



Republic of the Philippines  
**Supreme Court**  
 Manila

**FIRST DIVISION**

**DEVELOPMENT BANK OF THE  
 PHILIPPINES,**

**G.R. No. 241981**

*Petitioner,*

Present:

- versus -

PERALTA, CJ., Chairperson  
 CAGUIOA,  
 CARANDANG,  
 ZALAMEDA, and  
 GAERLAN, JJ.

**WEST NEGROS COLLEGE, INC.,  
 substituted by V-2 SAC  
 MANAGEMENT AND  
 DEVELOPMENT CORPORATION,**

Promulgated:

**DEC 02 2020**

*Respondent.*

X ----- X

**DECISION**

**ZALAMEDA, J.:**

This is the third time that this case has been brought before this Court. All three (3) cases, the present one included, are entitled *Development Bank of the Philippines v. West Negros College* and raise the issue of the determination of the redemption price due to the Development Bank of the Philippines (DBP). The Decision in the first case, docketed as G.R. No. 152359, was promulgated on 28 October 2002,<sup>1</sup> while the Resolution was promulgated on 21 May 2004.<sup>2</sup> The Decision in the second case, docketed as

<sup>1</sup> Penned by Associate Justice Josue N. Bellosillo and concurred in by Associate Justices Vicente V. Mendoza, Leonardo A. Quisumbing, and Romeo J. Callejo, Sr.

<sup>2</sup> Penned by Associate Justice Dante O. Tinga and concurred in by Associate Justices Leonardo A. Quisumbing, Alicia Austria-Martinez, and Romeo J. Callejo, Sr.

G.R. No. 174103, was promulgated on 16 September 2008,<sup>3</sup> while the Resolution was promulgated on 23 December 2008.<sup>4</sup> The present action finds basis in our 23 December 2008 Resolution. We reiterate Our previous ruling that the redemption price for properties mortgaged with the DBP consists of the total indebtedness, plus contractual interest.

### The Case

This is a petition for review on *certiorari*<sup>5</sup> filed by the Development Bank of the Philippines (DBP) against West Negros College (WNC), which is now substituted by V-2 SAC Management and Development Corporation (V2). DBP seeks to annul and set aside the Resolutions of the Court of Appeals (CA) dated 14 March 2018<sup>6</sup> and 04 September 2018<sup>7</sup> in CA-G.R. CEB CV No. 38277.

In said Resolutions, the CA declared Php23,099,850.82, as the specific amount for the balance of the redemption price. It also declared that the 60-day grace period commences upon agreement of the parties, and an interest of 12% *per annum* imposed on the redemption price of Php23,099,850.82 during this grace period.

### Antecedents

The facts below are based on the facts established in G.R. Nos. 152359 and 174103.

Bacolod Medical Center (BMC) obtained a loan of Php2.4 million from DBP on 12 December 1967. BMC's loan was secured by a mortgage on two parcels of land, Lot Nos. 1397-A and 1397-B-1 covered by Transfer Certificates of Title (TCT) Nos. T-25053 and T-29169, respectively, subject to the provisions of Republic Act No. (RA) 85 creating the Rehabilitation Finance Corporation (RFC). RFC is DBP's predecessor agency. WNC is BMC's successor-in-interest, while V-2 SAC Management and Development Corporation (V2) is WNC's successor-in-interest.

<sup>3</sup> Penned by Associate Justice Dante O. Tinga and concurred in by Chief Justice Reynato S. Puno (ret.), Associate Justices Leonardo A. Quisumbing, Minita V. Chico-Nazario, and Presbitero J. Velasco, Jr.

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

<sup>5</sup> Under Rule 45 of the 1997 Rules of Civil Procedure.

<sup>6</sup> *Rollo*, pp. 35-44; penned by Associate Justice Gabriel T. Ingles and concurred in by Associate Justices Marilyn B. Lagura-Yap and Edward B. Contreras of the Special Eighteenth Division, Court of Appeals, Cebu City.

<sup>7</sup> *Id.* at 47-49.

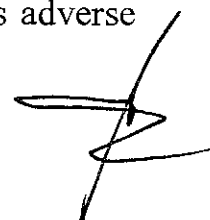
On 30 January 1989, DBP extrajudicially foreclosed BMC's mortgage due to its unpaid loan of Php32,526,133.62. At the public auction held on 24 August 1989, DBP bid Php4,090,117.36 and was the highest and only bidder. The certificate of sale was executed the next day, while the sale was registered in the Registry of Deeds on 11 July 1990.

Before the expiration of the redemption period on 11 July 1991, BMC and DBP-Bacolod entered into a provisional agreement, which was subject to the approval of DBP's head office. BMC and DBP-Bacolod set the redemption price at Php21,500,000.00 as compromise settlement of the outstanding account. BMC promised to make a 20% partial payment of Php4,000,000.00 on or before 31 August 1991, payable in three (3) separate payments. On 10 July 1991, while the 20% partial payment was in process, and without DBP's approval, BMC assigned to WNC its interests in the properties foreclosed by DBP as well as its right of redemption.

On 27 October 1991, DBP head office disapproved the provisional agreement between BMC and DBP-Bacolod. The compromise amount of Php21,500,000.00 was way below the Php28,895,500.00 re-appraised value of the foreclosed parcels of land as of 31 May 1991. Still on 27 October 1991, WNC demanded reduction of the redemption price from Php21,500,000.00 to Php12,768,432.90 because of alleged excessive interest charges.

WNC, on 08 November 1991, requested the Ex-Oficio Provincial Sheriff (Sheriff) to issue a Certificate of Redemption in its favor because it had already paid Php4,300,000.00. The Sheriff computed the redemption price according to Sec. 30, Rule 39 of the Rules of Court and Act No. 3135, and determined that WNC's payment of Php4,300,000.00 was short by Php358,128.58. WNC paid the deficit on 12 November 1991. The Sheriff notified DBP about WNC's request for redemption also on 8 November 1991 and requested surrender of the TCTs of the foreclosed properties.

On 14 November 1991, DBP filed its objection to the issuance of the certificate of redemption. DBP argued that, according to its charter, the redemption price must be based on payment of the amount owed as of the date of foreclosure sale with interest on the total indebtedness at the rate agreed upon in the obligation. Expectedly, DBP refused to surrender the TCTs. However, on 03 December 1991, possession of the foreclosed properties was vested on WNC. DBP caused the registration of its adverse claim on the foreclosed properties on 05 December 1991.



Then, WNC filed a complaint before Branch 50, Regional Trial Court (RTC) of Bacolod City asking for the surrender of the TCTs of the foreclosed properties pursuant to Section 30, Rule 39 of the Rules of Court and on Act 3135 on 10 December 1991. In the alternative, WNC prayed for the cancellation of the existing TCTs and the issuance of new ones in its favor. DBP opposed the cancellation and relied on the DBP charter. DBP also asked for the annotation of a notice of *lis pendens* on the TCTs.

The Bacolod City RTC ruled in favor of WNC. It cancelled DBP's titles and ordered the issuance of new titles in WNC's name. It also cancelled DBP's notice of *lis pendens* and denied DBP's motion for reconsideration.

On appeal, DBP asked the CA to determine whether redemption can take place even if WNC did not settle the total outstanding obligation of BMC with DBP. WNC countered that it only had to pay the purchase price at the foreclosure sale, plus interests and other charges, to effect redemption of the foreclosed properties. The CA upheld WNC's argument and, subsequently, denied DBP's motion for reconsideration.

This Court ruled in favor of DBP in our Decision dated 28 October 2002 in G.R. 152359. We declared that when real property is mortgaged to and foreclosed by DBP, the right of redemption may be exercised only by paying to DBP "all the amount owed at the date of sale, with interest on the total indebtedness at the rate agreed upon in the obligation from the said date, unless the bidder has taken material possession of the property or unless this has been delivered to him, in which case the proceeds of the property shall compensate the interest."<sup>8</sup> The dispositive portion of this decision reads:

WHEREFORE, the instant Petition for Review is GRANTED. The 7 August 2001 Decision and the 21 February 2002 Resolution of the Court of Appeals in CA-GR CV No. 38277 are REVERSED and SET ASIDE. The appealed Orders of RTC-Br. 50 in Cad. Case No. 2, GLRO CAD. REC. No. 55, dated 7 February 1992, 14 February 1992 and 28 April

<sup>8</sup> G.R. No. 152359, 28 October 2002, 439 Phil. 943 (2002) [Per Justice Bellosillo], citing Sec. 31, CA 459 as amended by RA 85; *see also* *Development Bank of the Philippines v. Court of Appeals*, G.R. No. 139034, 06 June 2001, 411 Phil. 121 (2001) [Per Justice Gonzaga-Reyes]; *Philippine National Bank v. Remigio*, G.R. No. 78508, 21 March 1994, 301 Phil. 366 (1994) [Per Justice Vitug]; *Dulay v. Carriaga*, G.R. No. L-52831, 29 July 1983, 208 Phil. 702 (1993) [Per Justice Concepcion, Jr.]; *Development Bank of the Philippines v. Mirang*, G.R. No. L-29130, 08 August 1975, 160 Phil. 833 (1975) [Per Justice Makalintal]; *Development Bank of the Philippines v. Jimenez*, G.R. No. L-28165, 19 December 1970, 146 Phil. 919 (1970) [Per Justice J.B.L. Reyes].

1992, ordering petitioner Development Bank of the Philippines through the Ex-Officio Provincial Sheriff to surrender the transfer certificates of title covering the foreclosed parcels of land and, in case of the failure to turn them over, instructing the Register of Deeds to issue new transfer certificates of title for the foreclosed properties, as it did issue new transfer certificates of title designated as TCT Nos. T-165261 and T-165262 in the name of West Negros College; canceling the adverse claim and notice of *lis pendens* in favor of petitioner Development Bank of the Philippines; and denying the separate motions for reconsideration of petitioner Development Bank of the Philippines, are also REVERSED and SET ASIDE.

The Certificate of Redemption dated 13 November 1991 in favor of respondent West Negros College is DECLARED VOID AND OF NO EFFECT. **Respondent is given however a grace period of sixty (60) calendar days from notice of the finality of this Decision within which to redeem the mortgaged properties** (Lots Nos. 1397-A and 1397-B-1 originally covered by Transfer Certificates of Title Nos. T-25053 and T-29169, respectively, improvements thereon and other properties subject of the mortgage and the extrajudicial foreclosure) **if respondent so desires by paying petitioner Development Bank of the Philippines the balance of the credit of Bacolod Medical Center** (as assumed by respondent West Negros College under a deed of assignment) **secured by the properties plus the expenses and the agreed rate of interest, to be computed as of the date of the public auction on 24 August 1989, unless petitioner Development Bank of the Philippines has taken material possession of the properties in which case the proceeds of the properties shall compensate the interest but only during the period of their possession.**

**In the event that respondent West Negros College is not interested in redeeming mortgaged properties at the statutory redemption price, or that the redemption period of sixty (60) days expires without any redemption having been undertaken or without a compromise agreement for such purpose having been reached and perfected, respondent West Negros College shall yield possession of the properties in question to petitioner Development Bank of the Philippines as TCT No. T-165261 for Lot No. 1397-A and TCT No. T-165262 for Lot No. 1397-B-1 issued in the name of West Negros College are DECLARED VOID and OF NO EFFECT and the Register of Deeds of Bacolod City is ORDERED TO ISSUE new transfer certificates of title over the mortgaged properties in the name of the Development Bank of the Philippines. No costs.**

SO ORDERED.<sup>9</sup> (Emphasis supplied)

WNC filed its Motion for Reconsideration. In this Court's Resolution dated 21 May 2004, We held that, as assignee, WNC is bound by BMC's agreement to pay the redemption price at Php21,500,000.00. As such,

<sup>9</sup> G.R. No. 152359, 28 October 2002, 439 Phil. 943 (2002) [Per Justice Bellosillo].

WNC is estopped from claiming that the redemption price may be reduced to an amount lower than that. This Court remanded the case to the CA “for reception of evidence solely for the purpose of determining the basis for or the propriety of the imposition of compounded interest, penalties and other charges, and the computation of the total outstanding obligation/redemption price to be paid by [WNC], which, however, shall in no case be lower than P21,500,000.00.”

Eventually, the case made its way back to this Court when DBP questioned the CA’s Resolution in CA-G.R. CV No. 38277, entitled *West Negros College, Inc. v. Development Bank of the Philippines*. The CA had ruled that the computation of the redemption price for the subject property should be reckoned from the date of the public auction on 24 August 1989 and that DBP could no longer collect interest from WNC after this date.

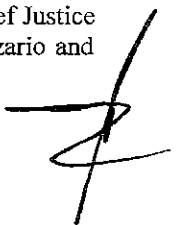
On 16 September 2008, the Court promulgated its Resolution<sup>10</sup> in G.R. Nos. 152359 and 174103. We ruled that the CA erred in revisiting the already settled reckoning date in the computation of the redemption price. Thus, WNC should pay DBP with interest thereon at the rate agreed upon as of the date of the public auction on 24 August 1989. We further said: “[t]here was no mention at all in the Decision that contractual interest from the date of the public auction until redemption is actually effected shall continue to accrue and be considered as part of the total redemption price. This is the unmistakable mandate of the Court when it ordered the appellate court to compute the total redemption price.”

The dispositive portion of the Resolution dated 16 September 2008 in G.R. Nos. 152359 and 174103 reads:

WHEREFORE, the Resolutions of the Court of Appeals in CA-G.R. CV No. 38277 dated 5 July 2006 and 8 August 2006 are AFFIRMED. The Court of Appeals is DIRECTED to resume and terminate the proceedings as well as submit its report thereon to this Court in accordance with our Resolution dated 21 May 2004 with deliberate dispatch. No pronouncement as to costs.

SO ORDERED.

<sup>10</sup> *Development Bank of the Phils. v. West Negros College*, G.R. Nos. 152359 & 174103, 16 September 2008, 587 Phil. 1 (2016); penned by Associate Justice Dante O. Tinga and concurred in by Chief Justice Reynato S. Puno (ret.) and Associate Justices Leonardo A. Quisumbing, Minita V. Chico-Nazario and Presbitero J. Velasco.



DBP then assailed the portion of our ruling where we stated that it can no longer collect interest from WNC after 24 August 1989. In our Resolution dated 23 December 2008 in G.R. 174103,<sup>11</sup> We ruled:

WHEREFORE, the Resolutions of the Court of Appeals in CA-G.R. CV No. 38277 dated July 5, 2006 and August 8, 2006 are REVERSED and SET ASIDE. Its Resolution dated February 14, 2006 is AFFIRMED. The Court of Appeals is DIRECTED to resume proceedings in the case with deliberate dispatch. No pronouncement as to costs.

SO ORDERED.

Reversing our ruling on 16 September 2008, the Court declared that **DBP is entitled to collect accrued interest even after the foreclosure sale.** “[T]he property subject hereof was foreclosed on January 30, 1989 and that DBP did not take possession of the property during the redemption period, as it has a right to do under its charter. Up to the present, in fact, WNC is in possession of the property.” We again remanded the case to the CA.

The CA constituted commissioners to determine the total redemption price to be paid by V2. The commission ordered DBP and V2 to submit memoranda appending authenticated evidence on the following issues: (1) whether there is basis to impose compounded interest, penalties, and other charges; (2) should compounded interest be imposed, (a) what is the base amount and the period during which the interest is compounded, and (b) how should the compounding of interest be made; and (3) the computation of the redemption amount shall be as determined by the bank.<sup>12</sup>

### Report of the Commissioners

In its Report<sup>13</sup> dated 16 December 2016, the commissioners computed for the redemption price by following the provisions of the promissory note dated 06 January 1975 and the guidelines from the declaration of this Court allowing the imposition of contractual interest during the redemption period.

<sup>11</sup> *Development Bank of the Phils. v. West Negros College, Inc.*, G.R. No. 174103, 23 December 2008, 595 Phil. 882 (2008); penned by Associate Justice Dante O. Tinga and concurred in by Chief Justice Reynato S. Puno (ret.) and Associate Justices Leonardo A. Quisumbing, Minita V. Chico-Nazario, and Presbitero J. Velasco,

<sup>12</sup> *Rollo*, pp. 88-89.

<sup>13</sup> *Id.* at 87-109. The Commission that prepared the Report was composed of Atty. Jerry F. Bantilan for WNC, Atty. Allan F. Siu for DBP, and Atty. Lucila M. Cad-Enjambre as Chairman and Representative of the Court of Appeals.

This promissory note stipulated the imposition of compounded interest, penalties, and other charges. The commissioners assumed that neither BMC nor WNC paid the quarterly payments that are inclusive of the principal amortizations and interests. The commissioners explained their computation as follows:

[The promissory note] provides for a simple interest of twelve (12%) per annum on the outstanding principal. For the first year, the total amount of interest due based on the principal loan of P4,100,000.00, computed at the rate of 12% per annum, P492,000.00, which is divided into four quarterly payments of P123,000.00. The promissory note prescribes these interest payments on or before July 30, 1974 and every three months thereafter.

Further, the promissory note requires quarterly payments of P137,548.81 on or before July 30, 1975 and every quarter thereafter. Each quarterly payment includes the amortization on the principal and interest at 12% per annum.

It also provides for the payment of interest at 12% per annum on any and all unpaid interests and/or amortization. The interest is in the nature of a compounded interest as it is imposed on the unpaid accrued interests.

We assume, given the absence of documentary evidence, that BMC/[WNC] has not paid the quarterly payments that are inclusive of the principal amortizations and interests. Hence, the imposition of compounded interest is applied in light of the clear provision of the promissory note.

In addition to the compounded interest of 12% per annum, the promissory note provides for the imposition of attorney's fees as stipulated in the mortgage contract securing the loan, if and when the entire obligation has already become due and demandable and DBP has already entrusted the case to its lawyers for enforcement.

The borrower is subject to a penalty charge of 10% interest per annum if it fails to comply with the terms of the restructuring agreement, which shall be levied on the total past due amortization, effective 30 days after the violation was committed. This only applies for as long as the violation of the restructuring agreement remains uncorrected and the mortgage is not foreclosed.

The 10% attorneys' fees plus 10% liquidated damages on the total obligation shall be imposed if the account is already endorsed for legal action and foreclosure is already actually accomplished.

Loan amortizations or portions therefor which had been past due for [more] than 90 days shall be subject to a penalty equivalent to 1/3% per month counted from the date they become liable to such charge.





This penalty charge is distinct from the compounded 12% interest mentioned earlier. Moreover, it bears emphasizing that the imposed penalties and attorneys' fees, even if these have already accrued, should not bear the interest of 12% as this is only imposed on unpaid amortizations and unpaid interests.

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Consistent with the Supreme Court's recognition of DBP's entitlement to interest during the redemption period, the commissioners have included in the computation the interest due after the foreclosure sale on 24 August 1989 up to the day immediately prior to the issuance of the certificate of redemption on 13 November 1991, which should have accomplished the redemption, had it not been subsequently nullified by the SC. This, again, as both parties differ on what constitutes the period of redemption, that is *should it be the period from foreclosure sale on 24 August 1989 until the issuance of the certificate of redemption (and the grace period of sixty (60) calendar days from notice of finality of the court's final determination of the redemption price) as claimed by [V2], or until actual redemption by paying the total outstanding obligation/redemption prices as maintained by DBP inasmuch as [V2] continues to be in possession of the mortgaged properties?* The commissioners themselves do not see an unequivocal pronouncement by the courts as regards the matter. To answer that question now is absolutely beyond their authority. However, doing the computation up to 12 November 1991 is simply to illustrate how the calculation runs during the redemption period. It is just a matter of extending the computation up to the time of actual redemption should it be expressly allowed by the court to be so.

Finally, the Promissory Note states that it is governed by the provisions of Board Resolution No. 1776 s. 1971. It further reserves the right to increase the rate of interest without prior notice to the borrower, in pursuance of such policy as it may adopt. These are variables that may be taken into account in order to arrive at the loan balance and the total redemption price. In arriving at their own computation, the commissioners rely on the assumption that the interest remained at 12.0% p.a. for the entire duration of the loan period and during the redemption period.<sup>14</sup>

Upon its re-computation of BMC's unpaid loan, the commissioners declared that the balance of the redemption price as of 12 November 1991 is Php23,099,850.82. This amount includes 10% attorney's fees and 10% liquidated damages at Php1,946,391.23 each, and 12% interest from 24 August 1989 to 12 November 1991 amounting to Php4,043,156.02.

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<sup>14</sup> *Id.* at 98-101.

### Ruling of the CA

In its Resolution dated 14 March 2018, the CA adopted the commissioners' computation of the redemption price at Php23,099,850.82. The CA took note of V2's admission of the imposition of compound interest. V2 had, in a Memorandum dated 15 October 2015, admitted that the restructured promissory note dated 06 January 1975 obligates the payment of compounded interest at the rate of 12% *per annum* including penalties and other expenses. The CA ruled:

**WHEREFORE**, the balance of redemption price of West Negros College, substituted by V-2 SAC Management and Development Corporation, is **P23,099,850.82**. Upon agreement by the parties, the 60-day grace period granted by the Supreme Court shall commence to run, during which period interest of 12% per annum shall be imposed on the redemption price of P23,099,850.82.

**SO ORDERED.**<sup>15</sup>

DBP filed a motion for reconsideration, which the CA denied for lack of merit in its Resolution dated 4 September 2018. The CA relied on our 06 September 2008 Resolution in G.R. Nos. 152359 and 174103, as well as on Section 6 of Act No. 3135. The CA did not compute for financial obligations other than the redemption price, because it was mindful that its assigned task is only to compute the redemption price from the date of the auction sale up to 11 November 1991, the end of the extended redemption period.

### Issue

DBP raised one ground for the allowance of the petition: that the CA acted in a way not in accord with the final and executory decision dated 23 December 2008 of this Honorable Supreme Court when it held that the final judgment does not say that interest shall accrue until actual redemption of the foreclosed property and in applying the 16 September 2008 resolution of this Supreme Court which has been modified and set aside.<sup>16</sup>

V2, on the other hand, insists on the application of the 16 September 2008 Decision in G.R. No. 174103, notwithstanding the Court's reversal of the same in its 23 December 2008 Resolution.

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<sup>15</sup> *Id.* at 44.

<sup>16</sup> *Id.* at 24.



### Ruling of the Court

The petition is **meritorious**. Indeed, the CA's 14 March 2018 and 04 September 2018 Resolutions are not in accord with this Court's 23 December 2008 Resolution in G.R. No. 174103. The present action finds support in the law of the case. The rule made by an appellate court cannot be departed from in subsequent proceedings of the same case.<sup>17</sup>

In Our Decision dated 28 October 2002 in G.R. No. 152359, We already declared that the redemption price for properties mortgaged with the DBP consists of the **total indebtedness, plus contractual interest**. This pronouncement finds legal basis on Sec. 16 of EO 81, the DBP Charter as amended by RA 8523. We traced the provenance of the DBP Charter in this manner:

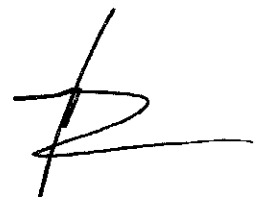
The foregoing rule is embodied consistently in the charters of petitioner DBP and its predecessor agencies. Section 31 of CA 459 creating the Agricultural and Industrial Bank explicitly set the redemption price at the total indebtedness plus contractual interest as of the date of the auction sale. Under RA 85 the powers vested in and the duties conferred upon the Agricultural and Industrial Bank by CA 459 as well as its capital, assets, accounts, contracts, and choses in action were transferred to the Rehabilitation Finance Corporation. It has been held that among the salutary provisions of CA 459 ceded to the Rehabilitation Finance Corporation by RA 85 was Sec. 31 defining the manner of redeeming properties mortgaged with the corporation. Subsequently, by virtue of RA 2081 (1958), the powers, assets, liabilities and personnel of the Rehabilitation Finance Corporation under RA 85 and CA 459, particularly Sec. 31 thereof, were transferred to petitioner DBP. Significantly, Sec. 31 of CA 459 has been reenacted substantially in Sec. 16 of the present charter of the DBP, i.e., EO 81 (1986) as amended by RA 8523 (1998).

For clarity, Section 16 of EO 81 provides:

SEC. 16. *Right of Redemption*. – Any mortgagor of the Bank whose real property has been extrajudicially sold at public auction shall, within one (1) year counted from the date of registration of the certificate of sale, have the right to redeem the real property by paying to the Bank all of the latter's claims against him, as determined by the Bank.

The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such

<sup>17</sup> *Sps. Sy v. Young*, G.R. 169214, 19 June 2013, 711 Phil. 444 (2013) [Per Justice Brion].



period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession.

In determining the total amount of the redemption price due to DBP, we refer to the previous rulings of this Court and to the provision on the redemption price in the DBP Charter. The Decision dated 28 October 2002 in G.R. No. 152359 focused on the first paragraph of Section 16 to determine the base amount of the redemption price, while the Resolution dated 23 December 2008 in G.R. No. 174103 focused on the last paragraph of the same section to determine whether interest may be imposed on the base amount of the redemption price.

First. The base amount of the redemption price is Php32,526,133.62, BMC's unpaid loan as of 24 August 1989, the date of foreclosure.

The right of redemption may be exercised only by paying to DBP "all the amount owed at the date of sale, with interest on the total indebtedness at the rate agreed upon in the obligation from the said date, unless the bidder has taken material possession of the property or unless this has been delivered to him, in which case the proceeds of the property shall compensate the interest."<sup>18</sup> This was the import of our Decision dated 28 October 2002 in G.R. No. 152359.

Because of our prior pronouncements, there is no further need for the Commissioners to compute what they deem to be BMC's unpaid loan as of 24 August 1989, the date of foreclosure. Thus, the proper amount of the redemption price is not Php23,099,850.82, or the amount declared by the CA in its Resolutions dated 14 March 2018 and 04 September 2018 in CA-G.R. CEB CV No. 38277. The CA should have heeded Our rulings in both G.R. Nos. 152359 and 174103.

Second. DBP is allowed to collect accrued interest even after the foreclosure sale on 24 August 1989.

This was the import of our 23 December 2008 Resolution in G.R. No. 174103, where We referred to Section 18 of EO 81 and stated:

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<sup>18</sup> *Supra* at note 8.



However, we note the fact that the property subject hereof was foreclosed on January 30, 1989 and that DBP did not take possession of the property during the redemption period, as it has a right to do under its charter. Up to the present, in fact, WNC is in possession of the property.

Under its charter, had DBP taken possession of the property, it would not be required to account for the fruits thereof, "the same being considered compensation for the interest that would otherwise accrue on the account." **This phrase explicitly confers upon DBP the right to claim contractual interest on the account during the redemption period in line with the intent of the law to protect the government's investment in the lending institution.** (Emphasis added)

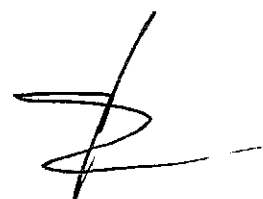
That DBP had never taken possession of the subject property is an established fact. DBP, therefore, has not enjoyed the fruits of the subject property. The "interest that would accrue otherwise on the account" is equivalent to the fruits of the property. By their actions, BMC, WNC, and V2, successively, have effectively deprived DBP of the fruits of its property.

There is, therefore, no basis for V2's assertion of unjust enrichment on the part of DBP. This assertion's logic actually runs counter to V2's admission that the 06 January 1975 promissory note obligates the payment of compounded interest at the rate of 12% *per annum* including penalties and other expenses.

In light of DBP being deprived of the fruits of its property, We find no basis for the CA's declaration that the computation of the redemption price is limited to until 12 November 1991 only. The interest should continue to run from 24 August 1989, the date of the foreclosure sale, until the date of actual redemption by V2 or its successor-in-interest, whenever it may be. If V2 wanted to stop the continued accrual of interest, it should have given DBP possession of the property. BMC, WNC, and V2 have held the property hostage and prevented DBP from enjoying its fruits since 1989, all the while evading its duty to pay proper compensation.

The computation of accrued interest due to DBP should thus be computed until actual redemption, that is, until full payment of redemption amount. We likewise recognize the 60-day grace period given in our Decision dated 28 October 2002 in G.R. No. 152359: V2 is extended the same grace period, subject to the same conditions.

Third. It is no longer necessary for the CA or for the commissioners to further determine whether DBP is allowed to compound interest.



The issue of the determination of the validity of the imposition of compounded interest, penalties, and other charges was the reason for the remand of the case to the CA in the Resolution dated 21 May 2004 in G.R. No. 152359. The CA, following this mandate, made a finding of fact that V2 itself admitted that the restructured promissory note dated 6 January 1975 obligates the payment of compounded interest at the rate of 12% *per annum* including penalties and other expenses.

Fourth. The only thing left to be determined is the actual redemption price due to DBP. The promissory note dated 06 January 1975 provides for straight interest at the rate of 12% *per annum*: "All unpaid interests and/or amortizations shall bear interest at the rate of twelve (12) *per centum, per annum.*"

In a Memorandum dated 01 February 2016 submitted to the CA, the DBP provided the following formula, but did not substantiate the basis of its expenses:

| Statement of Total Claim<br>As of January 31, 2016                              |  |
|---|--|
| Bacolod Medical Center  |  |
| Outstanding balance as of the date of public auction (8/24/89)                  | Php 32,526,133.62                      |
| Interest from 08/25/89 to expiry date of redemption (07/11/91) (686 days) (12%) | 2,151,504.02                           |
| Expenses  | 910,746.93                             |
| Interest on Expenses  | <u>159,470.88</u>                      |
| A. Total Claim as of Expiry Date of Redemption 07/11/91                         | <u>Php 35,747,855.45</u>               |
| Interest from 07/12/91 to 01/31/16 (8970 days) (12%)                            | 96,701,706.58                          |
| Expenses  | 1,592,904.11                           |
| Interest on Expenses  | <u>3,382,198.36</u>                    |
| B. Total Claim as of 01/31/16   | <u>Php 137,424,664.50<sup>19</sup></u> |

With this computation, the DBP is estopped by its exclusion of 10% liquidated damages and 10% attorney's fees in its formula. DBP only included 12% interest from 12 July 1991 until 31 January 2016.

<sup>19</sup> Rollo, p. 85.

The redemption price due to DBP, then, should exclude the unsubstantiated amount for expenses and interest on expenses. The total claim as of the date of actual redemption has two components: (1) the total claim as of the expiry date of redemption, and (2) the interest from the expiry date of redemption until the actual redemption date.

Accordingly, the total claim as of 11 July 1991, or the expiry date of redemption, is Php34,677,637.64. This amount includes the straight interest of 12% *per annum* from 25 August 1989, or the day after the public auction, until 11 July 1991.

On the other hand, there is a need to determine the number of days from 12 July 1991, or the date after the expiry date of redemption, until the actual redemption date. The number of days should be divided by 365, or the number of days in a year, then subsequently multiplied by 12%, or the interest rate *per annum*. The result should be multiplied by Php32,526,133.62, or the base amount of the redemption price, to determine the amount of interest due from 12 July 1991 until the actual redemption date. We continue to uphold the 60-day redemption period granted in our Decision dated 28 October 2002 in G.R. 152359.

**WHEREFORE**, DBP's Petition for Review is hereby **GRANTED**. The Resolutions dated 14 March 2018 and 04 September 2018 of the Court of Appeals in CA-G.R. CEB CV No. 38277 are **REVERSED** and **SET ASIDE**.

The redemption price as of 24 August 1989, the date of foreclosure, is Php32,526,133.62. In case of redemption, the total claim due to petitioner Development Bank of the Philippines should be computed as follows:

|   |     |                      |   |
|---|-----|----------------------|---|
| Outstanding balance as of the date of public auction (8/24/89)  | Php | 32,526,133.62        |   |
| Interest from 08/25/89 to expiry date of redemption (07/11/91) (686 days) (12%)   |     | 2,151,504.02         |   |
| (1) Total Claim as of Expiry Date of Redemption 07/11/91  | Php | 34,677,637.64        |   |
| (2) Interest from 07/12/91 to actual redemption date (actual number of days from 7/12/91 to actual redemption date divided by 365 days) (multiplied by 12%) |     |                      | X |
| Total Claim as of actual redemption date  | Php | 34,677,637.64 plus X |   |



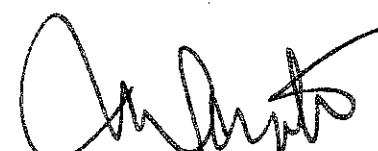
In the event that respondent V-2 SAC Management and Development Corporation is not interested in redeeming the mortgaged properties at the computed amount in the total claim as of actual redemption date above, or that the 60-day grace period for redemption has expired without any redemption having been undertaken or without a compromise agreement for such purpose having been perfected, respondent V-2 SAC Management and Development Corporation shall yield possession of the two (2) parcels of land, Lot Nos. 1397-A and 1397-B-1 covered by Transfer Certificates of Title Nos. T-25053 and T-29169.

**SO ORDERED.**



**RODIL V. ZALAMEDA**  
Associate Justice

**WE CONCUR:**




**DIOSDADO M. PERALTA**  
Chief Justice



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice



**ROSMARID. CARANDANG**  
Associate Justice

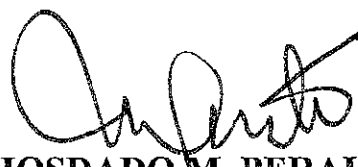


**SAMUEL H. GAERLAN**  
Associate Justice



### CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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

