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SECOND DIVISION

[G.R. No. 255239; February 13, 2023]

SPOUSES TOMAS LIBIRAN AND POTENCIANA FELICIANO (DECEASED), herein represented by their attorney-in-fact, RONING SANTOS, *Petitioners*, *v.* **ELISAN CREDIT CORPORATION,** *Respondent*.

D E C I S I O N

LOPEZ, J., *J.*:

This Court resolves the Petition for Review on *Certiorari*[1] filed assailing the Decision[2] and the Resolution[3] of the Court of Appeals (*CA*), which affirmed with modification the Regional Trial Court (*RTC*) Decision[4] in favor of Elisan Credit Corporation (*Elisan*).

The Antecedents

On January 8, 2003, Spouses Tomas Libiran and Potenciana Feliciano (*Spouses Libiran*) obtained a loan from Elisan in the amount of PHP200,000.00. This was secured by a promissory note and a real estate mortgage (*mortgage contract*) over a parcel of land covered by Transfer Certificate of Title (*TCT*) No. T-405042 (M) (*subject property*). The mortgage was annotated on the title.[5] It was stipulated in the mortgage contract that the property

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1 *Rollo*, pp. 25–35.

2 *Id.* at 44–59. The September 30, 2020 Decision in CA-G.R. CV No. 109587 was penned by Associate Justice Gabriel T. Robeniol, and concurred in by Associate Justices Edwin D. Sorongon and Carlito B. Calpatura of the Special Fifteenth Division, Court of Appeals, Manila.

3 *Id.* at 61–63. The January 18, 2021 Resolution in CA-G.R. CV No. 109587 was penned by Associate Justice Gabriel T. Robeniol, and concurred in by Associate Justices Edwin D. Sorongon and Carlito B. Calpatura of the Former Special Fifteenth Division, Court of Appeals, Manila.

4 *Id.* at 84–99. The January 20, 2017 Decision was penned by Judge Rafael G. Hipolito of Branch 215, Regional Trial Court, Quezon City.

5 *Id.* at 64–65 & 68–69.

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shall stand as security not only for the payment of the loan but also for all other obligations that they may subsequently incur.[6]

On December 9, 2005, Spouses Libiran obtained another loan from Elisan in the amount of PHP609,000.00 but they were only able to pay PHP293,000.00. Likewise, the interest due starting December 5, 2006 remained unpaid.[7]

Thereafter, on March 9, 2006, Spouses Libiran obtained another loan in the amount of PHP118,000.00 but they were only able to pay PHP13,500.00. In addition, interest beginning August 7, 2006 remained unpaid.[8]

On June 15, 2006, Spouses Libiran again obtained a loan for PHP474,000.00 from Elisan but they only paid PHP9,120.00. Interest due beginning June 11, 2007 was also not settled.[9]

Despite repeated demands, Spouses Libiran failed to pay their obligation totaling PHP885,380.00, as well as the interests and penalties due.[10] As a result, Elisan instituted a complaint for judicial foreclosure under Rule 68 of the Rules of Court with the RTC of Quezon City.[11]

In their Answer,[12] Spouses Libiran denied the accusations against them and insisted that they did not owe Elisan any money.[13] They contended that the venue of the action has been improperly laid considering that the subject property is located in Bagong Barrio, Pandi, Bulacan.[14] They claimed that they were made to sign blank documents, making it appear that they obtained a loan despite not

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6 *Id.* at 69.

7 *Id.* at 45 & 69–70.

8 *Id.* at 45 & 70.

9 *Id.* at 45 & 70–71.

10 *Id.* at 45 & 71.

11 *Id.* at 68–72.

12 *Id.* at 76-83.

13 *Id.* at 76.

14 *Id.* at 77–78.

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receiving any money from Elisan.[15] They also averred that Elisan was merely holding the owner's duplicate copy of the subject property in trust for the loan of their daughter, Florentina Libiran Santos (*Florentina*), and son-in-law, Roning Santos (*Roning*), which was already paid in full.[16] They insisted that they did not mortgage the subject property to Elisan[17] nor appear before any notary public to acknowledge the mortgage contract.[18] Spouses Libiran averred that the mortgage contract, promissory notes, and vouchers were all falsified.[19] By way of counterclaim, they prayed that they be awarded moral and exemplary damages.[20]

Then, the RTC rendered its Decision,[21] the dispositive portion of which states:

> WHEREFORE, judgment is rendered in favor of plaintiff Elisan Credit Corporation and against defendants Spouses Tomas Libiran and Potenciana Feliciano. Defendants are hereby ordered to pay the plaintiff, within a period of 90 to 120 days from the entry of judgment, the following:
>
> 1. [PHP]885,380.00 representing the balance of Defendants' principal obligation;
> 2. the sum equivalent to 26% interest per annum plus 2.5% penalty per month of [PHP]316,000.00 from December 5, 2006, until fully paid;
> 3. the sum equivalent to 26% interest per annum plus 2.5% penalty per month of [PHP]104,500.00 from August 7, 2006, until fully paid;

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15 *Id.* at 79.

16 *Id.*

17 *Id.*

18 *Id.* at 80.

19 *Id.*

20 *Id.* at 81.

21 *Id.* at 84–99.

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4. the sum equivalent to 26% interest per annum plus 2.5% penalty per month of [PHP]464,880.00 from June 11, 2007, until fully paid;

5. [PHP]100,000.00 as attorney's fees.

In the event of default of such payment/s the property covered by TCT No. T-405042 (M), subject of the Real Estate Mortgage dated January 8, 2003 shall be sold at public auction to satisfy the judgment upon motion by the plaintiff.

Accordingly, the Defendants[']counter-claims are dismissed.

SO ORDERED.[22]

The RTC found that Elisan was able to prove its claim by preponderance of evidence that Spouses Libiran obtained several loans that they failed to pay in full.[23] It noted that the evidence presented by Spouses Libiran pertained to the loans that Roning obtained and the payments he made to Elisan, and not their own loan obligation.[24]

The RTC declared that since the promissory notes clearly set forth stipulations on interests and penalties, the same shall be applied to the outstanding obligations of Spouses Libiran.[25]

On appeal, the CA rendered its Decision,[26] the dispositive portion of which states:

WHEREFORE, the appeal is **DISMISSED**. The *Decision* dated January 20, 2017 and *Order* dated June 2, 2017 of the Regional Trial Court of Quezon City, Branch 215 in Civil Case No. Q-09-6539 are hereby **AFFIRMED** with the modification that the interest imposed in said *Decision* is hereby reduced to 12% *per annum*.

SO ORDERED.[27] (Emphasis in the original)

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22 *Id.* at 98–99.

23 *Id.* at 97.

24 *Id.* at 95–96.

25 *Id.* at 97–98.

26 *Id*. at 44–59.

27 *Id.* at 59.

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The CA held that the case was properly filed with the RTC. It reasoned that since the alternative cause of action involved the collection of a sum of money, the amount of money sought to be collected was beyond the jurisdictional threshold set by Section 19 of Batas Pambansa Blg. 129, as amended, for first level courts in Metro Manila. Likewise, the CA declared that Quezon City is the exclusive venue for the case as it is the place where the mortgage contract was executed.[28] It added that the failure to pay the correct amount of docket fee should not give rise to the dismissal of the complaint.[29]

The CA found that Elisan proved by preponderance of evidence its claim against Spouses Libiran through the promissory notes, vouchers, mortgage contract, and the testimony of Joselito Manalac, vice-president of Elisan.[30] For the CA, the bare denial and self-serving statements of Roning, the sole witness for Spouses Libiran, paled in comparison with the evidentiary weight that Elisan's documentary evidence had.[31]

On the claim of Spouses Libiran that the notarization of the mortgage contract was defective, the CA explained that the noted irregularities only reduced the document into a private document and that it remained on a higher evidentiary plane than their self-serving allegations.[32]

As regards the interest, the CA found the interest rate of 26% per annum, on top of the stipulated penalty of 2.5% per month, unconscionable. Thus, it reduced the interest to 12% per annum.[33]

In a Resolution,[34] the CA denied the motion for reconsideration filed by Spouses Libiran for lack of merit.[35]

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[28] *Id.* at 51.

[29] *Id.* at 54–56.

[30] *Id.* at 56.

[31] *Id.* at 57.

[32] *Id.* at 57–58.

[33] *Id.* at 58.

[34] *Id*. at 61–63. Dated January 18, 2021.

[35] *Id.* at 62.

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Aggrieved, Spouses Libiran filed the present Petition raising the following arguments: (1) the proper venue of an action for foreclosure of real estate mortgage is in the place where the subject of the mortgage is situated;[36] (2) the court lacks jurisdiction over the case due to the plaintiff's failure to allege in the Complaint the assessed value of the subject lot;[37] (3) non-payment of correct docket fee due to Elisan's failure to state the assessed value of the subject land should lead to the dismissal of the case for lack of jurisdiction;[38] (4) they did not apply for a loan and the certificate of title to the subject property registered in their names is with Elisan as additional security for the loans Roning obtained and had already paid in full;[39] and (5) the alleged mortgage contract is a void accessory contract because the Securities and Exchange Commission certified that Elisan does not have any license nor authority to engage in lending and financing business.[40]

Meanwhile, in the Comment[41] filed by Elisan, it maintained that (1) the filing of the case in Quezon City was proper, and Spouses Libiran cannot belatedly challenge the propriety of the venue after a decision had already been rendered by the RTC;[42] (2) the determination of the assessed value of the subject property is not necessary for the assessment of correct docket fees as the complaint for judicial foreclosure of mortgage is incapable of pecuniary estimation, thus falling within the jurisdiction of the RTC;[43] (3) the bare allegation of Spouses Libiran's lone witness that their loan application was denied or that they did not obtain any loan cannot overcome the evidence presented by Elisan;[44] and (4) the Securities and Exchange Commission issued its September

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[36] *Id.* at 28–29.

[37] *Id.* at 29–30.

[38] *Id.* at 30–31.

[39] *Id.* at 31–33.

[40] *Id.* at 33–34.

[41] *Id.* at 8–18.

[42] *Id.* at 9–10.

[43] *Id.* at 10–11.

[44] *Id.* at 14–17.

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22, 2017 Decision granting the appeal of Elisan and imposing only a fine of PHP50,000.00 for operating two unauthorized branches.[45]

In addition to what Spouses Libiran already raised in their Petition, they insisted in their Reply[46] that (1) the issue of improper venue was properly raised in the affirmative defenses embodied in their Answer and raised again before the CA;[47] and (2) the venue stipulation in the promissory note providing that the action should be instituted in Quezon City does not apply in this case because they did not sign any promissory note[48] and there is no venue stipulation in the mortgage contract.[49]

Issue

The central issue to be resolved in this case is whether the RTC of Quezon City has jurisdiction over the complaint for judicial foreclosure of mortgage.

This Court's Ruling

The Petition is meritorious.

A complaint for judicial foreclosure of mortgage is a real action and the assessed value of the property determines the jurisdiction of the court

It is a hornbook doctrine that jurisdiction over the subject matter is conferred by law.[50] It is determined through the allegations in the complaint comprising a concise statement of the ultimate facts of the plaintiff's cause of action.[51] The defense of lack of jurisdiction over the subject matter may be raised at any stage

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45 *Id.* at 17.

46 *Id.* at 259–264.

47 *Id.* at 259–260.

48 *Id.* at 260.

49 *Id.* at 261.

50 *Salvador v. Patricia, Inc.*, 799 Phil. 116, 128 (2016) [Per J. Bersamin, First Division].

51 *Padlan v. Dinglasan*, 707 Phil. 83, 91 (2013) [Per J. Peralta, Third Division].

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of the proceedings, whether during the trial or on appeal.[52] Here, Spouses Libiran first raised this argument in their Answer[53] and reiterated it on appeal to the CA and this Court.[54]

In determining whether the court has the authority to hear and decide a case, it is necessary to examine the allegations in the Complaint, the relevant portion of which states:

> WHEREFORE, plaintiff respectfully prays from this Honorable Court, as follows:
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> 1. That judgment be rendered in favor of the plaintiff and against the Defendants, ordering the latter to pay within the time prescribed in Section 2, Rule 68 of the New Rules of Civil Procedure, the following:
>
> a) The amount of [PHP]885,380.00 representing the balance of Defendants' principal obligation;
>
> b) The sum equivalent to 26% per annum as interest and 2.5% per month as penalties, respectively, on the following amounts:
>
> i. the amount of [PHP]316,000.00, from December 5, 2006, until fully paid;
>
> ii. the amount of [PHP]104,500.00, from August 7, 2006, until fully paid;
>
> iii. the amount of [PHP]464,880.00.00, from June 11, 2007 until fully paid;
>
> c) The sum of [PHP]100,000.00 as reasonable Attorney's Fees;
>
> 2. That in default of payment of the claims above set forth, the mortgaged property with all the buildings and improvements thereon be ordered sold at public auction and the proceeds of the sale applied to the payment of the total indebtedness due the plaintiff, and, in case said proceeds should not cover the full amount of the Defendants' indebtedness, that judgment be further rendered and execution issued for the deficiency, against any other property which Defendants may have.

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[52] *Amoguis v. Ballado*, 839 Phil. 1, 5 (2018) [Per J. Leonen, Third Division].

[53] *Rollo*, pp. 77–78.

[54] *Id.* at 29-30.

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Plaintiff likewise prays for such other measures of relief as may be just and proper in the premises.[55]

This Court recognized in *Russell v. Vestil*[56] that an action for foreclosure of mortgage is an action incapable of pecuniary estimation, and thus, within the jurisdiction of the RTC.[57] This is pursuant to Section 19(1) of Batas Pambansa Blg. 129, as amended by Republic Act No. 7691, which states:

> Section 19. *Jurisdiction in civil cases*. — Regional Trial Courts shall exercise exclusive original jurisdiction.
>
> (1) In all civil actions in which the subject of the litigation is incapable of pecuniary estimation[.] (Emphasis in the original)

However, in identifying the tribunal with proper jurisdiction over the case, this Court must also consider that while a foreclosure suit is incapable of pecuniary estimation, it is also a real action. In *Roldan v. Spouses Barrios*,[58] this Court explained that:

> . . . Foreclosure is but a necessary consequence of non-payment of the mortgage indebtedness. In a real estate mortgage[,] when the principal obligation is not paid when due, the mortgagee has the right to foreclose the mortgage and to have the property seized and sold with the view of applying the proceeds to the payment of the obligation. Therefore, *the foreclosure suit is a real action so far as it is against property, and seeks the judicial recognition of a property debt, and an order for the sale of the res*.[59] (Emphasis supplied; citations omitted)

It must be pointed out that in arguing that the Complaint was properly instituted with the RTC as a foreclosure suit is an action incapable of pecuniary estimation, Elisan relied on *Russell*. However, a complete reading of *Russell* will show that this Court made a clarification that a foreclosure suit is a real action and that

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55 *Id.* at 72.

56 364 Phil. 392 (1999) [Per J. Kapunan, First Division].

57 *Id.* at 397.

58 830 Phil. 583 (2018) [Per J. Peralta, Second Division].

59 *Id.* at 592–593.

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it is important to allege the assessed value. Noticeably, in *Russell*, this Court held that:

> In *Singsong v. Isabela Sawmill*, we had the occasion to rule that:
>
> > [I]n determining whether an action is one the subject matter of which is not capable of pecuniary estimation this Court has adopted the criterion of first ascertaining the nature of the principal action or remedy sought. If it is primarily for the recovery of a sum of money, the claim is considered capable of pecuniary estimation, and whether jurisdiction is in the municipal courts or in the courts of first instance would depend on the amount of the claim. However, where the basic issue is something other than the right to recover a sum of money, where the money claim is purely incidental to, or a consequence of, the principal relief sought, this Court has considered such actions as cases where the subject of the litigation may not be estimated in terms of money, and are cognizable exclusively by courts of first instance (now Regional Trial Courts).
>
> Examples of actions incapable of pecuniary estimation are those for specific performance, support, or foreclosure of mortgage or annulment of judgment; also[,] actions questioning the validity of a mortgage, annulling a deed of sale or conveyance and to recover the price paid and for rescession, [sic] which is a counterpart of specific performance.
>
> While actions under Sec. 33(3) of B.P. 129 are also incapable of pecuniary estimation, the law specifically mandates that they are cognizable by the MTC, METC, or MCTC where the assessed value of the real property involved does exceed [PHP]20,000.00 in Metro Manila, or [PHP]50,000.00, if located elsewhere. If the value exceeds [PHP]20,000.00 or [PHP]50,000.00 as the case may be, it is the Regional Trial Courts which have jurisdiction under Sec. 19(2)[.][60] (Citations omitted)

In *Roldan*, this Court underscored the significance of the last paragraph quoted from the case of *Russell* in understanding the nature of an action for judicial foreclosure of mortgage. This Court clarified that:

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[60] *Supra* note 55, at 400–401.

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[W]hile civil actions which involve title to, or possession of, real property, or any interest therein, are also incapable of pecuniary estimation as it is not for recovery of money, the court's jurisdiction will be determined by the assessed value of the property involved.[61]

As a rule, in real actions, jurisdiction is determined by the assessed value of the *res*.[62] In this regard, the provision of the law governing the jurisdiction of courts over real actions at the time the complaint was instituted on August 7, 2009 is found in Sections 19 and 33(3) of Batas Pambansa Blg. 129,[63] as amended by Republic Act No. 7691,[64] which state:

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[61] *Supra* note 57, at 593.

[62] *Id.*

[63] The Judiciary Reorganization Act of 1980.

[64] Republic Act No. 11576 (2021) further amended Sections 19 and 33 of Batas Pambansa Blg. 129. Sections 19 and 33 of Batas Pambansa Blg. 129, as amended, presently state:

Section 19. *Jurisdiction of the Regional Trial Courts in Civil Cases*. — Regional Trial Courts shall exercise exclusive original jurisdiction:

. . . .

(2) In all civil actions which involve the title to, or possession of, real property, or any interest therein, where the assessed value exceeds Four hundred thousand pesos (₱400,000.00), except for forcible entry into and unlawful detainer of lands or buildings, original jurisdiction over which is conferred upon the Metropolitan Trial Courts, and Municipal Trial Courts in Cities, Municipal Trial Courts, and Municipal Circuit Trial Courts;

Section 33. Jurisdiction of the Metropolitan Trial Courts, Municipal Trial Courts in Cities, Municipal Trial Courts, and Municipal Circuit Trial Courts in Civil Cases. — Metropolitan Trial Courts, Municipal Trial Courts in Cities, Municipal Trial Courts, and Municipal Circuit Trial Courts shall exercise:

. . . .

(3) Exclusive original jurisdiction in all civil actions which involve title to, or possession of, real property, or any interest therein where the assessed value of the property or any interest therein does not exceed Four hundred thousand pesos ([PHP]400,000.00) exclusive on interest, damages of whatever kind, attorney's fees, litigation expenses and costs: Provided, That in cases of land not declared for taxation purposes, the value of such property shall be determined by the assessed value of the adjacent lots.

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Section 19. *Jurisdiction of the Regional Trial Courts in Civil Cases*. — Regional Trial Courts shall exercise exclusive original jurisdiction:

. . . .

(2) In all civil actions which involve the title to, or possession of, real property, or any interest therein, where the assessed value exceeds Four hundred thousand pesos ([PHP]400,000.00), except for forcible entry into and unlawful detainer of lands or buildings, original jurisdiction over which is conferred upon the Metropolitan Trial Courts, and Municipal Trial Courts in Cities, Municipal Trial Courts, and Municipal Circuit Trial Courts[.][65]

Section 33. *Jurisdiction of Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts in Civil Cases*. — Metropolitan Trial Courts, Municipal Trial Courts, and Municipal Circuit Trial Courts shall exercise:

. . . .

(3) Exclusive original jurisdiction in all civil actions which involve title to, or possession of, real property, or any interest therein where the assessed value of the property or interest therein does not exceed Twenty thousand pesos ([PHP]20,000.00) or, in civil actions in Metro Manila, where such assessed value does not exceed Fifty thousand pesos ([PHP]50,000.00) exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses and costs: *Provided*, [t]hat in cases of land not declared for taxation purposes, the value of such property shall be determined by the assessed value of the adjacent lots.[66] (Emphasis in the original)

From the foregoing, it is clear that in a judicial foreclosure suit, the assessed value of the subject property must be alleged. The failure to do so is fatal to the plaintiff's cause. Otherwise, there is no way to determine which tribunal has original jurisdiction over the case. The failure to aver the assessed value of the subject property is a violation of the Judiciary Reorganization Act of 1980, as amended, and gives rise to the dismissal of a case.[67]

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[65] Republic Act No. 7691 (2004), sec. 1.

[66] Republic Act No. 7691 (2004), sec. 3.

[67] *Foronda-Crystal v. Son*, 821 Phil. 1033, 1045 (2017) [Per J. Reyes, Jr., Second Division], citing *Spouses Cruz v. Spouses Cruz*, 616 Phil. 519 (2009)

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It is worthy to point out that the failure to allege the proper valuation of the real property in litigation is fatal to the plaintiff's cause as there will be no basis for the computation of docket fees.[68] For the guidance of the bench and bar, this Court finds it an opportune time to highlight the prevailing guidelines in the computation of docket fees in cases involving real actions as outlined in Office of the Court Administrator (*OCA*) Circular No. 256-2022. The pertinent portion of OCA Circular No. 256-2022 states:

2. The following are the basis for the **ASSESSMENT** of the filing fees in Real Actions with the **SECOND LEVEL COURTS**:

2.1. Real Actions

(a) Fair Market Value of the Real Property in litigation stated in the current tax declaration or Current Zonal Valuation of the Bureau of Internal Revenue, **whichever is higher**, or if there is none, the stated value of the property in litigation as alleged by the party in the initiatory pleading.

2.2. Real Actions with Money Claim

(a) Fair Market Value of the Real Property in litigation stated in the current tax declaration or Current Zonal Valuation of the Bureau of Internal Revenue, **whichever is higher**, or if there is none, the stated value of the property in litigation as alleged by the party in the initiatory pleading; and

(b) The Total Sum Claimed, which includes the amount of claim or demand as stated in the initiatory pleading, interests, penalties, surcharges, damages of whatever kind, attorney's fees, and litigation expenses and costs.

3. The following are the basis for the **ASSESSMENT** of the filing fees in Real Actions with the **FIRST LEVEL COURTS**:

3.1. Real Actions other than for Forcible Entry and Unlawful Detainer

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[Per J. Corona, First Division]; *Hilario v. Salvador*, 497 Phil. 327, 336 (2005) [Per J. Callejo, Sr., Second Division].

[68] *Supra* 66.

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(a) Fair Market Value of the Real Property in litigation stated in the current tax declaration or Current Zonal Valuation of the Bureau of Internal Revenue, **whichever is higher**, or if there is none, the stated value of the property in litigation as alleged by the party in the initiatory pleading.

3.2. Real Actions with Money Claims, other than for Forcible Entry and Unlawful Detainer

(a) Fair Market Value of the Real Property in litigation stated in the current tax declaration or Current Zonal Valuation of the Bureau of Internal Revenue, **whichever is higher**, or if there is none, the stated value of the property in litigation as alleged by the party in the initiatory pleading; and

(b) The Total Sum Claimed, which includes the amount of claim or demand as stated in the initiatory pleading, interests, penalties, surcharges, damages of whatever kind, attorney's fees, and litigation expenses and costs.[69] (Emphasis in the original; citations omitted)

Be that as it may, the ruling of this Court dismissing the case is without prejudice to the filing of another case in the proper court in accordance with the Rules of Court and Batas Pambansa Blg. 129, as amended.

In view of the foregoing, this Court deems it no longer necessary to discuss the other arguments raised by the parties.

ACCORDINGLY, the Petition for Review on *Certiorari* is **GRANTED**. The Decision dated September 30, 2020 and the Resolution dated January 18, 2021 of the Court of Appeals in CA-G.R. CV No. 109587 are **SET ASIDE**. The Complaint for judicial foreclosure of mortgage instituted by respondent Elisan Credit Corporation is **DISMISSED** without prejudice to the filing of a separate case in the proper court.

SO ORDERED.

Leonen, S.A.J. (Chairperson), Lazaro-Javier, M. Lopez, and *Kho, Jr., JJ.*, concur.

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[69] OCA Circular No. 256-2022, September 28, 2022.

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APPEARANCES OF COUNSEL

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Grajo T. Albano for respondent.