



Republic of the Philippines  
 Supreme Court  
 Manila

FIRST DIVISION

**JESUS G. CRISOLOGO, NANETTE B. CRISOLOGO, JAMES IAN YEUNG, and MARLINA T. SHENG,**  
 Petitioners,

**G.R. No. 216151**

Present:

- versus -

**PERALTA, C. J., CAGUIOA, CARANDANG, ZALAMEDA, and GAERLAN, JJ.**

**ALICIA HAO and GREGORIO HAO,**  
 Respondents.

Promulgated:  
**DEC 02 2020**

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**DECISION**

**GAERLAN, J.:**

Before this Court is a Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the 1997 Rules of Civil Procedure filed by petitioners Jesus G. Crisologo, Nanette B. Crisologo, James Ian Yeung, and Marlina T. Sheng (petitioners), seeking to annul and set aside the Decision<sup>2</sup> dated November 17, 2014 of the Regional Trial Court (RTC) of Davao City, Branch 16, in Civil Case No. 33, 581-10, and its Order<sup>3</sup> dated January 9, 2015 denying the motion for reconsideration thereof.

The antecedent facts are as follows:

The instant controversy revolves around a parcel of land initially covered by Transfer Certificate of Title (TCT) No. T-51636 (subject property), situated in the City of Davao City and registered in the name of So Keng Koc (So).<sup>4</sup> This

<sup>1</sup> *Rollo*, pp. 3-18.

<sup>2</sup> *Id.* at 20-27; rendered by Presiding Judge Emmanuel C. Carpio.

<sup>3</sup> *Id.* at 28.

<sup>4</sup> *Id.* at 80, 232.

particular property has been the subject of various levy and attachment as a result of numerous collection cases filed against its owner So.

Among these cases is Civil Case No. 26, 513-98, a complaint for sum of money filed sometime in the year 1998, by Sy Sen Ben (Sy) against So and Robert Allan Limso (Limso) before the RTC of Davao City, Branch 8. In the course of the proceedings of the case, or on September 8, 1998, the said property was levied and a writ of attachment was recorded on its TCT.<sup>5</sup>

Petitioners Jesus G. Crisologo and Nanette G. Crisologo (petitioner spouses Crisologo) likewise filed two collection suits against So and Limso on September 30, 1998. The cases docketed as Civil Case Nos. 26, 810-98 and 26, 811-98 were raffled to the RTC of Davao City, Branch 15.<sup>6</sup> As a result of the issuance of a writ of preliminary attachment in the case, the subject property was levied by virtue of an Order issued by the RTC on October 7, 1998. Petitioner spouses Crisologo's claim was similarly recorded on TCT No. No. T-51636 on October 8, 1998.<sup>7</sup>

Subsequently, respondents Alicia Hao and Gregorio Hao (respondents) negotiated with Sy and attaching creditors of So in Civil Case No. 26, 534-98 namely, Emma Seng and Esther Sy. This resulted in the execution of a Deed of Absolute Sale involving TCT No. No. T-51636 by So in favor of the respondents on October 7, 1998, on even date that the same property was levied.<sup>8</sup>

Consequently, TCT No. No. T-51636 was cancelled and TCT No. T-303026 was issued in the name of the respondents. The respondents subdivided the lot which resulted in the issuance of derivative titles TCT No. T-344592 and TCT No. T-344593.<sup>9</sup>

Meanwhile, in the collection case filed by Sy, a compromise agreement was reached by the parties wherein So bound himself to transfer ownership of his properties to satisfy Sy's monetary claims. The agreement was approved by the RTC of Davao City, Branch 8, in its Decision dated October 19, 1998. As the Decision became final on November 18, 1998.<sup>10</sup>

Whereas, in Civil Case Nos. 26, 810-98 and 26, 811-98, the RTC of Davao City, Branch 15, rendered its Decision<sup>11</sup> on July 1, 1999, ordering So and Limso solidarily liable to pay petitioner spouses Crisologo the amount of

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<sup>5</sup> Id. at 169, 175.

<sup>6</sup> Id. at 211.

<sup>7</sup> Id. at 169, 175.

<sup>8</sup> Id. at 232-233.

<sup>9</sup> Id. at 20, 80-85, 211.

<sup>10</sup> Id. at 170.

<sup>11</sup> Id. at 30-38; rendered by Judge Jesus V. Quitain.

obligation, interest, damages, and costs of suit.<sup>12</sup> On appeal, the CA Mindanao Station in its Decision<sup>13</sup> dated July 22, 2008 and Resolution<sup>14</sup> dated May 25, 2009, affirmed the Decision of the RTC except with respect to exemplary damages and interest. The case was then brought before the Court *via* petition for review on *certiorari*. The Court denied the petition for review and the subsequent motion for reconsideration in its Resolutions dated August 17, 2009 and January 27, 2010, respectively.<sup>15</sup> With the issuance of an Entry of Judgment,<sup>16</sup> the case was remanded to the RTC for execution. By virtue of a writ of execution,<sup>17</sup> the sheriff scheduled the auction sale on August 26, 2010.<sup>18</sup>

Notified of the sale, the respondents filed an urgent motion to exclude TCT Nos. T-344592 and T-344593 from the auction sale,<sup>19</sup> but the same was denied by the RTC.<sup>20</sup> After petitioner spouses Crisologo filed an indemnity bond<sup>21</sup> in the amount of ₱20,159,800.00, the execution sale was reset to October 7, 2010. Despite the respondents' opposition, the auction sale proceeded in which petitioner Spouses Crisologo emerged as the highest/sole bidder for the parcel of land covered by TCT No. T-344593, and petitioners James Ian O. Yeung and Marlina T. Sheng for that covered by TCT No. T-344592.<sup>22</sup> Thereafter, certificates of sale dated October 10, 2010, were issued by Sheriff Robert M. Medialdea.<sup>23</sup>

On November 18, 2010, the respondents filed a Complaint for the annulment of Certificates of Sale on TCT Nos. T-344592 and T-344593. The case was docketed as Civil Case No. 33, 581-10 and raffled to the RTC of Davao City, Branch 16.<sup>24</sup>

On November 17, 2014, the RTC of Davao City, Branch 16, rendered the herein assailed Decision,<sup>25</sup> the dispositive portion of which reads:

WHEREFORE, premises considered, Judgment is hereby rendered declaring the Sheriff's Certificate of Sale (Exhibit "E") on TCT No. T-344592 and Sheriff's Certificate of Sale (Exhibit "F") on TCT No. T-344593 as VOID and the same is hereby CANCELLED.

<sup>12</sup> Id. at 170-171.

<sup>13</sup> Id. at 39-52; penned by Justice Jane Aurora C. Lantion and concurred in by Associate Justices Edgardo T. Lloren and Michael P. Elbinias.

<sup>14</sup> Id. at 53-55.

<sup>15</sup> Id. at 56-58.

<sup>16</sup> Id. at 59.

<sup>17</sup> Issued by Judge Ridgway M. Tanjili, *id.* at 68-69.

<sup>18</sup> Id. at 70-73.

<sup>19</sup> Id. at 74-78.

<sup>20</sup> Id. at 7-8, 93-96.

<sup>21</sup> Id. at 118.

<sup>22</sup> Id. at 120-121, 238, 243.

<sup>23</sup> Id. at 8, 120, 172. (Annexes "E" and "F" of Amended Complaint).

<sup>24</sup> Id. at 122-137.

<sup>25</sup> Id. at 20-27.

The Counterclaim is hereby DISMISSED.

SO ORDERED.<sup>26</sup>

In so ruling, the RTC held that Sheriff Medialdea should have required the petitioner spouses Crisologo to pay the winning bid in cash and should have expressly mentioned in the Certificate of Sale the existence of the third-party claim, as required by Sections 21 and 26, Rule 39 of the Rules of Court. These, according to the RTC are mandatory and strict requirements such that non-compliance rendered the subject Certificates of Sale void.<sup>27</sup>

The Motion for Reconsideration of the said Decision having been denied by the RTC in its Order<sup>28</sup> dated January 9, 2015, the petitioners filed the instant petition for review on *certiorari*, submitting the following in support thereof:

GROUND TO ALLOW THE PETITION

- I. [THE TRIAL] COURT ERRED IN DECLARING THE SHERIFF'S CERTIFICATES OF SALE ON TCT No. T-344592 AND TCT No. T-344593 as VOID AND IN INSISTING THAT:
  - A. PAYMENT BE MADE IN CASH; and
  - B. FAILURE TO MENTION THE EXISTENCE OF THIRD-PARTY CLAIM VOIDS THE SALE
  - C. RUIZ V. CA SERVES AS AUTHORITY
  
- II. [THE TRIAL] COURT ERRED IN DENYING THE COUNTER-CLAIM.<sup>29</sup> (Citation omitted)

Petitioners claim that the RTC erred in ordering the cancellation of the subject certificates of sale. They claim that Section 21 of Rule 39, as interpreted by the Court in *Villavicencio v. Mojares*,<sup>30</sup> does not require the payment of the bid in cash even when there is a third-party claim.<sup>31</sup>

Moreover, the petitioners argue that *Sy v. Catajan*<sup>32</sup> cited by the respondents, is not on all fours with the instant case. *Sy* is an administrative case wherein the sheriff was penalized for non-compliance with the requirements under Rule 39. Nowhere in the said case was it mentioned that such non-compliance renders the auction sale defective or void.<sup>33</sup>

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<sup>26</sup> Id. at 27.

<sup>27</sup> Id. at 27-29.

<sup>28</sup> Id. at 28.

<sup>29</sup> Id. at 9.

<sup>30</sup> 446 Phil. 421 (2003).

<sup>31</sup> Id. at 429.

<sup>32</sup> 247 Phil. 262 (1988).

<sup>33</sup> Id. at 265-266.

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Finally, petitioners submit that unlike in the case of *Ruiz, Sr. v. Court of Appeals*,<sup>34</sup> in here there was prior levy on attachment on October 8, 1998, before the sale. In *Ruiz*, levy came four months after the sale was consummated. More importantly, in *Ruiz*, the certificate of sale was cancelled in favor of the winning bidder as it was proven that another person possessed a better right over the same.<sup>35</sup>

In their Comment,<sup>36</sup> respondents echo the Decision of the RTC. They posit that Rule 39 strictly requires the payment of the amount of bid in cash and for the certificate of sale to contain an express declaration of the existing third-party claim and that failure to do so, as in this case, is fatal and renders the sale invalid.

In response to the respondents' arguments, the petitioners filed their Reply.<sup>37</sup> In essence, petitioners reiterate the arguments in their petition. As well, they advance that contrary to the respondents' submission, there was a proper levy in this case as evidenced by Entries Nos. 1127625, 1127626, 1127627, and 1127629 annotated on TCT No. 51636. The levy which proceeded from an attachment of the subject property is a proceeding in rem, it is issued against a specific property and is enforceable against the whole world, therefore, there is no need to implead the respondents.<sup>38</sup>

The petition is **meritorious**.

In this case, the Court is tasked to determine the validity of the certificate of sale on account solely on the absence of two circumstances – nonpayment of the bid in cash and the failure to explicitly state the existence of the third-party claim in the certificate of sale. In so ruling, it must be emphasized that the Court will not delve on the standing of the rights involved, or otherwise who possesses a better right over the property, as the same necessitates the determination of conflicting interests which unknown to the Court, might remain pending in the courts below. Similarly, the determination of who has the right of ownership requires the determination of factual issues that is beyond the province of this petition for review, and more importantly, beyond the issues of this case that is ventilated during trial.

The following provisions of Rule 39 of the Rules on Civil Procedure are the subject of the instant controversy:

**Section 21. Judgment obligee as purchaser.** — When the purchaser is the judgment obligee, and no third-party claim has been filed, he need not pay

<sup>34</sup> 414 Phil. 310 (2001).

<sup>35</sup> Id. at 318-319.

<sup>36</sup> *Rollo*, pp. 210-225.

<sup>37</sup> Id. at 262-270.

<sup>38</sup> Id. at 262-263.

the amount of the bid if it does not exceed the amount of his judgment. If it does, he shall pay only the excess.

**Section 26.** *Certificate of sale where property claimed by third person.*  
— When a property sold by virtue of a writ of execution has been claimed by a third person, the certificate of sale to be issued by the sheriff pursuant to sections 23, 24 and 25 of this Rule shall make express mention of the existence of such third-party claim.

Contrary to the parties' submissions, the foregoing provisions are simple and clear. Basic is the rule in statutory construction that where the words of the law or rule are clear, plain, and free from ambiguity, it must be given its literal meaning and applied without attempted interpretation.<sup>39</sup> In which case, the law or rule is applied according to its express terms; interpretation would be resorted to only where a literal interpretation would either be absurd, impossible, or would lead to an injustice.<sup>40</sup>

In this case, Section 21 is clear. To be sure, the foregoing provision has already been interpreted by the Court with respect to the same issue raised in this petition, *viz.*:

A closer examination of Section 21, Rule 39, would reveal that there is no requirement to pay the bid in cash. What the Rule emphasizes is that in the absence of a third party claim, the purchaser in an execution sale need not pay his bid if it does not exceed the amount of the judgment, otherwise, he shall only pay the excess. By implication, **if there is a third party claim, the purchaser should pay the amount of his bid without, however, requiring that it be made in cash.**<sup>41</sup> (Emphasis supplied)

The mode of payment therefore does not affect the validity of the execution sale, as the rules do not specifically state that payment be made in cash.

Following the same rule of statutory construction aforementioned, as opposed to Section 21, the interpretation of Section 26 would fall under the exception. Under the premises, to demand strict compliance of the requirement under Section 26 for the certificate of sale to expressly state the existence of the third-party claim would defeat the very purpose for which the rule has been created.

In the case of *Republic v. NLRC*,<sup>42</sup> the Court affirmed that the *raison d'être* behind Section 26 (then Section 28), Rule 39 of the Rules of Court is to protect the interest of a third-party claimant. Thus, where the third-party claim has been

<sup>39</sup> *Chavez v. Judicial and Bar Council, et al.*, 691 Phil. 173, 199-200 (2012), *Adasa v. Abalos*, 545 Phil. 168, 187-188 (2007).

<sup>40</sup> *Barcellano v. Bañas*, 673 Phil. 177, 187 (2011).

<sup>41</sup> *Villavicencio v. Mojares*, supra note 30 at 429.

<sup>42</sup> 314 Phil. 507 (1995).

dismissed or when such claim is adequately protected, the failure of the certificate of sale to expressly state the existence of third-party claim shall not affect the validity of the sale.<sup>43</sup>

In this case, an Indemnity Bond<sup>44</sup> was filed by petitioner spouses Crisologo to answer for the damages which the respondent third-party claimants may suffer. It therefore cannot be denied that the interest of respondents is amply protected.<sup>45</sup> As the purpose for which the requirement has been created is satisfied, there is no reason to nullify the execution sale for failure of the certificate of sale to expressly state the third-party claim.

Rules of procedure are created to promote the ends of justice, as such, their strict and rigid application must always be eschewed when it would subvert its primary objective.<sup>46</sup> The general policy of the law is to sustain the validity of execution sales. As the final stage in litigation, execution should not be frustrated except for serious reasons demanded by justice and equity.<sup>47</sup>

As aptly pointed out by the petitioners, the respondents cannot rely upon the case of *Sy* to support its stand that the execution sale should be nullified. Foremost, the Court in the earlier case of *Villavicencio v. Mojares*<sup>48</sup> categorically stated that the case *Sy* “does not state that any execution sale shall be null and void if the purchaser did not pay his bid in cash.”<sup>49</sup> Also, the case of *Sy* is not a precedent to the case at bar as it does not delve with the issue of validity of the certificate of sale. Rather, *Sy* is an administrative case against a Sheriff for his failure to comply with his duties under the rules in implementing a writ of execution. Non-compliance with Sections 23 and 26 in *Sy* therefore resulted in the imposition of administrative liability against the Sheriff, without any regard to the validity of the execution sale or certificate of sale. Even setting aside the variance in issues, the marked difference in the quantum of evidence to sustain an administrative case as in *Sy*, and that in civil cases as in the case at bar, suggests that the ruling in *Sy* cannot automatically be held definitive of this case.

Considering the foregoing, the Court finds no reason to nullify the Certificates of Sale. Nevertheless, it must be stated that pursuant to the express mandate of Section 26, Rule 39 of the Rules of Court, the certificates of sale must indicate the existence of a third-party claim. The existence of a third-party claim must likewise be annotated upon the titles of the subject properties, so as to protect the interest of the respondents should their claim prosper.

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<sup>43</sup> Id. at 532-533.

<sup>44</sup> Annex O to the Petition.

<sup>45</sup> Cf. *Republic v. NLRC*, supra note 42.

<sup>46</sup> *Sps. Navarra v. Liongson*, 784 Phil. 942, 954 (2016).

<sup>47</sup> *Republic v. NLRC*, supra note 42 at 536.

<sup>48</sup> Supra note 30.

<sup>49</sup> Id. at 430.

The basis of the purchase by the judgment obligee is the satisfaction of a debt or obligation. On the other hand, the main consideration of the instant third-party claim is ownership based on another mode of acquisition or factual justification. The respondents, as third-party claimants, who are not joined as parties in the civil action which served as basis for the execution sale, cannot be affected thereby. Pending determination of the merit of the third-party claim therefore, its annotation on the certificate of title is necessary in order to warn other persons that while the subject properties have been redeemed by the petitioners in the execution sale, the latter's right is subject to another party's claim and may be nullified should such claim be later found meritorious.<sup>50</sup>

Having lodged their claim within the time provided for by law and prior to the execution sale, it follows that the certificate of sale as well as any title which may be issued pursuant thereto should indicate the existence of such claim. Particularly, as registration is the operative act that creates a lien upon the land<sup>51</sup> and affords protection upon the rights of the respondents as third-party claimants.<sup>52</sup>

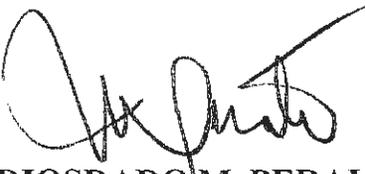
In closing, finding that the respondents' claim is not entirely baseless as they pursued the subject property in accordance with an approved compromised agreement, that is similarly a result of a legal process, the Court is compelled to deny the petitioners' counterclaim for damages.

**WHEREFORE**, the petition for review on *certiorari* is **GRANTED**. The Decision dated November 17, 2014 of the Regional Trial Court of Davao City, Branch 16, in Civil Case No. 33, 581-10, and its Order dated January 9, 2015 are **REVERSED and SET ASIDE**. Accordingly, the Complaint dated November 18, 2010 filed by the respondents is hereby **DISMISSED**.

**SO ORDERED.**

  
**SAMUEL H. GAERLAN**  
Associate Justice

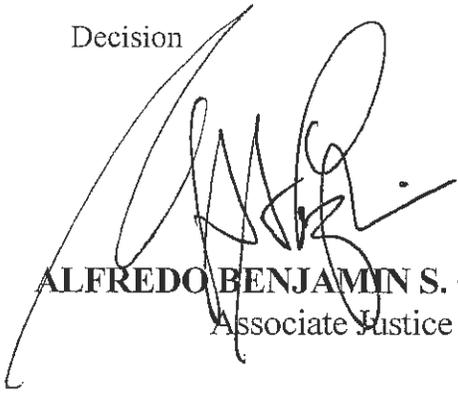
WE CONCUR:

  
**DIOSDADO M. PERALTA**  
Chief Justice

<sup>50</sup> *CMS Stock Brokerage, Inc. v. CA*, 341 Phil. 787, 800 (1997).

<sup>51</sup> *Cf. Sps. Vilbar v. Opinion*, 724 Phil. 327 (2014).

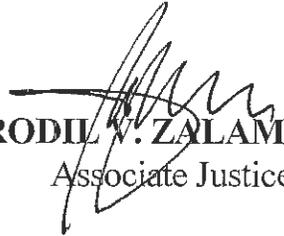
<sup>52</sup> *Cf. PRESIDENTIAL DECREE NO. 1529, Sec. 52.*



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice



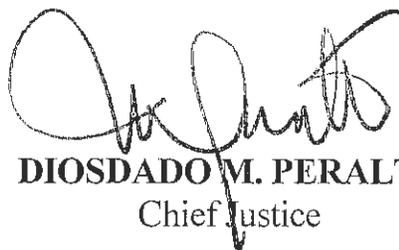
**ROSMARI D. CARANDANG**  
Associate Justice



**RODIL V. ZALAMEDA**  
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.



**DIOSDADO M. PERALTA**  
Chief Justice