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**SUPREME COURT  
FIRST DIVISION**

**MIGUELA R. VILLANUEVA, RICHARD  
R. VILLANUEVA, and MERCEDITA  
VILLANUEVA-TIRADOS,**  
*Petitioners,*

*-versus-*

**G.R. No. 114870  
May 26, 1995**

**COURT OF APPEALS, CENTRAL BANK  
OF THE PHILIPPINES, ILDEFONSO C.  
ONG, and PHILIPPINE VETERANS  
BANK,**  
*Respondents.*

X-----X

**DECISION**

**DAVIDE, JR., J.:**

Do petitioners have a better right than private respondent Ildefonso Ong to purchase from the Philippine Veterans Bank (PVB) the two

parcels of land described as Lot No. 210-D-1 and Lot No. 210-D-2 situated at Muntinglupa, Metro Manila, containing an area of 529 and 300 square meters, respectively? This is the principal legal issue raised in this petition.

In its Decision of 27 January 1994 in CA-G.R. CV No. 35890,<sup>[1]</sup> the Court of Appeals held for Ong, while the trial court, Branch 39 of the Regional Trial Court (RTC) of Manila, ruled for the petitioners in its joint decision of 31 October 1991 in Civil Case No. 87-42550<sup>[2]</sup> and Sp. Proc. No. 85-32311.<sup>[3]</sup>

The operative antecedent facts are set forth in the challenged decision as follows:

The disputed lots were originally owned by the spouses Celestino Villanueva and Miguela Villanueva, acquired by the latter during her husband's sojourn in the United States since 1968. Sometime in 1975, Miguela Villanueva sought the help of one Jose Viudez, the then Officer-in-Charge of the PVB branch in Makati if she could obtain a loan from said bank. Jose Viudez told Miguela Villanueva to surrender the titles of said lots as collaterals. And to further facilitate a bigger loan, Viudez, in connivance with one Andres Sebastian, swayed Miguela Villanueva to execute a deed of sale covering the two (2) disputed lots, which she did but without the signature of her husband Celestino. Miguela Villanueva, however, never got the loan she was expecting. Subsequent attempts to contact Jose Viudez proved futile, until Miguela Villanueva thereafter found out that new titles over the two (2) lots were already issued in the name of the PVB. It appeared upon inquiry from the Registry of Deeds that the original titles of these lots were canceled and new ones were issued to Jose Viudez, which in turn were again canceled and new titles issued in favor of Andres Sebastian, until finally new titles were issued in the name of PNB [should be PVB] after the lots were foreclosed for failure to pay the loan granted in the name of Andres Sebastian.

Miguela Villanueva sought to repurchase the lots from the PVB after being informed that the lots were about to be sold at auction. The PVB told her that she can redeem the lots for the price of P110,416.00. Negotiations for the repurchase of the lots nevertheless

were stalled by the filing of liquidation proceedings against the PVB on August of 1985.

Plaintiff-appellant [Ong] on the other hand expounds on his claim over the disputed lots in this manner:

“In October 1984, plaintiff-appellant offered to purchase two pieces of land that had been acquired by PVB through foreclosure. To back-up plaintiff-appellant’s offer he deposited the sum of P10,000.00.

In 23 November 1984, while appellant was still abroad, PVB approved his subject offer under Board Resolution No. 10901-84. Among the conditions imposed by PVB is that: ‘The purchase price shall be P110,000.00 (less deposit of P10,000.00) payable in cash within fifteen (15) days from receipt of approval of the offer.’

In mid-April 1985, appellant returned to the country. He immediately verified the status of his offer with the PVB, now under the control of CB, where he was informed that the same had already been approved. On 16 April 1985, appellant formally informed CB of his desire to pay the subject balance provided the bank should execute in his favor the corresponding deed of conveyance. The letter was not answered.

Plaintiff-appellant sent follow-up letters that went unheeded, the last of which was on 21 May 1987. On 26 May 1987, appellant’s payment for the balance of the subject properties were accepted by CB under Official Receipt #0816.

On 17 September 1987, plaintiff-appellant through his counsel, sent a letter to CB demanding for the latter to execute the corresponding deed of conveyance in favor of appellant. CB did not bother to answer the same. Hence, the instant case.

While appellant’s action for specific performance against CB was pending, Miguela Villanueva and her children filed their claims with the liquidation court.” (Appellant’s Brief, pp. 3-4).<sup>[4]</sup>

From the pleadings, the following additional or amplificatory facts are established:

The efforts of Miguela Villanueva to reacquire the property began on 8 June 1983 when she offered to purchase the lots for P60,000.00 with a 20% downpayment and the balance payable in five years on a quarterly amortization basis.<sup>[5]</sup>

Her offer not having been accepted,<sup>[6]</sup> Miguela Villanueva increased her bid to P70,000.00. It was only at this time that she disclosed to the bank her private transactions with Jose Viudez.<sup>[7]</sup>

After this and her subsequent offers were rejected,<sup>[8]</sup> Miguela sent her sealed bid of P110,417.00 pursuant to the written advice of the vice president of the PVB.<sup>[9]</sup>

The PVB was placed under receivership pursuant to Monetary Board (MB) Resolution No. 334 dated 3 April 1985 and later, under liquidation pursuant to MB Resolution No. 612 dated 7 June 1985. Afterwards, a petition for liquidation was filed with the RTC of Manila, which was docketed as Sp. Proc. No. 85-32311 and assigned to Branch 39 of the said court.

On 26 May 1987, Ong tendered the sum of P100,000.00 representing the balance of the purchase price of the litigated lots.<sup>[10]</sup> An employee of the PVB received the amount conditioned upon approval by the Central Bank liquidator.<sup>[11]</sup> Ong's demand for a deed of conveyance having gone unheeded, he filed on 23 October 1987 with the RTC of Manila an action for specific performance against the Central Bank.<sup>[12]</sup> It was raffled to Branch 47 thereof. Upon learning that the PVB had been placed under liquidation, the presiding judge of Branch 47 ordered the transfer of the case to Branch 39, the liquidation court.<sup>[13]</sup>

On 15 June 1989, then Presiding Judge Enrique B. Inting issued an order allowing the purchase of the two lots at the price of P150,000.00.<sup>[14]</sup> The Central Bank liquidator of the PVB moved for the reconsideration of the order asserting that it is contrary to law as the disposal of the lots should be made through public auction.<sup>[15]</sup>

On 26 July 1989, Miguela Villanueva filed her claim with the liquidation court. She averred, among others, that she is the lawful and registered owner of the subject lots which were mortgaged in favor of the PVB thru the falsification committed by Jose Viudez, the manager of the PVB Makati Branch, in collusion with Andres Sebastian; that upon discovering this fraudulent transaction, she offered to purchase the property from the bank; and that she reported the matter to the PC/INP Criminal Investigation Service Command, Camp Crame, and after investigation, the CIS officer recommended the filing of a complaint for estafa through falsification of public documents against Jose Viudez and Andres Sebastian. She then asked that the lots be excluded from the assets of the PVB and be conveyed back to her.<sup>[16]</sup> Later, in view of the death of her husband, she amended her claim to include her children, herein petitioners Mercedita Villanueva-Tirados and Richard Villanueva.<sup>[17]</sup>

On 31 October 1991, the trial court rendered judgment<sup>[18]</sup> holding that while the board resolution approving Ong's offer may have created in his favor a vested right which may be enforced against the PVB at the time or against the liquidator after the bank was placed under liquidation proceedings, the said right was no longer enforceable, as he failed to exercise it within the prescribed 15-day period. As to Miguela's claim, the court ruled that the principle of estoppel bars from questioning the transaction with Viudez and the subsequent transactions because she was a co-participant thereto, though only with respect to her undivided one-half (1/2) conjugal share in the disputed lots and her one-third (1/3) hereditary share in the estate of her husband.

Nevertheless, the trial court allowed her to purchase the lots if only to restore their status as conjugal properties. It further held that by reason of estoppel, the transactions having been perpetrated by a responsible officer of the PVB, and for reasons of equity, the PVB should not be allowed to charge interest on the price of the lots; hence, the purchase price should be the PVB's claim as of 29 August 1984 when it considered the sealed bids, i.e., P110,416.20, which should be borne by Miguela Villanueva alone.

The dispositive portion of the decision of the trial court reads as follows:

WHEREFORE, judgment is hereby rendered as follows:

1. Setting aside the order of this court issued on June 15, 1989 under the caption Civil Case No. 87-42550 entitled "Ildefonso Ong vs. Central Bank of the Phils., et al.;
2. Dismissing the claim of Ildefonso Ong over the two parcels of land originally covered by TCT No. 438073 and 366364 in the names of Miguela Villanueva and Celestino Villanueva, respectively which are now covered by TCT No. 115631 and 115632 in the name of the PVB;
3. Declaring the Deed of Absolute Sale bearing the signature of Miguela Villanueva and the falsified signature of Celestino [sic] Viudez under date May 6, 1975 and all transactions and related documents executed thereafter referring to the two lots covered by the above stated titles as null and void;
4. Ordering the Register of Deeds of Makati which has jurisdiction over the two parcels of land in question to re-instate in his land records, TCT No. 438073 in the name of Miguela Villanueva and TCT No. 366364 in the name of Celestino Villanueva who were the registered owners thereof, and to cancel all subsequent titles emanating therefrom; and
5. Ordering the Liquidator to reconvey the two lots described in TCT No. 115631 and 115632 and executing the corresponding deed of conveyance of the said lots upon the payment of One Hundred Ten Thousand Four Hundred Sixteen and 20/100 (P110,416.20) Pesos without interest and less the amount deposited by the claimant, Miguela Villanueva in connection with the bidding where she had participated and conducted by the PVB on August 29, 1984.

Cost against Ildefonso Ong and the PVB.

SO ORDERED.<sup>[19]</sup>

Only Ong appealed the Decision to the Court of Appeals. The appeal was docketed as CA-G.R. CV No. 35890. In its decision of 27 January 1994, the Court of Appeals reversed the decision of the trial court and ruled as follows:

WHEREFORE, premises considered, the assailed decision is hereby REVERSED and SET ASIDE, and a new one entered ordering the disputed lots be awarded in favor of plaintiff-appellant Ildefonso Ong upon defendant-appellee Central Bank's execution of the corresponding deed of sale in his favor.<sup>[20]</sup>

In support thereof, the Court of Appeals declared that Ong's failure to pay the balance within the prescribed period was excusable because the PVB neither notified him of the approval of his bid nor answered his letters manifesting his readiness to pay the balance, for which reason he could not have known when to reckon the 15-day period prescribed under its resolution. It went further to suggest that the Central Bank was in estoppel because it accepted Ong's late payment of the balance. As to the petitioners' claim, the Court of Appeals stated:

The conclusion reached by the lower court favorable to Miguela Villanueva is, as aptly pointed out by plaintiff-appellant, indeed confusing. While the lower court's decision declared Miguela Villanueva as estopped from recovering her proportionate share and interest in the two (2) disputed lots for being a "co-participant" in the fraudulent scheme perpetrated by Jose Viudez and Andres Sebastian — a factual finding which We conform to and which Miguela Villanueva does not controvert in this appeal by not filing her appellee's brief, yet it ordered the reconveyance of the disputed lots to Miguela Villanueva as the victorious party upon her payment of P110,416.20. Would not estoppel defeat the claim of the party estopped? If so, which in fact must be so, would it not then be absurd or even defiant for the lower court to finally entitle Miguela Villanueva to the

disputed lots after having been precluded from assailing their subsequent conveyance in favor of Jose Viudez by reason of her own negligence and/or complicity therein? The intended punitive effect of estoppel would merely be a dud if this Court leaves the lower court's conclusion unrectified.<sup>[21]</sup>

Their Motion for Reconsideration<sup>[22]</sup> having been denied,<sup>[23]</sup> the petitioners filed this petition for review on *certiorari*.<sup>[24]</sup>

Subsequently, the respondent Central Bank apprised this Court that the PVB was no longer under receivership or liquidation and that the PVB has been back in operation since 3 August 1992. It then prayed that it be dropped from this case or at least be substituted by the PVB, which is the real party in interest.<sup>[25]</sup>

In its Manifestation and Entry of Appearance, the PVB declared that it submits to the jurisdiction of this Court and that it has no objection to its inclusion as a party respondent in this case in lieu of the Central Bank.<sup>[26]</sup> The petitioners did not object to the substitution.<sup>[27]</sup>

Later, in its Comment dated 10 October 1994, the PVB stated that it "submits to and shall abide by whatever judgment this Honorable Supreme Tribunal may announce as to whom said lands may be awarded without any touch of preference in favor of one or the other party litigant in the instant case."<sup>[28]</sup>

In support of their contention that the Court of Appeals gravely erred in holding that Ong is better entitled to purchase the disputed lots, the petitioners maintain that Ong is a disqualified bidder, his bid of P110,000.00 being lower than the starting price of P110,417.00 and his deposit of P10,000.00 being less than the required 10% of the bid price; that Ong failed to pay the balance of the price within the 15-day period from notice of the approval of his bid; and that his offer of payment is ineffective since it was conditioned on PVB's execution of the deed of absolute sale in his favor.

On the other hand, Ong submits that his offer, though lower than Miguela Villanueva's bid by P417.00, is much better, as the same is payable in cash, while Villanueva's bid is payable in installment; that his payment could not be said to have been made after the expiration

of the 15-day period because this period has not even started to run, there being no notice yet of the approval of his offer; and that he has a legal right to compel the PVB or its liquidator to execute the corresponding deed of conveyance.

There is no doubt that the approval of Ong's offer constitutes an acceptance, the effect of which is to perfect the contract of sale upon notice thereof to Ong.<sup>[29]</sup> The peculiar circumstances in this case, however, pose a legal obstacle to his claim of a better right and deny support to the conclusion of the Court of Appeals.

Ong did not receive any notice of the approval of his offer. It was only sometime in mid-April 1985 when he returned from the United States and inquired about the status of his bid that he came to know of the approval.

It must be recalled that the PVB was placed under receivership pursuant to the MB Resolution of 3 April 1985 after a finding that it was insolvent, illiquid, and could not operate profitably, and that its continuance in business would involve probable loss to its depositors and creditors. The PVB was then prohibited from doing business in the Philippines, and the receiver appointed was directed to "immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its creditors, exercising all the powers necessary for these purposes."

Under Article 1323 of the Civil Code, an offer becomes ineffective upon the death, civil interdiction, insanity, or insolvency of either party before acceptance is conveyed. The reason for this is that:

The contract is not perfected except by the concurrence of two wills which exist and continue until the moment that they occur. The contract is not yet perfected at any time before acceptance is conveyed; hence, the disappearance of either party or his loss of capacity before perfection prevents the contractual tie from being formed.<sup>[30]</sup>

It has been said that where upon the insolvency of a bank a receiver therefor is appointed, the assets of the bank pass beyond its control

into the possession and control of the receiver whose duty it is to administer to assets for the benefit of the creditors of the bank.<sup>[31]</sup> Thus, the appointment of a receiver operates to suspend the authority of the bank and of its directors and officers over its property and effects, such authority being reposed in the receiver, and in this respect, the receivership is equivalent to an injunction to restrain the bank officers from intermeddling with the property of the bank in any way.<sup>[32]</sup>

Section 29 of the Central Bank Act, as amended, provides thus:

SEC. 29. Proceedings upon insolvency. — Whenever, upon examination by the head of the appropriate supervising or examining department or his examiners or agents into the condition of any bank or non-bank financial intermediary performing quasi-banking functions, it shall be disclosed that the condition of the same is one of insolvency, or that its continuance in business would involve probable loss to its depositors or creditors, it shall be the duty of the department head concerned forthwith, in writing, to inform the Monetary Board of the facts. The Board may, upon finding the statements of the department head to be true, forbid the institution to do business in the Philippines and designate an official of the Central Bank or a person of recognized competence in banking or finance as receiver to immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its creditors exercising all the powers necessary for these purposes.

X X X

The assets of an institution under receivership or liquidation shall be deemed in custodia legis in the hands of the receiver or liquidator and shall, from the moment of such receivership or liquidation, be exempt from any order or garnishment, levy, attachment, or execution.

In a nutshell, the insolvency of a bank and the consequent appointment of a receiver restrict the bank's capacity to act, especially in relation to its property. Applying Article 1323 of the Civil Code,

Ong's offer to purchase the subject lots became ineffective because the PVB became insolvent before the bank's acceptance of the offer came to his knowledge. Hence, the purported contract of sale between them did not reach the stage of perfection. Corollarily, he cannot invoke the resolution of the bank approving his bid as basis for his alleged right to buy the disputed properties.

Nor may the acceptance by an employee of the PVB of Ong's payment of P100,000.00 benefit him since the receipt of the payment was made subject to the approval by the Central Bank liquidator of the PVB thus:

Payment for the purchase of the former property of Andres Sebastian per approved BR No. 10902-84 dated 11/13/84, subject to the approval of CB liquidator.<sup>[33]</sup>

This payment was disapproved on the ground that the subject property was already in custodia legis, and hence, disposable only by public auction and subject to the approval of the liquidation court.<sup>[34]</sup>

The Court of Appeals therefore erred when it held that Ong had a better right than the petitioners to the purchase of the disputed lots.

Considering then that only Ong appealed the decision of the trial court, the PVB and the Central Bank, as well as the petitioners, are deemed to have fully and unqualifiedly accepted the judgment, which thus became final as to them for their failure to appeal.

**WHEREFORE**, the instant Petition is **GRANTED** and the challenged Decision of the Court of Appeals of 27 January 1994 in CA-G.R. CV No. 35890 is hereby **SET ASIDE**. The Decision of Branch 39 of the Regional Trial Court of Manila of 31 October 1991 in Civil Case No. 87-42550 and Sp. Proc. No. 85-32311 is hereby **REINSTATED**.

Respondent Philippine Veterans Bank is further directed to return to private respondent Ildefonso C. Ong the amount of P100,000.00.

No pronouncement as to costs.

## **SO ORDERED.**

**Padilla, Bellosillo, and Kapunan, JJ., concur.  
Quiason, J., is on leave.**

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- [1] Annex “A” of Petition; Rollo, 33-38. Per Francisco, R., J., with the concurrence of Guingona, S., and Verzola, E., JJ.
- [2] Entitled, “Ildefonso C. Ong vs. Central Bank of the Philippines, et al.”
- [3] Entitled, “In the Matter of the Petition for Liquidation of the Philippine Veterans Bank, Central Bank of the Philippines, Petitioner; Miguela Villanueva, et al., Claimants.” Annex “D” of Petition; Rollo, 63-71. Per Judge Benjamin A.G. Vega.
- [4] Rollo, 34-36.
- [5] Exhibit “J,” Annex “N” of Petition; Id.; 91.
- [6] Exhibit “K,” Annex “O,” Id.; Id., 92.
- [7] Exhibit “N,” Annex “R,” Id.; Id., 94.
- [8] Exhibits “O” & “Q,” Annexes “S” & “U” of Petition; Rollo, 95, 97.
- [9] Exhibit “Q.”
- [10] Original Records (OR), Civil Case No. 87-42550, 8.
- [11] Id.
- [12] Id., 1.
- [13] Id., 32-33.
- [14] Id., 117.
- [15] OR, 119.
- [16] Annex “W” of Petition; Rollo, 100-103.
- [17] OR, 20.
- [18] Id., 241 et seq.; Annex “D” of Petition; Rollo, 63-71. Per Judge Benjamin A.G. Vega.
- [19] Decision of the trial court, 9; Rollo, 71.
- [20] Rollo, 38.
- [21] Rollo, 36.
- [22] Annex “B” of Petition; Id., 39 et seq.
- [23] Annex “C,” Id.; Id., 61-62.
- [24] Id., 7 et seq.
- [25] Rollo, 106-107, 129-130.
- [26] Id., 136-137.
- [27] Id. 131 et seq.
- [28] Id. 149.
- [29] Article 1475, Civil Code. Valencia vs. RFC, 103 Phil. 444 [1958]; Central Bank of the Philippines vs. Court of Appeals, 63 SCRA 431 [1975].
- [30] ARTURO M. TOLENTINO, Civil Code of the Philippines, vol. IV, 463 [1985 ed.], citing 2-I Ruggiero 283 and 5 Salvat 34-35.
- [31] 10 Am Jur 2d Banks, § 764 [1963].
- [32] 65 Am Jur 2d Receivers, § 146 [1963].

[33] OR, 8.

[34] Memorandum of the Central Bank, 3; Id., 130.

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