'l Power Corp. v. Ct. of Appeals, G.R. No. 102206, 223 SCRA 649, June 25, 1993; Nat'l Power Corp. v. Ct. of Appeals, G.R. No. 124378, 453 SCRA 47, March 8, 2005.

[58] *Sanggacala*, at 19–23.

[59] *Id.* at 23–24.

The Court found that the essential elements of an environmental tort action based on negligence were present in this case. The environmental harm was in a well-defined area: it was confined to the farmlands and other properties of petitioners situated along the shore of Lake Lanao. The case fits the traditional elements of a tort cause of action, because respondent's negligence in operating the Agus Regulation Dam caused inundation and damage to petitioners' properties.[60] Lastly, the Court ruled that the principle of *damnum absque injuria* did not apply, as the negligence of NAPOCOR was satisfactorily and extensively established.[61] NAPOCOR was ordered to pay actual or compensatory damages with attorney's fees.[62]

B. *UPCB General Insurance Co., Inc. v. Pascual Liner, Inc.*[63]

Rommel Lojo obtained a comprehensive car insurance policy from petitioner UPCB General Insurance Co., Inc. Lojo was subsequently involved in a vehicular accident. The Traffic Management and Security Department of the PNCC Skyway Corporation prepared a Traffic Accident Sketch and endorsed the sketch to the Philippine National Police. PO3 Joselito Quila prepared the Traffic Accident Report, which stated that Lojo's insured vehicle was bumped at the rear by respondent Pascual Liner's bus; this caused Lojo's car to ram into the rear end of the car in front of it. Lojo was able to claim from his insurance policy with petitioner; hence, petitioner was subrogated to the rights of Lojo to claim damages against respondent.[64] Petitioner filed a complaint for sum of money against respondent and the bus driver. The Court of Appeals dismissed the complaint; it ruled that the Traffic Accident Sketch and the Traffic Accident Report were inadmissible in evidence as they failed to comply with the requisites of entries in official records as an exception to the hearsay rule.[65]

The Court reiterated the requisites for entries in official records as an exception to the hearsay rule:

a. that the entry was made by a public officer, or by another person specially enjoined by law to do so;

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[60] *Id.* at 24.

[61] *Id.* at 25.

[62] *Id.* at 27–28.

[63] G.R. No. 242328, Apr. 26, 2021.

[64] *Id.* at 2–3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[65] *Id.* at 5–6.

b. that it was made by the public officer in the performance of his duties, or by such other person in the performance of a duty specially enjoined by law; and

c. that the public officer or other person had sufficient knowledge of the facts by him stated, which must have been acquired by him personally or through official information.[66]

The Court found that the first and second requisites were present in this case: the Traffic Accident Report was made by PO3 Quila, a public officer, in the performance of his duties.[67] Regarding the third requisite, the Court explained that the doctrine of *res ipsa loquitur* is an exception to the rule that hearsay evidence is devoid of probative value. The doctrine establishes a rule on negligence, whether the evidence is subjected to cross-examination or not. It is a rule that can stand on its own independently of the character of the evidence presented as hearsay. In cases involving vehicular accidents, it is sufficient that the accident itself be established, and once established through the admission of evidence, whether hearsay or not, the rule on *res ipsa loquitur* already applies. Unlike other hearsay evidence, whose truth cannot be determined by the court despite its admissibility, hearsay evidence that seeks to prove negligence can stand on its own despite being hearsay. Thus, while as a general rule, hearsay evidence does not have probative value whether it be objected to or not, hearsay evidence that seeks to prove negligence under the doctrine of *res ipsa loquitur* carries probative weight when not objected to.[68] The Court ruled that the negligence of the bus driver was sufficiently established through the doctrine of *res ipsa loquitur*,[69] as the Traffic Accident Report and the Traffic Accident Sketch showed that the bus driver caused the vehicular accident by hitting the insured vehicle, which in turn hit the vehicle in front of it. The bus driver's signature on the Traffic Accident Sketch affirmed the accuracy of the Sketch. Because respondent did not adduce any evidence that it observed the diligence of a good father of a family in the selection and supervision of its employees, it is vicariously liable.[70]

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[66] *Id.* at 9, *citing* Sps. Africa v. Caltex (Phil.), Inc., G.R. No. L-12986, 16 SCRA 448, 452 (1966).

[67] *Id.*

[68] *Id.* at 16–17.

[69] The elements of *res ipsa loquitur* are: (1) the accident is of such character as to warrant an inference that it would not have happened except for the defendant's negligence; (2) the accident must have been caused by an agency or instrumentality within the exclusive management or control of the person charged with the negligence complained of; and (3) the accident must not have been due to any voluntary action or contribution on the part of the person injured. *Id.* at 17.

[70] *Id.* at 17–18.

VII. SALES

A. *Mazda Quezon Avenue v. Caruncho*[71]

On January 12, 2011, respondent Alexander Caruncho bought a vehicle from petitioner Mazda Quezon Avenue. Only a week after the purchase, Caruncho noticed knocking and rattling sounds coming from under the vehicle's hood. He immediately brought the vehicle back to petitioner and requested a refund. Mazda refused to grant the refund and instead guaranteed to fix the problem. The company's technicians found that the vehicle had a defective part. Mazda replaced the defective part five times during the vehicle's three-year warranty period. On February 19, 2014, Mazda's service manager and mechanic conducted a test drive and confirmed that the knocking and rattling sounds persisted. Respondent requested a full refund of the purchase price and compensation for consequential damages. On July 31, 2014, respondent filed a complaint against Mazda before the Department of Trade and Industry Consumer Assistance and Protection Division. The adjudication officer found Mazda liable for violating the Consumer Act and ordered Mazda to either replace the vehicle with a new unit or reimburse the total purchase price less the three-year beneficial use of the car.[72] Mazda claimed that the warranty only covered servicing the vehicle without charge and possible replacement or repair of parts; it did not cover a full refund of the purchase price. Moreover, Mazda asserted that respondent's action had already prescribed under the Consumer Act because respondent had been using the vehicle for three years.[73]

The Court found petitioner Mazda liable. It ruled that Mazda could not escape liability by referring to its own warranty provisions, because the Consumer Act's provisions and the remedies afforded to consumers are deemed written into contracts without the need for express reference.[74] The Court also held that the two-year prescriptive period for actions arising from the Consumer Act only begins to run from the expiration of the warranty period agreed upon by the parties. Respondent's choice to use the remedies available under the warranty instead of filing a claim should not be taken against him. By express provision, the vehicle was still covered by the three-year warranty period. Respondent could not have been expected to file a complaint while petitioner was continuously making representations and trying to resolve the vehicle's problems during the three-year warranty period. It would be highly unjust and contrary to the law's policy of

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[71] G.R. No. 232688, Apr. 26, 2021.

[72] *Id.* at 2–3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[73] *Id.* at 4.

[74] *Id.* at 7–8.

protecting the consumer's interests if the Court were to allow petitioner to claim protection from suit when petitioner's assurances caused the delay in filing the suit. Moreover, it was only at the end of the three-year prescriptive period that respondent was able to realize the gravity of the defect due to Mazda's continuous failure to resolve the vehicular problem. Hence, only after exhaustion of the remedies under the warranty can it be said that the defect was discovered with certainty. Respondent's action had therefore not prescribed.[75]

B. *Heirs of Mary Lane Kim v. Quicho*[76]

Mary Lane Kim executed a Deed of Conditional Sale with respondent Quicho, under which Kim agreed to sell a portable crusher to respondent Jasper Jayson Quicho for PHP 18 million. They agreed that payments would be made on installments, and if respondent failed to pay any of the installments, the conditional sale would automatically become null and void, with all sums paid to be considered rentals. Respondent was only able to pay a total of PHP 9 million and did not pay the succeeding installments despite demand. Kim filed a complaint for the rescission of the Deed of Conditional Sale. Respondent claimed that the rescission entitled him to the return of the PHP 9 million he had already paid because restitution is one of the effects of rescission.[77]

The Court held that as a general rule, the rescission of a contract under Article 1191 of the Civil Code results in the mutual restitution of the benefits that the parties received, except in the following instances: (1) when there is an express stipulation to the contrary by way of a forfeiture or penalty clause, in recognition of the parties' autonomy to contract; or (2) when the buyer was given possession or was able to use the property prior to transfer of title, in which case partial payments may be retained and considered rentals by the seller to avoid unjust enrichment.[78] In laying down these rules, the Court cited cases in which rescission did not nullify all the consequences that a contract had created due to the stipulations of the parties.[79] Rescission under Article 1191 of the Civil Code gives the injured party two possible remedies: first, to demand exact fulfillment; and second, to rescind the contract, with payment of damages in either case.[80] By

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[75] *Id.* at 8–9.

[76] [Hereinafter "*Heirs of Kim*"], G.R. No. 249247, Mar. 15, 2021.

[77] *Id.* at 1–3. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[78] *Id.* at 10.

[79] *See* Camp John Hay Dev. Corp. v. Charter Chem. and Coating Corp., G.R. No. 198849, Aug. 7, 2019; Laperal v. Solid Homes, Inc., G.R. No. 130913, 460 SCRA 375, June 21, 2005; Phil. Econ. Zone Auth. (PEZA) v. Pilhino Sales Corp., G.R. No. 185765, 804 SCRA 266, Sept. 28, 2016.

[80] *Heirs of Kim*, at 7.

agreeing to stipulations for payment of damages, the parties validly exercised the principle of autonomy of contracts.[81]

In this case, the Court held that the payments were in the nature of earnest money.[82] The Court reiterated its ruling in *Racelis v. Spouses Javier*[83] that earnest money paid in contracts to sell are deemed forfeited, unless the contrary is stipulated, if the sale does not happen without the seller's fault. The Court also cited the ruling in *Spouses Godinez v. Spouses Norman*,[84] in which the Court ruled that partial payments may be retained and considered rentals by the seller if the buyer was given possession or was able to use the property prior to transfer of title to compensate for the seller's inability to enjoy or use their own property. Lastly, the Court ruled that the conversion of partial payments into rentals is consistent with Article 1378 of the Civil Code, which provides that doubts in the interpretation of onerous contracts "should be settled in favor of the greatest reciprocity of interests." In this case, Mary Lane Kim was unable to use the property for at least eight years. Hence, the partial payment of PHP 9 million made by respondent was properly converted into rentals.[85]

VIII. CREDIT TRANSACTIONS

A. *Banco de Oro Unibank, Inc. v. International Copra Export Corp.*[86]

Anticipating their inability to pay their debts as the debts fell due, International Copra Export Corporation ("Interco") and the three other respondent-companies filed a petition for suspension of payments and rehabilitation. The rehabilitation court granted the proposed rehabilitation plan and applied the 2008 Rules on Corporate Rehabilitation insofar as the Rules were not contrary to the Financial Rehabilitation and Insolvency Act (FRIA).[87] However, the Court of Appeals ruled that the rehabilitation plan should be subject to the provisions of the FRIA.[88]

Interco et al. appealed to the Supreme Court, arguing that the case should not be subject to the FRIA because the provisions of the law were not self-

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[81] *Id.* at 8.

[82] *Id.* at 9.

[83] G.R. No. 189609, 853 SCRA 256, Jan. 29, 2018.

[84] G.R. No. 225449, Feb. 26, 2020.

[85] *Heirs of Kim*, at 10.

[86] G.R. No. 218485, Apr. 28, 2021.

[87] *Id.* at 3–4. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[88] *Id.* at 6–7.

executory and no implementing rules had been promulgated yet. They contended that the law's mandate directing the Court to promulgate rules of procedure governing rehabilitation proceedings proved that the law was not immediately enforceable.[89]

The Court held that the FRIA was self-executory and valid even without any implementing rules. The discretion given to rehabilitation courts in applying the 2008 Rules on Corporate Rehabilitation instead of the FRIA pertained only to petitions for rehabilitation filed before and pending at the time the FRIA took effect. In cases involving petitions for rehabilitation filed after the FRIA's effectivity, the rehabilitation court has no option and is mandated to apply the provisions of the FRIA. Even if some of the FRIA's provisions require implementing rules for their proper execution, the Court has already applied the 2008 Rules on Corporate Rehabilitation to support and supplement the FRIA.[90]

B. *Goldwell Properties Tagaytay, Inc. v. Metropolitan Bank and Trust Co.*[91]

Petitioners Goldwell Properties Tagaytay, Inc. and Nova Northstar Realty Corporation obtained from respondent Metropolitan Bank and Trust Company ("Metrobank") loans that were secured by real estate mortgages. When the debtor-companies experienced financial difficulties, both requested Metrobank to modify their interest payment scheme from monthly to quarterly. The companies later filed a request for loan restructuring, which was approved by Metrobank. Goldwell and Nova then requested that Metrobank allow them to pay the equivalent loan value of their collaterals as full payment of the loan. Metrobank refused. Goldwell and Nova filed a complaint for specific performance with the Regional Trial Court, praying that the court order Metrobank to partially release the mortgaged properties upon payment of their loan value.[92]

The Court ruled that under Article 2089 of the Civil Code, a partial release of collaterals could not be allowed as payment of the loan. The debtor who has paid part of the debt cannot ask for the proportionate extinguishment of the mortgage as long as the debt is not completely satisfied. Although Metrobank had allowed the release of some mortgaged properties in the past, this did not bind the bank to grant the same concession every single time, especially when it is evident that the debtor is experiencing difficulties in settling its total obligation. Allowing the release of the properties without full payment of the loans would

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[89] *Id.* at 8.
[90] *Id.* at 18–20.
[91] G.R. No. 209837, May 12, 2021.
[92] *Id.* at 2–11.

place the bank in a disadvantageous position as it would have fewer collaterals to cover for the total accountability of the debtors and put Metrobank's status as a secured creditor in jeopardy. The Court stressed that the bank's previous practice of releasing the collaterals without full payment of the loan could not develop into an ironclad rule, as a mere practice cannot supersede what the law mandates.[93]

IX. LAND TITLES AND DEEDS

A. *Sama v. People*[94]

Petitioners Diosdado Sama and Bandy Masanglay were members of the Iraya-Mangyan group who were convicted of violating Sec. 77 of Presidential Decree No. 705 or the Revised Forestry Code of the Philippines. The police arrested petitioners after they were caught cutting down a *dita* tree, allegedly for the construction of the Iraya-Mangyans' community toilet. In maintaining that their act was within the scope of their right to cultural integrity and ancestral domains and lands, petitioners asserted that they followed orders from indigenous community leaders to log the *dita* tree for the construction of communal toilets. They further contended that the land where the *dita* tree was planted was part of their ancestral domain and lands under the Indigenous People's Rights Act.[95]

The Court held that while it was proven beyond reasonable doubt that the *dita* tree was cut down and collected from private land, there was reasonable doubt that these acts were committed without any authority granted by the State.[96] An IP title encompasses the right to exclusive use and occupation of the land for a variety of purposes, including non-traditional purposes. Such title is not the same as the concept of ownership in the Civil Code. Under the Civil Code, ownership over property carries with it various rights; on the other hand, IP title is *sui generis*—it is collective and communal held not only for the present generation but also for all succeeding generations.[97] The Iraya-Mangyans' practice of logging a *dita* tree and building a communal toilet was in the exercise of the IP right to preserve their cultural integrity and to claim ancestral domains. The Court noted the "ever growing respect, recognition, protection, and preservation accorded by the State to the IPs, including their rights to cultural heritage and ancestral domains and lands."[98]

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[93] *Id.* at 24–25.

[94] G.R. No. 224469, Jan. 5, 2021.

[95] *Id.* at 3–4. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[96] *Id.* at 21, 24–28.

[97] *Id.* at 34–37.

[98] *Id.* at 38–44.

B. *Spouses Rosario v. Government Service Insurance System*[99]

New San Jose Builders, Inc. ("NSJBI") entered into a loan agreement with the Government Service Insurance System ("GSIS"). As security for the loan, NSJBI mortgaged three parcels of land with improvements, including houses and condominium units. Under the loan agreement, the mortgaged properties could not be alienated, disposed of, mortgaged, or in any manner encumbered without the prior consent of GSIS. The mortgage was annotated to the Transfer Certificates of Title (TCTs) and the Condominium Certificates of Title (CCTs) of the mortgaged properties. Among the properties mortgaged was a property allegedly sold by NSJBI to petitioner-spouses Wilfredo and Dominica Rosario. When NSJBI defaulted on the payment of the loan, GSIS sought to extrajudicially foreclose the mortgaged properties. Claiming that NSJBI continued in possession of the property despite demand, GSIS filed a petition for the issuance of a writ of possession against NSJBI and all occupants of the foreclosed properties. Upon intervention by the buyers of the foreclosed properties, the Regional Trial Court granted the application for a writ of possession against NSJBI but only over unsold condominium units and lots not in possession of third-party buyers. The Court of Appeals reversed the RTC resolutions, ruling that it erred in restraining the implementation of the writ of possession against Spouses Rosario and holding that they were not third parties in adverse possession of the foreclosed properties.[100]

In granting the petition and reversing the decision of the Court of Appeals, the Court held that the right to possess a foreclosed property after the redemption period is subject to the rights of third-party possessors. The ministerial duty of a court to issue an *ex parte* writ of possession ceases when there are third parties who actually hold the mortgaged property adversely to the judgment debtor. Jurisprudence provides that when there are third-party possessors of the property, the court should conduct a hearing to determine the nature of the adverse possession. It is not enough that the property is in the possession of a third party; it must also be held by the third party adversely to the judgment debtor or mortgagor.[101] The Court modified the doctrine established in *China Banking Corp. v. Lozada*[102] stating that condominium buyers are merely transferees or successors-in-interest of the developer-mortgagor.[103] The said doctrine makes it mandatory and ministerial for the trial court to grant the *ex parte*

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[99] [Hereinafter, "*Sps. Rosario*"], G.R. No. 200991, Mar. 18, 2021.

[100] *Id.* at 2–4. This pinpoint citation refers to the copy of this decision uploaded to the Supreme Court Website.

[101] *Id.* at 4–5.

[102] G.R. No. 164919, 557 SCRA 177, July 4, 2008.

[103] *Id.* at 202–204.

petition and order the issuance of a writ of possession in favor of the developer-mortgagor.[104] In the case at bar, the rule now is that the issuance of a writ of possession ceases to be ministerial if a condominium unit or subdivision lot buyer intervenes to protect their rights against a mortgagee bank or financial institution. The court must order a hearing to determine the nature and source of a buyer's right to the property. Should the judge be satisfied, the writ that would be issued should exclude the buyers from its implementation.[105]

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[104] *Id.* at 206.

[105] *Sps. Rosario.* at 15.