Supreme Court of the Philippines
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Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

PHILIPPINE ASSET GROWTH ONE, INC., Petitioner, -versus- **GIL G. CHUA,** Respondent.	**G.R. No. 277049** Present: LEONEN, *SAJ, Chairperson*, LAZARO-JAVIER, LOPEZ, KHO, JR., and VILLANUEVA, *JJ.* **Promulgated:** FEB 19 2026

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DECISION

LOPEZ, *J.*:

This Court resolves the Petition for Review[1] on *Certiorari* under Rule 45 of the Rules of Court filed by Philippine Asset Growth One, Inc. (PAGO) assailing the Decision[2] and Resolution[3] of the Court of Appeals (CA). The CA affirmed the Decision[4] and Order[5] of the Regional Trial Court (RTC) declaring the Real Estate Mortgage (REM) between Gil G. Chua (Chua) and Rizal Commercial Banking Corporation (RCBC) and the foreclosure proceedings null and void.

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1 *Rollo*, pp. 36–71.

2 *Id.* at 73–93. The November 21, 2023 Decision in CA-G.R. CV No. 112901 was penned by Associate Justice Angelene Mary W. Quimpo-Sale and concurred in by Associate Justices Maria Elisa Sempio Diy and Wilhelmina B. Jorge-Wagan of the Fifteenth Division of the Court of Appeals, Manila.

3 *Id.* at 95–97. The October 28, 2024 Resolution in CA-G.R. CV No. 112901 was penned by Associate Justice Angelene Mary W. Quimpo-Sale and concurred in by Associate Justices Maria Elisa Sempio Diy and Wilhelmina B. Jorge-Wagan of the Former Fifteenth Division of the Court of Appeals, Manila.

4 *Id.* at 98–112. The August 28, 2018 Decision in Civil Case No. R-QZN-16-03634-CV was penned by Presiding Judge Editha G. Mina-Aguba of Branch 100, Regional Trial Court, Quezon City.

5 *Id.* at 114–115. The November 21, 2018 Order in Civil Case No. R-QZN-16-03634-CV was penned by Presiding Judge Editha G. Mina-Aguba of Branch 100, Regional Trial Court, Quezon City.

Facts

This case involves a parcel of land with improvements located at No. 62, 11th Ave. corner Main Ave., Murphy, Cubao, Quezon City (subject property). The subject property is covered by Transfer Certificate of Title (TCT) No. N-243545[6] registered in the name of "Gil G. Chua, married to Ma. Paz Catherine M. Chua."[7]

On March 31, 2006, Chua, a stockholder of Publicis Interbrand, Inc., later renamed to Interbrand Logistics and Distribution, Inc. (Interbrand), a domestic corporation, mortgaged the subject property to RCBC, by executing a REM[8] to secure payment of "certain loans, overdrafts, and other credit accommodations" obtained by Interbrand, Inc. from RCBC in the principal amount of PHP 3,350,000.00, and "as well as those that the Mortgagee may hereafter extend to Mortgagor and/or Debtor, including interest and expenses or any other obligation owing to the Mortgagee." Chua's wife, Ma. Paz Catherine M. Chua, also affixed her signature on the mortgage document. The mortgage was subsequently annotated on the title of the subject property.[9]

In 2009, Interbrand, through its director and chief finance officer (CFO), Almer L. Caras, entered into several trust receipts with RCBC for the shipment of various products of Nestlé Philippines, as follows:[10]

Trust Receipt No.	Value of Draft	Date Granted	Date Due
D503973[11]	PHP 16,902,672.41	September 18, 2009	November 17, 2009
D504100[12]	PHP 3,554,085.38	December 15, 2009	March 15, 2010
D503935[13]	PHP 33,039,067.31	August 20, 2009	October 19, 2009
D503907[14]	PHP 25,650,010.07	July 23, 2009	September 21, 2009

When the due dates for the amounts stated in the trust receipts arrived, Interbrand was unable to fulfill its obligations.[15]

In 2013, RCBC assigned its rights covering the loan of Interbrand, as evidenced by Deed of Assignment,[16] which states:

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6 *Id.* at 251–256.
7 *Id.* at 73–74, 98.
8 *Id.* at 247–250.
9 *Id.* at 74, 99, 247–250.
10 *Id.* at 74, 99, 275–286.
11 *Id.* at 275–277.
12 *Id.* at 278–280.
13 *Id.* at 281–283.
14 *Id.* at 284–286.
15 *Id.* at 74.
16 *Id.* at 263–266.

> For value received, receipt of which is hereby acknowledged by Rizal Commercial Banking Corporation ("Seller"), the Seller hereby absolutely sells, assigns, and conveys to Philippine Asset Growth One, Inc., ("Purchaser"), on a "without recourse" basis, all of Seller's rights, title and interest in and all obligations arising out of or in connection with, or directly or indirectly related to, the following Loan:
>
> **Loan with outstanding principal balance of [PHP] 441,914,918.40 as of February 15, 2013 of Interbrand Logistics and Distribution, Inc.**
>
> including the promissory note and all mortgages, liens and security interests securing the payment of such Loan, and any other documents evidencing, securing or in any manner related to the Loan, including, but without limitation, the relevant loan documents enumerated in the list (the "Loan Document Listing") attached to this Deed of Assignment as Attachment "A."[17]

RCBC sold, assigned, and conveyed, on a without recourse basis, all of RCBC's rights, titles and interests in and all obligations arising out of or in connection with, or directly or indirectly related to the loan of Interbrand, with outstanding principal balance of PHP 441,914,918.40 as of February 15, 2013. Interbrand's obligations to RCBC are listed in an attachment to the deed of assignment, comprising 38 trust receipts and collateral documents including land and condominium unit titles, REMs, and comprehensive surety agreements, which includes: (1) Trust Receipt Nos. D503973, D504100, D503935, and D503907; (2) TCT No. N-243545; and (3) the REM with the principal amount of PHP 3,350,000.00.[18]

On September 2, 2015, PAGO issued a letter of Final Demand[19] to Interbrand, Spouses Edgar and Doris San Luis (collectively, Spouses San Luis), and Chua, demanding payment of PHP 114,870,918.44. This amount includes the principal obligation and interest accrued from Trust Receipt Nos. D503907, D503935, D503973, and D504100.[20]

As the demand by PAGO was unheeded, PAGO filed a Petition for Extrajudicial Foreclosure[21] before the RTC against Spouses San Luis and Chua, for the foreclosure of two properties: the subject property under the name of Chua and a real property under the names of Spouses San Luis covered by TCT No. 66949. The basis of the institution of the foreclosure proceedings was the nonpayment of the amounts stated in four trust receipt agreements, Trust Receipt Nos. D503907, D503935, D503973, and D504100. These trust receipts were allegedly secured under the REMs on the two lots.[22]

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17 *Id.* at 263.
18 *Id.* at 74–75, 100, 264.
19 *Id.* at 267–269.
20 *Id.* at 75, 100.
21 *Id.* at 237–246.
22 *Id.* at 75, 100.

After, the Office of the Ex-Officio Sheriff sent to Chua and Spouses San Luis a Notice of Extra-judicial Sale of Real Property Under Act 3135 (As Amended).[23] This notice set the public auction on January 12, 2016, at 10:00 a.m. in front of the main entrance of the Hall of Justice in Quezon City. On January 12, 2016, the real properties covered by TCT No. N-243545 (the subject property) and TCT No. 66949 were sold to PAGO. A Certificate of Sale was issued on January 28, 2016. Chua received the Notice of Extrajudicial Sale of Real Property from the sheriff on the third week of January 2016.[24]

Assailing the extrajudicial foreclosure of the real estate mortgage, Chua filed a Complaint[25] for declaration of nullity of mortgage and extrajudicial foreclosure sale and damages against PAGO before the RTC. Chua averred that the extrajudicial foreclosure proceedings were null and void for failure of PAGO to give notice of the foreclosure to Chua.[26] He cites paragraph 13 of the mortgage executed between Chua and PAGO which provides:

> 13. All correspondence relative to this mortgage, including demand letter, summonses, subpoenas, or notification of any judicial or extrajudicial action shall be sent to the Mortgagor at _____ and to the Debtor at No. 4 Red Arrow St., White Plains, Quezon City or at the address that may hereafter be given in writing by the Mortgagor shall be valid and effective notice to the Mortgagor and/or Debtor for all legal purposes, and the fact that any communication was found at the address given, or that the address is fictitious or cannot be located shall not excuse or relieve the Mortgagor and/or Debtor from the effects of such notice.[27]

In its Answer with Compulsory Counterclaims,[28] PAGO alleged that the foreclosure proceedings conducted is presumed to have been conducted in a regular manner. Further, PAGO claimed that under paragraph 13 of the REM, Chua indeed should be provided with notices of any extrajudicial action. However, it is not PAGO who is obliged to provide these notices to Chua. Furthermore, PAGO contends that the REM contained a valid "blanket mortgage clause," or "dragnet clause" which subsumes all debts of past and future origins.[29] The REM provides:

> That, for and in consideration of certain loans, overdrafts and other credit accommodations obtained from the Mortgagee by PUBLICIS INTERBRAND INC. (the "Debtor") and to secure the payment of the same, the principal of all of which is hereby fixed at THREE MILLION THREE HUNDRED FIFTY THOUSAND PESOS ([PHP] 3,350,000.00) Philippine

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[23] *Id.* at 287.
[24] *Id.* at 75, 101.
[25] *Id.* at 142–151.
[26] *Id.* at 144–145.
[27] *Id.* at 248.
[28] *Id.* at 175–200.
[29] *Id.* at 77, 179–185.

> Currency, *as well as those that the Mortgagee may hereafter extend to the Mortgagor and/or Debtor, including interest and expenses, or any other obligation owing to the Mortgagee, whether direct or indirect, principal or secondary, as appears in the accounts, books and records of the Mortgagee, hereinafter collectively referred to as the "Obligations[.]"*[30] (Emphasis supplied)

More, PAGO contends that the extrajudicial foreclosure of the mortgage was merely a necessary consequence of Interbrand's non-payment of the obligation.[31]

In its Decision,[32] the RTC ruled in favor of Chua, disposing as follows:

> WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against defendants. Accordingly, this Court is:
>
> 1) DECLARING as null and void and of no further force and effect the following:
>
> (a) The Real Estate Mortgage (REM) between plaintiff as accommodation mortgagor, and Rizal Commercial Banking Corporation as mortgagee, dated 31 March 2006;
>
> (b) the foreclosure thereof;
>
> (c) the Certificate of Sale dated 28 January 2016; and
>
> (d) the entries relating to said REM and Certificate of Sale annotated on TCT No. N-243545 covering the mortgaged property;
>
> 2) ORDERING defendant Registry of Deeds for Quezon City to cancel all the annotations relative to the said REM and the Certificate of Sale on the above-stated TCT; and
>
> 3) ORDERING defendant Philippine Asset Growth One, Inc. (PAGO) to return to plaintiff the owner's duplicate copy of the said TCT.
>
> No costs.
>
> SO ORDERED.[33] (Emphasis supplied)

The RTC found that Chua had no participation with the execution of the trust receipt agreements. Further, the trust receipts did not expressly indicate that the sums specified are guaranteed by the REM. Furthermore, the "blanket mortgage" or "dragnet clause" in the real estate mortgage is invalid because there were no description and specification of what the future debts would consist of. More, Chua was not notified of the extrajudicial foreclosure of the REM. Consequently, the RTC declared invalid and void the March 31, 2006 REM between Chua and RCBC and the subsequent foreclosure proceedings from the REM.[34]

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30 *Id.* at 77, 84–85.
31 *Id.* at 247.
32 *Id.* at 98–112.
33 *Id.* at 111–112.
34 *Id.* at 103–112.

Unsatisfied with the RTC Decision, PAGO filed a Motion for Reconsideration,[35] which was denied by the RTC in its Order.[36]

Aggrieved, PAGO filed an appeal before the CA.[37]

In its Decision,[38] the CA denied the Appeal and ruled as follows:

> ACCORDINGLY, this appeal is DENIED. The Decision and Order of the Regional Trial Court, Branch 100, Quezon City in Civil Case No. R-QZN-16-03634-CV are AFFIRMED.
>
> SO ORDERED.[39]

In the Decision, the CA affirmed the RTC's decision declaring the REM and the foreclosure proceedings null and void. The CA ruled that the REM did not even contain a "blanket mortgage clause" or "dragnet clause" because the language was ambiguous and violated the principle of mutuality of contracts by leaving the extension of obligations solely to the mortgagee's discretion. Additionally, the four trust receipt agreements, which were entered into three years after the mortgage were not secured by it, as they made no reference to the mortgage, left the collateral section blank in disclosure statements, and that Chua had no knowledge of or participation in these agreements. Even if the trust receipts were covered, the foreclosure was invalid because PAGO failed to send the required notice to the mortgagor about the filing of the foreclosure petition as stipulated in paragraph 13 of the REM, constituting a contractual breach sufficient to nullify the foreclosure sale.[40]

Unconvinced, PAGO filed a Motion for Reconsideration,[41] which was denied by the CA in its Resolution.[42]

The CA rulings prompted PAGO to file the instant Petition for Review on *Certiorari*.[43]

In the Petition, PAGO argues that the blanket mortgage clause in the REM is valid, arguing that the phrase "as well as those that the Mortgagee may hereafter extend to the Mortgagor and/or Debtor, including interest and

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35 *Id.* at 362–376.
36 *Id.* at 81; 114–115.
37 *Id.* at 383–385; 393–418.
38 *Id.* at 73–93.
39 *Id.* at 92.
40 *Id.* at 82–92.
41 *Id.* at 116–134.
42 *Id.* at 95–97.
43 *Id.* at 36–71.

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expenses, or any other obligation owing to the Mortgagee" constitutes a proper dragnet clause designed to subsume all debts of past or future origins without requiring separate security documents. Second, PAGO argues that the four trust receipts are covered by the subject REM because trust receipts constitute "obligations owing to RCBC" and fall within the blanket mortgage clause's coverage of "loans, overdrafts, and other credit accommodations" and "any other obligation owing" to RCBC, noting that requiring explicit reference to the mortgage in each trust receipt would defeat the purpose of a blanket mortgage clause. Third, PAGO contends the foreclosure proceedings were valid because Chua was actually notified through the September 2, 2015 demand letter and the sheriff's notice of extrajudicial sale which Chua admitted receiving, and that paragraph 13 of the REM merely established an address for correspondence rather than imposing a duty on PAGO to personally notify the mortgagor---such duty properly belonging to the Sheriff who conducted the foreclosure proceedings.[44]

Issues

The issues for this Court's resolution are:

First, whether the four trust receipts are secured by the REM; and

Second, whether the foreclosure proceedings are null and void.

This Court's Ruling

The Petition is denied.

Real estate mortgage and the after-incurred-obligations clause

Prefatorily, the contract is the law between the parties.[45] Therefore, it must be complied with in good faith, thus:

> Article 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

Additionally, the contracting parties are allowed to enter into binding stipulations, clauses, terms and conditions they may deem convenient so long

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[44] *Id.* at 46–62.

[45] *D.M. Ragasa Enterprises, Inc. v. Banco De Oro, Inc.*, 833 Phil. 640, 652 (2018) [Per J. Caguioa, Second Division]. (Citation omitted)

as they are not contrary to law, morals, good customs, public order or public policy.[46]

In the context of REM, the Civil Code is more explicit as to the obligations applicable to mortgages. Article 2091 of the Civil Code provides:

> Article 2091. The *contract of pledge or mortgage may secure all kinds of obligations*, be they pure or subject to a suspensive or resolutory condition. (Emphasis supplied)

The phrase "all kinds of obligations" conceivably includes future obligations or after-incurred-obligations. Therefore, under the Civil Code, *after-incurred-obligations*[47] may be covered by REMs so long as the obligations are accurately described.

An "*after-incurred-obligations clause*," also known as a "blanket mortgage clause" or a "dragnet clause," is one which is specifically phrased to subsume all debts of past or future origins.[48] The after-incurred-obligations clause is recognized as a legitimate and valid undertaking. Further, the amounts specified as consideration in the contracts do not limit the amount for which the pledge or mortgage stands as security, if from the four corners of the instrument, the intent to secure future and other indebtedness can be gathered.[49]

However, while it is true that after-incurred-obligations may be covered under an existing REM, there is no prohibition for after-incurred-obligations to be secured by another security agreement, other than the existing security with an after-incurred-obligations clause or a blanket mortgage clause. In *Prudential Bank v. Alviar*,[50] this Court is instructive on the "reliance on the security test," thus:

> The latter school represents the better position. The parties having conformed to the "blanket mortgage clause" or "dragnet clause," it is reasonable to conclude that they also agreed to an implied understanding that subsequent loans need not be secured by other securities, as the subsequent loans will be secured by the first mortgage. In other words, the sufficiency of the first security is a corollary component of the "dragnet clause." But of course, there is no prohibition, as in the mortgage contract in issue, against contractually requiring other securities for the subsequent loans. *Thus, when the mortgagor takes another loan for which another*

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46 CIVIL CODE, art. 1306.

47 *Acme Shoe, Rubber & Plastic Corp. v. Court of Appeals*, 329 Phil. 531, 539 (1996) [Per J. Vitug, First Division].

48 *Prudential Bank v. Alviar*, 502 Phil. 595, 606 (2005) [Per J. Tinga, Second Division].

49 *Metropolitan Bank and Trust Co. v. Spouses Antonino*, 960 Phil. 618, 627 (2024) [Per J. Kho, Jr., Second Division]. (Citation omitted)

50 502 Phil. 595, 606 (2005) [Per J. Tinga, Second Division].

> *security was given it could not be inferred that such loan was made in reliance solely on the original security with the "dragnet clause," but rather, on the new security given. This is the "reliance on the security test."*
>
> Hence, based on the "reliance on the security test," the California court in the cited case made an inquiry whether the second loan was made in reliance on the original security containing a "dragnet clause." Accordingly, finding a different security was taken for the second loan no intent that the parties relied on the security of the first loan could be inferred, so it was held. The rationale involved, the court said, was that the "dragnet clause" in the first security instrument constituted a continuing offer by the borrower to secure further loans under the security of the first security instrument, and that when the lender accepted a different security[,] he did not accept the offer.
>
> In another case, it was held that a mortgage with a "dragnet clause" is an "offer" by the mortgagor to the bank to provide the security of the mortgage for advances of and when they were made. Thus, it was concluded that the "offer" was not accepted by the bank when a subsequent advance was made because *(1) the second note was secured by a chattel mortgage on certain vehicles, and the clause therein stated that the note was secured by such chattel mortgage; (2) there was no reference in the second note or chattel mortgage indicating a connection between the real estate mortgage and the advance; (3) the mortgagor signed the real estate mortgage by her name alone, whereas the second note and chattel mortgage were signed by the mortgagor doing business under an assumed name; and (4) there was no allegation by the bank, and apparently no proof, that it relied on the security of the real estate mortgage in making the advance.*[51] (Emphasis supplied, citations omitted)

Thus, while an after-incurred-obligations clause is a valid stipulation in a mortgage, after-incurred-obligations must be viewed in light of the "reliance on the security test." Therefore, an after-incurred-obligations clause broadly secures all debts owed by a borrower to a lender, but under the "reliance on the security test," it will not cover a subsequent debt if that debt has its own separate security, because the lender's acceptance of different collateral indicates they relied on the new security rather than the original mortgage.

In this case, the CA erred in finding that the REM does not contain an after-incurred-obligations clause or blanket mortgage clause. To recall, the REM provides:

> That, for and in consideration of certain loans, overdrafts and other credit accommodations obtained from the Mortgagee by PUBLICIS INTERBRAND INC. (the "Debtor") and to secure the payment of the same, the principal of all of which is hereby fixed at THREE MILLION THREE HUNDRED FIFTY THOUSAND PESOS ([PHP] 3,350,000.00) Philippine Currency, *as well as those that the Mortgagee may hereafter extend to the Mortgagor and/or Debtor, including interest and expenses, or any other*

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[51] *Id.* at 608–609.

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> *obligation owing to the Mortgagee, whether direct or indirect, principal or secondary, as appears in the accounts, books and records of the Mortgagee, hereinafter collectively referred to as the "Obligations[.]"*[52] (Emphasis supplied)

In *Traders Royal Bank v. Spouses Castañares*,[53] this Court found that the clause in that case was a "blanket mortgage clause" or "dragnet clause." The relevant provision in the REM in that case states:

> That, for and in consideration of certain loans, overdrafts and other credit accommodations obtained, from the Mortgagee by the Mortgagor and/or SPS. NORBERTO V. CASTAÑARES & MILAGROS M. CASTAÑARES and to secure the payment of the same, the principal of all of which is hereby fixed at EIGHTY-SIX THOUSAND PESOS ONLY - ([PHP] 86,000.00) Pesos, Philippine Currency, as well as those that the Mortgagee may hereafter extend to the Mortgagor x x x, including interest and expenses or any other obligation owing to the Mortgagee, whether direct or indirect, principal or secondary, as appears in the accounts, books and records of the Mortgagee[.][54] (Emphasis supplied, citation omitted)

In *Producers Bank of the Philippines v. Excelsa Industries, Inc.*,[55] this Court found that a substantially similarly phrased clause in the REM was a "blanket mortgage clause"[56] or "dragnet clause."[57]

Thus, it is unmistakable that the subject REM also contains a valid after-incurred-obligations clause. However, under the circumstances, the four trust receipt agreements do not fall under the REM under the "reliance on the security test."

As explained in *Ching v. Court of Appeals*,[58] a trust receipt is considered a security transaction intended to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral, of the merchandise imported or purchased. It is a security agreement pursuant to which a bank acquires a "security interest" in the goods.[59] Thus, trust receipt transactions are security transactions.

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52 *Id.* at 77, 184–185.
53 651 Phil. 236 (2010) [Per J. Villarama, Jr., Third Division].
54 *Id.* at 246.
55 605 Phil. 445 (2009) [Per J. Tinga, Second Division].
56 *Id.* at 449.
57 *Id.* at 457.
58 387 Phil. 28 (2000) [Per J. Buena, Second Division].
59 *Id.* at 44.

Here, in the Disclosure Statement on Loan/Credit Transaction[60] appended to the trust receipts, Item 9 in the statement shows the following:

> 9. COLLATERAL
>
> This loan is ☐ unsecured ☐ secured wholly/partly by ☐ real estate ☐ government securities ☐ chattels
>
> Per Deed dated _____[61]

The boxes that indicated whether the trust receipt was unsecured or secured, either wholly or partly by real estate, government securities, or chattels, were not marked. Thus, when RCBC entered into the trust receipts with Interbrand, there was no mention of the REM with the after-incurred-obligations clause. With no mention of the REM, it cannot be said that the parties intended for the trust receipt agreements to fall under the coverage of the REM as the parties instead relied on the trust receipt itself to act as the security for the loan transaction. More, it was respondent who had signed the REM by his name, whereas the trust receipts were signed by Interbrand.[62]

Thus, the after-incurred-obligations clause will not be extended to cover the four trust receipts. Consequently, since the four trust receipt agreements are not secured by the REM, petitioner, as RCBC's assignee, cannot validly foreclose on the real estate mortgage based solely on the non-payment of these trust receipts.

PAGO's failure to send personal notice to Chua is fatal to the validity of the foreclosure proceedings

Additionally, petitioner's failure to comply with its contractual obligation to send notice of the foreclosure sale to respondent is fatal to the validity of the foreclosure proceedings.[63]

In general, personal notice to the mortgagor in extrajudicial foreclosure proceedings is not required. Section 3 of Act No. 3135, only requires the posting of the notice of extrajudicial foreclosure sale in three public places and the publication of the said notice in a newspaper of general circulation.[64]

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60 *Rollo*, pp. 276, 279, 282, 285.
61 *Id.*
62 *Id.* at 247–250; 275–276.
63 *Paradigm Development Corporation of the Phils. v. Bank of the Philippine Islands*, 810 Phil. 539, 561 (2017) [Per J. Reyes, Third Division]. (Emphasis supplied)
64 *Planters Development Bank v. Lubiya Agro Industrial Corp.*, 843 Phil. 217, 221 (2018) [Per J. A. Reyes, Jr., Second Division]. (Citation omitted)

However, parties to a contract may stipulate additional, binding requirements not mandated by the law. One such stipulation is the personal notice requirement. In this regard, this Court in *Metropolitan Bank and Trust Company v. Wong*[65] is instructive:

> Nevertheless, the parties to the mortgage contract are not precluded from exacting additional requirements. In this case, petitioner and respondent in entering into a contract of real estate mortgage, agreed *inter alia*:
>
> > *"all correspondence relative to this mortgage, including demand letters, summonses, subpoenas, or notifications of any judicial or extra-judicial action shall be sent to the MORTGAGOR at 40-42 Aldeguer St. Iloilo City, or at the address that may hereafter be given in writing by the MORTGAGOR to the MORTGAGEE."*
>
> Precisely, the purpose of the foregoing stipulation is to apprise respondent of any action which petitioner might take on the subject property, thus according him the opportunity to safeguard his rights. *When petitioner failed to send the notice of foreclosure sale to respondent, he committed a contractual breach sufficient to render the foreclosure sale on November 23, 1981 null and void.*[66] (Emphasis supplied, citation omitted)

Thus, while personal notice is not required under the law, the contractual obligation that requires such personal notice is binding to the parties.

This rule was already clarified in *Global Holiday Ownership Corp. v. Metropolitan Bank & Trust Co*:[67]

> Thus, we restate: the general rule is that personal notice to the mortgagor in extrajudicial foreclosure proceedings is not necessary, and posting and publication will suffice. Sec. 3 of Act 3135 governing extra-judicial foreclosure of real estate mortgages, as amended by Act 4118, requires only posting of the notice of sale in three public places and the publication of that notice in a newspaper of general circulation. *The exception is when the parties stipulate that personal notice is additionally required to be given the mortgagor. Failure to abide by the general rule, or its exception, renders the foreclosure proceedings null and void.*[68] (Emphasis supplied, citation omitted)

Here, the relevant paragraph is Paragraph 13 of the REM, which provides:

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65 412 Phil. 207 (2001) [Per J. Sandoval-Gutierrez, Third Division].
66 *Id.* at 216–217.
67 607 Phil. 850 (2009) [Per J. Ynares-Santiago, Third Division].
68 *Id.* at 864.

> 13. All correspondence relative to this mortgage, including demand letter, summonses, subpoenas, or notification of any judicial or extrajudicial action shall be sent to the Mortgagor at _____ and to the Debtor at No. 4 Red Arrow St., White Plains, Quezon City or at the address that may hereafter be given in writing by the Mortgagor shall be valid and effective notice to the Mortgagor and/or Debtor for all legal purposes, and the fact that any communication was found at the address given, or that the address is fictitious or cannot be located shall not excuse or relieve the Mortgagor and/or Debtor from the effects of such notice.[69]

The contractual provision obligates PAGO to send all correspondence—including demand letters, summonses, subpoenas, or notifications of any judicial or extrajudicial proceedings—to Chua's address in connection with the REM.

In this case, PAGO failed to send any correspondence or notification to Chua regarding the filing of the petition for extrajudicial foreclosure. By proceeding with the extrajudicial foreclosure without providing such notice to Chua, PAGO breached the personal notice requirement under the REM, rendering the foreclosure proceedings null and void.

This Court has consistently emphasized that such personal notice stipulations serve to inform mortgagors of any actions the mortgagees may take regarding the mortgaged properties, thereby affording mortgagors an opportunity to protect their rights.[70] To reiterate, a contract is the law between the contracting parties. Unless its provisions are shown to contravene law, morals, good customs, public order, or public policy, courts must enforce the contract as written. Therefore, the mortgagee's failure to send notice of the foreclosure sale to the mortgagor amounts to a contractual breach sufficient to nullify the foreclosure sale.

The foregoing rule finds even stronger footing in the pronouncement of this Court in *Philippine Savings Bank v. Co*,[71] where this Court anchored the personal notice requirement not only on contractual analysis, but upon the constitutional principles of due process.[72]

In *Philippine Savings Bank*, this Court recognized that the right to property is protected under the due process clause of the Constitution, such that the deprivation thereof must be attended by due process of law. While the due process clause ordinarily operates as a limitation on state action, this Court has, on occasion, applied it even to relationships between private

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[69] *Id.* at 248.
[70] *Planters Development Bank v. Lubiya Agro Industrial Corp.*, 843 Phil. 217, 223–224 (2018) [Per J. A. Reyes, Jr., Second Division]. (Citations omitted)
[71] 912 Phil. 695 (2021) [Per J. Leonen, Third Division].
[72] *Id.* at 695, 703–710.

parties—as in the context of employment contracts and the relationship between students and academic institutions. Accordingly, law, rules, and regulations may govern private relationships in order to ensure the observance of this fundamental right.[73]

Importantly, in cases of extrajudicial foreclosure, the ultimate outcome is the disposition of the mortgagor's property. When a mortgage contract stipulates that the borrower-mortgagor must receive personal notice, that provision becomes the law between the parties, elevating the notice from the realm of the procedural to a substantive safeguard. Due process demands strict compliance with these agreed-upon terms. Thus, failure to provide the stipulated personal notice renders the foreclosure null and void, thereby protecting the borrower-mortgagor's right to property and due process.

Here, as in *Philippine Savings Bank*, the REM contains a stipulation designating the borrower-mortgagor's address for purposes of service of all correspondence, including notification of any judicial or extrajudicial action. That contractual provision, read together with the due process considerations, imposed upon PAGO the affirmative *duty* to personally notify Chua of the intended foreclosure sale before the subject properties could be sold at public auction to satisfy the mortgage debt in accordance with Act No. 3135.

Thus, when PAGO failed to send notice of the foreclosure sale to Chua, it committed a contractual breach significant enough to invalidate the foreclosure sale. This failure also constituted a violation of Chua's right to due process. Therefore, the CA and the RTC were correct in declaring the foreclosure proceedings null and void.

ACCORDINGLY, this Court resolves to **DENY** the Petition. The November 21, 2023 Decision and October 28, 2024 Resolution of the Court of Appeals in CA-G.R. CV No. 112901 are **AFFIRMED**. The following are declared **NULL and VOID**:

(1) The Real Estate Mortgage (REM) between respondent Gil G. Chua as accommodation mortgagor, and Rizal Commercial Banking Corporation as mortgagee, dated March 31, 2006;

(2) the foreclosure thereof;

(3) the Certificate of Sale dated January 28, 2016; and

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[73] Id at 703–706.

(4) the entries relating to said REM and Certificate of Sale annotated on Transfer Certificate Title (TCT) No. N-243545 covering the mortgaged property.

The Registry of Deeds for Quezon City is **ORDERED to CANCEL** all the annotations relative to the said REM and the Certificate of Sale on the above-stated TCT.

Petitioner Philippine Asset Growth One, Inc. is **ORDERED to RETURN** to respondent Gil G. Chua the owner's duplicate copy of TCT No. N-243545.

SO ORDERED.

JHOSEP Y. LOPEZ
Associate Justice

WE CONCUR:

MARVIC M.V.F. LEONEN
Senior Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

ANTONIO T. KHO, JR.
Associate Justice

RAUL B. VILLANUEVA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of this Court's Division.

MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Article VIII, Section 13 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 this Court's Division.

ALEXANDER G. GESMUNDO
Chief Justice