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SECOND DIVISION

[G.R. No. 272145. November 11, 2024]

METROPOLITAN BANK AND TRUST COMPANY [FORMERLY ASIAN BANK CORPORATION], *Petitioner*, *v.* **SPOUSES RODOLFO ANTONINO AND ROSA MARINA ANTONINO,** *Respondents*.

[G.R. No. 272914. November 11, 2024]

RODOLFO W. ANTONINO, *Petitioner*, *v.* **METROPOLITAN BANK & TRUST COMPANY [FORMERLY ASIAN BANK CORPORATION],** *Respondent*.

D E C I S I O N

KHO, JR., *J.*:

Assailed in these consolidated Petitions for Review on *Certiorari*[1] under Rule 45 of the Rules of Court are the Decision[2] dated May 12, 2023 and the Resolution[3] dated February 6, 2024 of the Court of Appeals (CA) in CA-G.R. CV No. 116862, which affirmed with modification the Decision[4] dated January 22, 2020 of Branch 67, Regional Trial Court, Pasig City (RTC). The RTC ruling denied the Complaint for Recovery of Sum of Money (Complaint) filed by petitioner Metropolitan Bank & Trust Co. (Metrobank), formerly Asian Bank Corporation, against respondents spouses Rodolfo Antonino and Rosa Marino

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1 *Rollo* (G.R. No. 272145), pp. 14–35. *Rollo* (G.R. No. 272914), pp. 32–60.

2 *Rollo* (G.R. No. 272145), pp. 43–55. Penned by Associate Justice Geraldine C. Fiel-Macaraig and concurred in by Associate Justices Rafael Antonio M. Santos and Jennifer Joy C. Ong of the Special Fifth Division.

3 *Id*. at 58–59. Penned by Associate Justice Geraldine C. Fiel-Macaraig and concurred in by Associate Justices Rafael Antonio M. Santos and Jennifer Joy C. Ong of the Former Special Fifth Division.

4 *Id*. at 118–133. Penned by Presiding Judge Ira Fritzie C. Cruz-Rojo.

Antonino (Sps. Antonino), in relation to Sps. Antonino's several loan obligations with Metrobank one of which was secured by a Real Estate Mortgage (REM) evidenced by a contract containing a dragnet clause.

The Facts

From August 21, 1996 to January 20, 1997, Sps. Antonino successively obtained 12 loans, by way of credit accommodation, from Metrobank, for which the former issued corresponding Promissory Notes, to wit:[5]

No.	Date	Promissory Note	Amount	Security
1	August 21, 1996	PN 0896-6605	5,000,000.00	None Indicated
2	September 3, 1996	PN 0996-6664	1,200,000.00	None Indicated
3	October 1, 1996	PN 1096-6797	8,500,000.00	Pledge Agreement
4	October 9, 1996	PN RR -1096-6822	16,000,000.00	REM
5	October 15, 1996	PN RR-1096-6835	1,000,000.00	None Indicated
6	October 28, 1996	PN RR-1096-6871	200,000.00	Pledge Agreement
7	November 6, 1996	PN RR-1196-6931	200,000.00	Pledge Agreement
8	November 19, 1996	PN 1196-6976	400,000.00	Pledge Agreement
9	December 13, 1996	PN RR-1296-7068	400,000.00	Pledge Agreement
10	January 9, 1997	PN RR-0197-7155	800,000.00	Pledge Agreement
11	January 20, 1997	PN RR-0197-7181	250,000.00	Pledge Agreement
12	January 20, 1997	PN RR-0197-7189	50,000.00	Pledge Agreement
		Total	34,000,000.00	

To secure the PHP 16,000,000.00 loan obtained on October 9, 1996 covered by Promissory Note No. RR-1096-6822 (October 9, 1996 loan), Sps. Antonino executed a REM over their 1,167 square-meter property in Ayala Alabang, Muntinlupa.[6] The other credit accommodations, which were initially consolidated in one promissory note amounting to PHP 8,000,000.00, however, were secured by a Continuing Pledge Agreement with Sps. Antonino's 42,375 Philippine Commercial and International Bank (PCIB) shares of stocks, then worth twice the value of the

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[5] *Id*. at 122–123.

[6] *Id*. at 123.

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total obligation. Thereafter, due to the succeeding increase in Sps. Antonino's consolidated credit accommodation, the parties entered into amendments of the Pledge Agreement. In the first amendment, Sps. Antonino pledged to Metrobank an additional 96,425 PCIB shares, then worth twice the value of the increased credit accommodations of PHP 18,000,000.00. In the second amendment, the credit accommodation was further increased to PHP 18,600,000.00; hence, Sps. Antonino delivered to Metrobank an additional 5,859 PCIB shares, similarly worth twice the value of the increase in credit accommodation.[7] At that time, the pledged shares had a total value of more than PHP 38,000,000.00.[8]

Sps. Antonino however defaulted in the payment of their loans, thereby prompting Metrobank to foreclose the REM. In the public auction sale of the mortgaged property, Metrobank emerged as the winning bidder in the amount of PHP 25,674,000.00. Afterwards, *the foreclosure sale proceeds were applied to* the expenses of the foreclosure sale and *Sps. Antonino's unsecured outstanding obligations to Metrobank, supposedly by virtue of the* ***dragnet clause*** *contained in the REM contract*.[9] According to Metrobank, the foreclosed mortgage covered only four promissory notes as the other loan obligations were secured by the Continuing Pledge Agreement.[10] To be exact, the promissory notes bearing numbers 1096-6871, 1096-6797, 1196-6931, 1196-6976, 1296-7068, 0197-7155, 0197-7181, 0197-7189 were secured by the Continuing Pledge Agreement. In contrast, none was indicated for the other three promissory notes bearing numbers 0996-6664, 0896-6605 and 1096-6835; hence, the application of the foreclosure sale proceeds thereto, as well as to the October 9, 1996 loan.[11] This notwithstanding, there purportedly remained a balance of PHP 12,386,356.00.[12]

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[7] *Id*. at 103–104.

[8] *Id*. at 125.

[9] *Id*. at 44.

[10] *Id*. at 27.

[11] *Id*. at 129.

[12] *Id*. at 44.

Having failed to pay said balance despite receipt of a Demand Letter, Metrobank filed the Complaint against Sps. Antonino. In said Complaint, Metrobank prayed only for the payment of the PHP 12,386,356.00 balance on the October 9, 1996 loan worth PHP 16,000,000.00, which at the time of the foreclosure sale had already ballooned to PHP 18,626,917.86 due to interests and penalties. Further attached to the Complaint is the Statement of Account clearly stating that the amount subject of the claim is the balance only from the October 9, 1996 loan, the other three obligations having been satisfied already by the foreclosure sale proceeds.[13]

In defense, Sps. Antonino admitted obtaining 12 different and independent loans from Metrobank. To secure the loans, they pledged their PCIB shares of stocks in favor of Metrobank. However, they later learned that Metrobank fraudulently sold said shares without their written authorization and at a price lower than their market value or for a total amount of PHP 11,101,952.00 only. Sps. Antonino additionally accused Metrobank of forging their signatures on the authorization letter which the latter allegedly used as basis for the purported illegal sale of the pledged shares.

Sps. Antonino then confirmed executing the REM but argued that the same was limited to the October 9, 1996 loan. With this, they contended that Metrobank erred in using the foreclosure sale proceeds of the mortgaged property to pay off their other loan obligations under Promissory Note Nos. 0996-6664, 0896-6605, and 1096-6835. At the same time, they averred that the foreclosure sale proceeds were more than enough to satisfy the October 9, 1996 loan amounting to PHP 16,000,000.00, regardless of interest and penalties. As such, Sps. Antonino concluded that their October 9, 1996 loan had been fully paid from the proceeds of the foreclosure sale and that the other loans had been fully settled from the proceeds of the sale of their PCIB shares of stocks.

Thus, by way of counterclaim, Sps. Antonino prayed for: (*a*) the accounting and reimbursement of the balance from the

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[13] *Id*. at 44–45.

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proceeds of the sale of both the real property and the PCIB shares of stock; and (*b*) the payment of moral and exemplary damages, and attorney's fees plus cost.[14]

The RTC Ruling

In a Decision[15] dated January 22, 2020, the RTC denied Metrobank's Complaint and partly granted Sps. Antonino's counterclaim. Accordingly, it ordered Metrobank to pay Sps. Antonino the sum of: (*a*) PHP 6,423,663.59 as balance of the proceeds of the foreclosure sale; and (*b*) PHP 100,000.00 as attorney's fees, the dispositive portion of which reads:

> WHEREFORE, [Metrobank's] Complaint for Sum of Money is ***DENIED***.
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> [Sps. Antonino's] counterclaim is ***GRANTED in PART***. Accordingly, [Metrobank] is ***ordered*** to pay [Sps. Antonino] the sum of Six Million Four Hundred Twenty Three Thousand Six Hundred Sixty Three Pesos and 59/100 ([PHP] 6,423,663.59), the balance of the proceeds from the foreclosure sale, and One Hundred Thousand Pesos ([PHP] 100,000.00), as attorney's fees.
>
> SO ORDERED.[16] (Emphasis in the original)

In so ruling, the RTC held that the REM secured *only* the October 9, 1996 loan and thus cannot be extended to Sps. Antonino's other loan obligations, despite presence of the dragnet clause in the REM contract. In this light, and pursuant to Rule 68, Section 4[17] of the Rules of Court, the proceeds of the foreclosure

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[14] *Id*. at 131.

[15] *Id*. at 118–133.

[16] *Id*. at 133.

[17] RULES OF COURT, Rule 68, Sec. 4 reads:
Section 4. *Disposition of proceeds of sale*. — The amount realized from the foreclosure sale of the mortgaged property shall, after deducting the costs of the sale, be paid to the person foreclosing the mortgage, and when there shall be any balance or residue, after paying off the mortgage debt due, the same shall be paid to junior encumbrancers in the order of their priority, to be ascertained by the court, or if there be no such encumbrancers or there be

sale amounting to PHP 25,674,000.00 should have been charged only the amounts of: (*a*) PHP 623,418.55 as expenses for the foreclosure sale; and (*b*) PHP 18,626,917.86 as Sps. Antonino's balance from the October 9, 1996 loan under Promissory Note No. RR-1096-6822, including interest and penalties. The RTC likewise pointed out that since there is no proof that the REM also served as security for the other loans nor that there were junior encumbrances, there remains a balance from the proceeds of the foreclosure sale in the amount of PHP 6,423,663.59, which must be returned to Sps. Antonino.[18]

Anent Sps. Antonino's counterclaim for the accounting and reimbursement of the proceeds from the sale of their pledged PCIB shares of stock, the RTC refrained from ruling thereon; ratiocinating that the Continuing Pledge Agreement and the loans secured thereby were not the subject of the Complaint, hence, the RTC limited its resolution on the issue concerning the REM and its sole application to the October 9, 1996 loan.[19]

As regards the counterclaim for damages, the RTC denied Sps. Antonino's counterclaim for moral and exemplary damages for lack of merit. However, the RTC found Sps. Antonino entitled to the award of attorney's fees considering that they were forced to litigate against Metrobank to protect their interest.[20]

Aggrieved, both parties appealed to the CA. However, Sps. Antonino's appeal was dismissed due to their failure to file an Appellants' Brief.[21] Consequently, the controversies in this case were limited by the CA to the errors assigned by Metrobank, particularly: (*a*) the REM's application to Sps. Antonino's other loan obligations; and (*b*) the award of attorney's fees.[22]

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a balance or residue after payment to them, then to the mortgagor or his duly authorized agent, or to the person entitled to it.

[18] *Rollo* (G.R. No. 272145), pp. 127–131.

[19] *Id*. at 131–132.

[20] *Id*. at 132–133.

[21] *Id*. at 47.

[22] *Id*. at 48.

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The CA Ruling

In a Decision[23] dated May 12, 2023, the CA affirmed the RTC ruling with modification, imposing on the monetary awards due to Sps. Antonino legal interest at the rate of 6% interest per annum from finality of the decision until full payment, thus:

> **PREMISES CONSIDERED,** the appeal is **DENIED**. The January 22, 2020 Decision of the Regional Trial Court of Pasig, Branch 67, is **AFFIRMED** with **MODIFICATION**.
>
> "WHEREFORE, [Metrobank's] Complaint for Sum of Money is **DISMISSED**.
>
> [Sps. Antonino's] counterclaim is GRANTED in PART. Accordingly, [Metrobank] is ordered to pay [Sps. Antonino] the sum of Six Million Four Hundred Twenty Three Thousand Six Hundred Sixty Three and 59/100 ([PHP] 6,423,663.59), the balance of the proceeds of the foreclosure sale, and One Hundred Thousand Pesos ([PHP] 100,000.00), as attorney's fees. **All amounts shall earn 6% interest per annum, computed from the finality of this Decision until full payment.**
>
> **SO ORDERED.**[24] (Emphasis in the original)

In maintaining that the REM cannot extend to Sps. Antonino's other loan obligations notwithstanding their conformity to a dragnet clause under the REM contract, the CA explained that Metrobank failed to prove that the promissory notes executed by Sps. Antonino as evidence of their other loan obligations have references to the same REM.[25] Thus, the CA sustained the finding that the REM was limited to the October 9, 1996 loan.[26]

Metrobank and Sps. Antonino separately sought reconsideration. Particularly, Sps. Antonino claimed, among others, that the CA erroneously dismissed their appeal considering that when they

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[23] *Id*. at 43–55.

[24] *Id*. at 54.

[25] *Id*. at 50–53.

[26] *Id*. at 54.

filed the same, the CA failed to issue any order relating thereto, even one for consolidation of the two appeals separately filed by the parties. Sps. Antonino further mentioned the CA's lack of action on their appeal in the Appellees' Brief they filed for the earlier appeal of Metrobank. In any case, Sps. Antonino claimed that their Appellees' Brief in Metrobank's earlier appeal contains all the issues and errors they intend to raise, and thus, should have been considered and determined by the CA. In a Resolution[27] dated February 6, 2024, the CA denied Metrobank's and Sps. Antonino's respective motions for reconsideration for lack of merit. This then prompted the parties to respectively file their separate Petitions[28] before the Court, which were later on consolidated following the Report[29] dated June 13, 2024.

The Issue Before the Court

The issue before the Court is whether the application of the REM was limited only to the October 9, 1996 loan.

In Metrobank's petition, it maintains that the REM is not limited to the October 9, 1996 loan alone, but rather, is intended as well to secure the rest of the credit accommodations it granted to Sps. Antonino. As such, there is no legal and factual basis for the return of the alleged surplus of the foreclosure sale since the same was correctly applied to Sps. Antonino's other loan obligations.[30] In this connection, Metrobank claims that it is entitled to recover from Sps. Antonino the deficiency amount of PHP 12,386,356.00 arising from their October 9, 1996 loan.

Sps. Antonino, for its part, contends that while the CA correctly affirmed the RTC in ordering the return of the balance of PHP 6,423,663.59 in their favor, it erred, however, in the imposition of legal interest, particularly on: (*a*) the correct interest rate imposable on said balance; and (*b*) the proper reckoning point

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[27] *Id*. at 58–59.

[28] *Id*. at 3–31 and 32–60.

[29] Unpaginated.

[30] *Id*. at 31.

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for the computation thereof. Adamant that Metrobank's failure to return the surplus proceeds qualifies as a forbearance of money, Sps. Antonino submits that: (*a*) the imposition of the legal interest should be reckoned from the time of the foreclosure sale of the real property on February 25, 1998, or the time when Metrobank took possession of the proceeds of the auction and applied the same to Sps. Antonino's obligations, then effectively depriving Sps. Antonino of the excess bid price; and (*b*) the legal interest should be 12% per annum from February 25, 1998 until June 30, 2013, and 6% per annum starting July 1, 2013 until full payment.[31]

Sps. Antonino further insist their right to the accounting and reimbursement of the balance from the proceeds of the sale of the pledged PCIB shares of stock in view of the alleged illegal disposition thereof, as initially raised in their counterclaim. According to Sps. Antonino, the trial court erred in refusing to rule on this matter.[32]

The Court's Ruling

The petitions lack merit.

To recount, the loan obligations which were applied to the foreclosure sale proceeds of the REM are those covered by: (*a*) Promissory Note Nos. 0896-6605 and 0996-6664 which were respectively obtained on August 21, 1996 and September 3, 1996 or *prior* to the October 9, 1996 loan; and (*b*) Promissory Note No. 1096-6835 which was obtained on October 15, 1996 or *after* the October 9, 1996 loan. Metrobank insists that the REM contract executed to secure the October 9, 1996 loan includes a purported dragnet clause which extends the mortgage's application to the aforementioned obligations.

The Court is not convinced.

A "blanket mortgage clause," or "dragnet clause," is a stipulation in a real estate mortgage which is specifically phrased to subsume

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[31] *Id*. at 45.

[32] *Id*. at 45–51.

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all debts of past and future origins.[33] It is recognized as a valid and legal undertaking, and 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.[34]

In *Philippine National Bank v. Heirs of Benedicto*,[35] the Court, in recognizing that a dragnet clause is an exceptional mode of securing obligations, held that obligations could only be deemed secured by the mortgage if they came fairly within the terms of the mortgage contract. ***To secure future loans, therefore, such loans must be sufficiently described in the mortgage contract.*** *Notably,* ***this requirement finds greater application to past loans*** *since, contrary to future loans which are uncertain to materialize, past loans are already subsisting and known to the parties, hence, can be readily described in the contract*.[36]

Moreover, in *Prudential Bank v. Alviar*,[37] the Court held that in the absence of clear, supportive evidence of a contrary intention, a mortgage containing ***a dragnet clause will not be extended to cover future advances unless the document evidencing the subsequent advance refers to the mortgage as providing security therefor***.[38] This was later reiterated in *Asiatrust Development Bank v. Tuble*,[39] where the Court explained that the pronouncement in *Prudential Bank* was in regard to the Court's adoption of the "reliance on the security test."[40] Corollarily, *Prudential*

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

[34] *Premiere Development Bank v. Central Surety & Insurance Company, Inc.*, 598 Phil. 827, 584–855 (2009) [Per J. Nachura, Third Division].

[35] 797 Phil. 152 (2016) [Per J. Bersamin, First Division].

[36] *Id*. at 161.

[37] 502 Phil. 595, 606 (2005) [Per J. Tinga, Second Division].

[38] *Id*. at 609.

[39] 691 Phil. 732 (2012) [Per J. Sereno, Second Division].

[40] *See id*. at 746–747.

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Bank elucidated that such test necessitates an inquiry on whether the second loan was made in reliance on the original security containing a dragnet clause. It further explained the test, *viz.*:

> 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.***[41] (Emphasis supplied)

Guided by the foregoing, the Court holds that the REM constituted as security for the October 9, 1996 loan cannot be extended to Sps. Antonino's other loan obligations, as will be explained below.

For referential facility, the relevant portions of the REM contract read:

> Section 1. Secured Obligations. The amount of secured credit specified hereinabove refers to the maximum loan/credit that can be covered by 70% of the appraised value of the Mortgaged Properties in accordance with Section 78 of the General Banking Act and does not refer to the obligations secured by the Mortgage. Irrespective of the loan value of the Mortgaged Properties. *This mortgage shall secure the following obligations:*
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> . . . .
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> b) *All other obligations of the Borrower and/or MORTGAGOR in favor of the MORTGAGEE, presently owing or hereinafter*

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[41] *Prudential Bank v. Alviar*, 502 Phil. 595, 609 (2005) [Per J. Tinga, Second Division].

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> *incurred and whether or not arising from or connected with the Agreement, the Notes and/or this Mortgage, and any other obligations of every kind owing to the MORTGAGEE by the Borrower and/or the MORTGAGOR, whether for the MORTGAGEE'S own account or in its capacity as trustee or investment manager, or whether direct or indirect, principal or secondary, absolute or contingent, due or become due*; . . .
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> . . . .[42]

As may be gleaned from the stipulations quoted above, the mortgage contract made no sufficient mention of the loans existing prior to the October 9, 1996 loan—i.e., those obtained on August 21, 1996 and September 3, 1996, respectively covered by Promissory Note Nos. 0896-6605 and 0996-6664—for which obligation the REM was constituted as a security.

To stress, *Philippine National Bank* requires that loans be sufficiently described in the mortgage contract before the dragnet clause may be properly invoked to secure future and past loans. Given this, and further considering that the loan obligations covered by Promissory Note No. 0996-6664 obtained on August 21, 1996 and Promissory Note No. 0896-6605 obtained on September 3, 1996 had been existing prior to the October 9, 1996 loan, Metrobank should have made reference to these pre-existing loan obligations in the REM contract to warrant the application of the dragnet clause to said obligations. Having failed to do so, it becomes clear that the earlier loan obligations were in no way contemplated in the subsequent REM contract, hence, the non-application of the dragnet clause thereto.

Anent Promissory Note No. 1096-6835 obtained on October 15, 1996 or after the October 9, 1996 loan, the Court reiterates the pronouncement in *Prudential Bank* which instructs that to justify the extension of a mortgage containing a dragnet clause to cover future loans, the document evidencing the subsequent loan should refer to said mortgage as providing security therefor.

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[42] *Rollo* (G.R. No. 272145), p. 92.

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Here, a close scrutiny of Promissory Note No. 1096-6835 shows that no security was constituted for the obligation covered thereby. More importantly, Promissory Note No. 1096-6835 makes no reference to the earlier executed REM contract as its security. It is furthermore significant to point out that when Sps. Antonino obtained the loan covered by Promissory Note No. 1096-6835, there already exists a Continuing Pledge Agreement between the parties. Notably, the records reveal that the Continuing Pledge Agreement was constituted as security for Sps. Antonino's cumulative loan obligations as early as October 1, 1996 when Sps. Antonino was granted the loan covered by Promissory Note No. 1096-6797, shown by the table above.

At this juncture, it bears emphasizing that while the language of the dragnet clause contained in the REM contract is clear as to its intention to cover Sps. Antonino's future obligations in favor of Metrobank, it is crucial to note, however, that the REM contract and the promissory notes subject in this case are contracts of adhesion. A contract of adhesion is one in which a party imposes a ready-made form of contract which the other party may accept or reject, but which the latter cannot modify. In other words, Sps. Antonino's role in its execution is limited to merely affixing their signatures or adhering thereto.[43] Considering that the REM contract and the promissory notes appear in a standard form, drafted and prepared solely by Metrobank, its construction therefore shall be strictly against the latter or the party responsible for its preparation. This is because if the parties intended that the REM contract shall extend its application by covering obligations obtained after its execution, then Metrobank, in drafting the promissory note evidencing the subsequent loan, could have easily made reference to the earlier executed mortgage contract. Any ambiguity, consequently, is to be taken *contra proferentem*, meaning the same should be construed against the party who caused the ambiguity which could have avoided it by the exercise of a little more care. Put simply, any ambiguity in a contract whose terms are susceptible of different interpretations must be

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[43] *Id*. at 610.

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read against the party who drafted it,[44] which in this instance, is Metrobank.

The foregoing considered, the CA correctly held that the REM contract was limited as to its application to the October 9, 1996 loan. As such, Metrobank erroneously applied Sps. Antonino's other loan obligations—i.e., those covered by Promissory Note Nos. 0996-6664, 0896-6605, and 1096-6835—to the REM foreclosure sale proceeds.

On a related matter, Article 2126[45] of the Civil Code provides that the mortgage directly and immediately subjects the property upon which it is imposed to the fulfillment of the obligation for whose security it was constituted. In *Sps. Saguan v. Philippine Bank of Communications*,[46] the Court simplified this further by declaring that the foreclosure of a property is meant to answer only the obligation secured by the mortgage. Thus, the mortgagor's remaining obligations which were not secured by the mortgage cannot be made subject, or even susceptible, to the extrajudicial foreclosure of mortgage. This being so, any surplus money arising from the decree of foreclosure rightfully belongs to the mortgagor, as sufficiently explained by the Court in *Sps. Saguan*, citing *Sulit v. Court of Appeals*,[47] *viz.*:

> We cannot simply ignore the importance of surplus proceeds because by their very nature, surplus money arising from a sale of land under a decree of foreclosure stands in the place of the land itself with respect to liens thereon or vested rights therein. They are constructively, at least, real property and belong to the mortgagor or his assigns. ***Inevitably, the right of a mortgagor to the surplus proceeds is a substantial right*** which must prevail over rules of technicality.[48] (Emphasis supplied)

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[44] *Id*.

[45] CIVIL CODE, Art. 2126 reads:
Article 2126. The mortgage directly and immediately subjects the property upon which it is imposed, whoever the possessor may be, to the fulfillment of the obligation for whose security it was constituted.

[46] 563 Phil. 696 (2007) [Per J. Nachura, Third Division].

[47] 335 Phil. 914 (1997) [Per J. Regalado, Second Division].

[48] *Sps. Saguan v. Philippine Bank of Communications*, 563 Phil. 696, 709–710 (2007) [Per J. Nachura, Third Division].

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Here, the Court notes that Sps. Antonino filed a counterclaim against Metrobank for the recovery of the surplus of the proceeds of the foreclosure sale. Said counterclaim was then resolved by the RTC, and later affirmed by the CA, in Sps. Antonino's favor in that the excess of the foreclosure sale amounting to PHP 6,423,663.59 was ordered returned to them. Verily, this ruling was reached by the courts a *quo* only after they: (*a*) assessed, based on the evidence presented by the parties, the expenses and interests chargeable to the proceeds of the foreclosure sale; and (*b*) determined that the REM has no junior encumbrances nor that it serves as security to other loans. This being the case, the Court holds that the lower courts correctly ordered the return of the balance that remained from the proceeds of the foreclosure sale to Sps. Antonino.

Anent the imposition of the proper interest rate on the balance of the foreclosure sale proceeds, the Court finds that Metrobank's obligation to return the excess amount does *not* constitute a forbearance of money, as erroneously argued by Sps. Antonino.

In *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*,[49] the Court defined "forbearance," in the context of the Usury Law, as a contractual obligation of lender or creditor to refrain, during a given period of time, from requiring the borrower or debtor to repay a loan or debt then due and payable. Alternatively, in *Estores v. Spouses Supangan*,[50] citing *Crismina Garments, Inc. v. Court of Appeals*,[51] forbearance of money, goods or credits has been referred to by the Court as arrangements other than loan agreements, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions. Thus, in *Lara's Gifts*, the Court explained, *viz.*:

> In *Estores v. Spouses Supangan*, the Court ruled that "forbearance of money, goods or credits" has a "separate meaning from a loan." The Court then reiterated, citing *Crismina Garments, Inc. v. Court of Appeals*,

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[49] 860 Phil. 744 (2019) [Per J. Carpio, *En Banc*].

[50] 686 Phil. 86 (2012) [Per J. Del Castillo, First Division].

[51] 363 Phil. 701 (1999) [Per J. Panganiban, Third Division].

that "forbearance of money, goods or credits" refers to "arrangements other than loan agreements, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions." The Court explained in *Estores*:

> The contract involved in this case is admittedly not a loan but a Conditional Deed of Sale. However, the contract provides that the seller (petitioner) must return the payment made by the buyer (respondent-spouses) if the conditions are not fulfilled. There is no question that they have in fact, not been fulfilled as the seller (petitioner) has admitted this. Notwithstanding demand by the buyer (respondent-spouses), the seller (petitioner) has failed to return the money and should be considered in default from the time that demand was made on September 27, 2000.
>
> Even if the transaction involved a Conditional Deed of Sale, can the stipulation governing the return of the money be considered as a forbearance of money which required payment of interest at the rate of 12%? We believe so.
>
> In *Crismina Garments, Inc. v. Court Appeals*, "forbearance" was defined as a "contractual obligation of lender or creditor to refrain during a given period of time, from requiring the borrower or debtor to repay a loan or debt then due and payable." This definition describes a loan where a debtor is given a period within which to pay a loan or debt. In such case, "forbearance of money, goods or credits" will have no distinct definition from a loan. **We believe, however, that the phrase "forbearance of money, goods or credits" is meant to have a separate meaning from a loan, otherwise there would have been no need to add that phrase as a loan is already sufficiently defined in the Civil Code. Forbearance of money, goods or credits should therefore refer to arrangement other than loan agreements, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions.** In this case, the respondent-spouses parted with their money even before the conditions were fulfilled. They have therefore allowed or granted forbearance to the seller (petitioner) to use their money pending fulfillment of the conditions. They were deprived of the use of their money for the period pending fulfillment of the conditions and when those conditions were breached, they are entitled not only to the return of the principal amount paid, but also to compensation for the use

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> of their money. And the compensation for the use of their money, absent any stipulation, should be the same rate of legal interest applicable to a loan since the use of deprivation of funds is similar to a loan.[52] (Emphasis in the original)

Applying the foregoing pronouncement in this case, and further cross-referencing the transaction involved herein to the definition of forbearance of money discussed above, the Court is of the considered view that Metrobank's non-payment of the excess of the foreclosure sale proceeds to Sps. Antonino does not constitute a forbearance of money. Verily, there exists no contractual obligation between Metrobank and Sps. Antonino whereby the latter allowed or granted forbearance to the former to use their money pending fulfillment of certain conditions. In other words, there was no conditional payment made by Sps. Antonino in this case, but merely a consequent obligation on the part of Metrobank to return the surplus proceeds of the foreclosure sale to Sps. Antonino, which however is not based on the fulfillment of a condition.

To bolster this finding, the Court, in *Spouses Suico v. Philippine National Bank*,[53] held that *the responsibility to return the excess of the foreclosure sale proceeds to the mortgagor does* ***not*** *arise from a loan or a forbearance of money*. In said case, the Philippine National Bank foreclosed the properties mortgaged by Spouses Suico as security for loans which the latter defaulted in paying. After the foreclosure sale, however, the bank failed to deliver the surplus of the bid price to Spouses Suico. *Finding fault on the bank's act of non-reimbursement, and further holding that the subject obligation does not involve a forbearance of money, the Court declared that the bank must return, together with interest computed at 6%, the excess of the bid price to Spouses Suico*.[54]

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[52] *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, 860 Phil. 744, 772–773 (2019) [Per J. Carpio, *En Banc*].

[53] 558 Phil. 265 (2007) [Per J. Chico-Nazario, Third Division].

[54] *Id*. at 275–284.

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Relevant to this determination, the Court in its later Resolution of *Lara's Gifts*[55] laid down the amended rules on the imposition of interest in obligations *not* considered as forbearance of money, to wit:

> With regard to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:
>
> A. In obligations consisting of loans or forbearances of money, goods or credit:
>
> 1. The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, the compensatory interest due shall be that which is stipulated by the parties in writing as the conventional interest, or if these rates are unconscionable, the compensatory interest shall be the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, i.e., from extrajudicial or judicial demand, until full payment.
>
> 2. Interest on conventional/monetary interest and stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand until full payment, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas shall apply from the time of judicial demand until full payment.
>
> B. ***In obligations not consisting of loans or forbearances of money, goods or credit***:

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[55] G.R. No. 225433, September 20, 2022 [Per Acting C.J. Leonen, *En Banc*].

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1. For liquidated claims:

   The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, or if these rates are unconscionable, the compensatory interest rate shall be at the rate of 6%. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, i.e., from extrajudicial or judicial demand, until full payment.

   a. Interest on stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or in the absence thereof from extrajudicial or judicial demand until full payment, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, legal interest at the rate of 6% shall apply from the time of judicial demand until full payment.

2. *For unliquidated claims:*

   Compensatory interest on the amount of damages awarded may be imposed in the discretion of the court at the rate of 6% per annum*. No compensatory interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty. Thus, when such certainty cannot be so reasonably established at the time the demand is made,* ***the interest shall begin to run only from the date of the judgment of the trial court*** *(at which time the quantification of damages may be deemed to have been reasonably ascertained) until full payment*. The actual base for the computation of the interest shall, in any case, be on the principal amount finally adjudged.[56] (Emphasis supplied)

Using the above rule as basis, and further guided by the Court's determination in *Spouses Suico* that the subject obligation in this case is not a forbearance of money, the Court holds that the proper

[56] *Id*.

rate of interest for the surplus amount to be returned by Metrobank to Sps. Antonino is 6% per annum. Furthermore, since Sps. Antonino's entitlement to the surplus proceeds was reasonably ascertained only at the time the RTC rendered its decision on January 22, 2020, the computation of interest, consequently, should be reckoned from that date, consistent with the CA ruling.

Anent Sps. Antonino's demand for the accounting and reimbursement of the balance from the proceeds of the sale of the PCIB shares of stock, the Court finds that the resolution of this matter involves a question of fact which is beyond the ambit of the Court's power of review in a Rule 45 petition. To recall, this particular claim is predicated on Sps. Antonino's allegation that their pledged PCIB shares of stock was fraudulently sold by Metrobank by forging their signature on the authorization letter supposedly used to facilitate said sale. Inarguably, the determination of the existence of forgery, as averred by Sps. Antonino, will necessarily entail the review of evidence presented by the parties, which the Court is precluded from doing here as it can only review questions of law in an appeal by *certiorari*. At any rate, the Court observes that the evidence adduced by the parties in this case are in relation only to the issue concerning the dragnet clause in the REM contract and the propriety of its application to Sps. Antonino's other loan obligations. Verily, these pieces of evidence do not lend support nor in any way refute Sps. Antonino's claim of forgery and consequently their demand for accounting and reimbursement of the PCIB shares of stock. Hence, the Court likewise affirms the courts a *quo*'s ruling in this respect.

ACCORDINGLY, the Petitions are **DENIED.** The Decision dated May 12, 2023 and the Resolution dated February 6, 2024 of the Court of Appeals in CA-G.R. CV No. 116862 are hereby **AFFIRMED**. Metropolitan Bank and Trust Company (Formerly Asian Bank Corporation) is directed to return to Spouses Rodolfo Antonino and Rosa Marina Antonino the amount of PHP 6,423,663.59 and to pay attorney's fees in the amount of PHP 100,000.00, all with interest computed at the rate of 6% per annum from January 22, 2020 until full payment.

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SO ORDERED.

Lazaro-Javier[*] *(Acting Chairperson), M. Lopez,* and *J. Lopez, JJ.,* concur.

Leonen, S.A.J., on official leave.

APPEARANCES OF COUNSEL

CRC Law Firm for Metrobank.
Villaraza & Angangco for Spouses Antonino.

[*] Acting Chairperson per Special Order No. 3144 dated November 7, 2024.