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June 2010, or two (2) years from the close of the taxable quarter when the relevant sales were made.

To reiterate, the right to appeal is a mere statutory privilege that requires strict compliance with the conditions attached by the statute for its exercise. Like *Philex*, petitioner failed to comply with the statutory conditions and must therefore bear the consequences. It has already lost its right to claim a refund or credit of its alleged excess input VAT attributable to zero-rated or effectively zero-rated sales for the second quarter of taxable year 2008 by virtue of its own failure to observe the prescriptive period.

WHEREFORE, premises considered, the instant Petition is **DENIED**.

SO ORDERED.

Leonardo-de Castro, Bersamin, Perez, and *Perlas-Bernabe, JJ.,* concur.

SECOND DIVISION

[G.R. No. 207791. July 15, 2015]

THE CITY OF DAVAO, REPRESENTED BY THE CITY TREASURER OF DAVAO CITY, *petitioner, vs*. **THE INTESTATE ESTATE OF AMADO S. DALISAY, REPRESENTED BY SPECIAL ADMINISTRATOR ATTY. NICASIO B. PADERNA,** *respondent*.

SYLLABUS

1. POLITICAL LAW; STATUTES; REDEMPTION LAWS; REDEMPTION; THE RIGHT TO REDEEM IS A

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STATUTORY PRIVILEGE, SUCH THAT IT IS NECESSARY THAT COMPLIANCE WITH THE RULES SET FORTH BY LAW AND JURISPRUDENCE SHOULD BE SHOWN IN ORDER TO RENDER THE VALIDITY OF THE EXERCISE OF THIS RIGHT.— While it is a given that redemption by property owners is looked upon with favor, it is equally true that the right to redeem properties remains to be a statutory privilege. Redemption is by force of law, and the purchaser at public auction is bound to accept it. Further, the right to redeem property sold as security for the satisfaction of an unpaid obligation does not exist preternaturally. Neither is it predicated on proprietary right, which, after the sale of the property on execution, leaves the judgment debtor and vests in the purchaser. Instead, it is a bare statutory privilege to be exercised only by the persons named in the statute. In other words, a valid redemption of property must appropriately be based on the law which is the very source of this substantive right. It is, therefore, necessary that compliance with the rules set forth by law and jurisprudence should be shown in order to render validity to the exercise of this right. Hence, when the Court is beckoned to rule on this validity, a hasty resort to elementary rules on construction proves inadequate. Especially so, when there are deeper underpinnings involved, not only as to the right of the owner to take back his property, but equally important, as to the right of the purchaser to acquire the property after deficient compliance with statutory requirements, including the exercise of the right within the period prescribed by law.

2. ID.; ID.; ID.; ID.; THE RIGHT ACQUIRED BY THE PURCHASER AT AN EXECUTION SALE IS INCHOATE BUT IT IS ENTITLED TO PROTECTION AND MUST BE RESPECTED UNTIL EXTINGUISHED BY REDEMPTION.— The Court cannot close its eyes and automatically rule in favor of the redemptioner at all times. The right acquired by the purchaser at an execution sale is inchoate and does not become absolute until after the expiration of the redemption period without the right of redemption having been exercised. "But inchoate though it be, it is, like any other right, entitled to protection and must be respected until extinguished by redemption." Suffice it to say, the liberal application of redemption laws in favor of the property owner

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is not an austere solution to a controversy, where there are remarkable factors that lead to a more sound and reasonable interpretation of the law.

3. ID.; ADMINISTRATIVE LAW; REPUBLIC ACT NO. 7160 (THE LOCAL GOVERNMENT CODE OF 1991); PUBLIC AUCTION FOR NON-PAYMENT OF REAL ESTATE TAXES; PURCHASE OF PROPERTY BY LOCAL GOVERNMENT UNITS FOR WANT OF BIDDER; THE FORFEITURE OF TAX DELINQUENT PROPERTIES TRANSPIRES NO LATER THAN THE PURCHASE MADE BY THE LOCAL GOVERNMENT FOR WANT OF A BIDDER AND THIS HAPPENS ON THE DATE OF SALE, AND NOT UPON THE ISSUANCE OF THE DECLARATION OF FORFEITURE.— Section 263 of the LGC takes into effect because of one vital factor: the absence of a bidder in a public auction for tax delinquent properties. Were it not for this fact, this provision would not come into operation or, at the least, find relevance. Sections 260 and 261 would have come into play in cases where a purchaser, other than the local government unit, places a bid on the property. This is undeniably a distinct feature of Section 263 that cannot be ignored. The absence of the public impels the City Treasurer to purchase the property in behalf of the city. Reason would, therefore, dictate that this purchase by the City is the very forfeiture mandated by the law. The contemplated "forfeiture" in the provision points to the situation where the local government *ipso facto* "forfeits" the property for want of a bidder. x x x [T]he better theory that is consistent with the subject matter of the provision is that forfeiture of tax delinquent properties transpires no later than the purchase made by the city due to lack of a bidder from the public. This happens on the date of the sale, and not upon the issuance of the declaration of forfeiture. To rule otherwise would be similar to saying that prior to the accrual of the local government's right as a purchaser, an additional requirement of issuing a declaration of forfeiture is necessary. Not only is this duty unfounded, but it also places the local government in a vacuum from the time of the auction up to the time it issues the document. It causes the absurd situation, where the local government's forfeiture of the property for want of a bidder becomes an empty and meaningless exercise merely because the issuance of the

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declaration of forfeiture came at a much subsequent time. The precarious effect of this view strips off the local government of the protection given by law to a purchaser during and after a public auction. This goes against the safeguards to which a purchaser is entitled until a valid redemption of the property ensues because then, it is burdened with yet another positive act of issuing a document in order to gain rights. Surely, this is not the intention of Section 263. The local government's power to acquire tax delinquent properties cannot be overemphasized at this point.

4. ID.; ID.; ID.; ID.; ID.; THE DATE OF THE SALE OR FORFEITURE IS THE POINT IN TIME WHEN THE OWNER IS DIVESTED OF CERTAIN ATTRIBUTES OF OWNERSHIP OVER THE PROPERTY ALBEIT ONLY UNTIL THE REDEMPTION OF THE PROPERTY AND THIS TRANSLATES TO NO OTHER EVENT BUT TO THE DATE OF THE PUBLIC AUCTION.— It is now apparent that the previous rule enunciating the reckoning period of redemption for tax delinquent properties from the date of the registration of sale of the property is no longer controlling. Section 261 now mandates that **the owner of the delinquent real property or person having legal interest therein, or his representative, has the right to redeem the property within one (1) year from the date of sale upon payment of the delinquent tax and other fees.** In the case at bench, considering the fact that neither of the parties has invoked the existence of an ordinance of similar import, the general law on the matter finds bearing. In applying the pronouncements in *City Mayor* to this case, the Court finds no harm in considering the interpretation of Section 261 which is emphatic in saying that the redemption period is set "within one (1) year from the date of sale," as applicable to Section 263. The usage of the terms "sale" and "forfeiture" in Sections 261 and 263, respectively, only highlights a distinction in the situations covered and produces no significant variance. The former refers to the voluntary purchase made by a bidder in public auction while the latter points to the divesting of the ownership of a particular property on account of the breach of a legal duty, without compensation, for example, the non-payment of tax. Therefore, in cases covered by these pertinent provisions in the LGC, the date of the "sale" or "forfeiture" is rightfully the

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point in time when the owner is divested of certain attributes of ownership over the property albeit only until the redemption of the property. This translates to no other event but to the date of the public auction. More than the purpose of uniformity and harmony among provisions of law, the Court finds this conclusion as consistent with the intention of the law.

5. REMEDIAL LAW; ACTIONS; ESTOPPEL; MAY NOT BE INVOKED WHERE IT WOULD OPERATE TO DEFEAT THE EFFECTIVE OPERATION OF A POLICY ADOPTED TO PROTECT THE PUBLIC; CASE AT BAR.— The general rule is that the State cannot be put in estoppel by the mistakes or errors of its officials or agents. Indeed, like all general rules, this is also subject to exceptions. Estoppel should not be invoked except in a rare and unusual circumstance. It may not be invoked where it would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and should be applied only in those special cases where the interests of justice clearly require it. x x x The delay on the part of the Estate to at least inquire into the outcome of the auction and its misplaced reliance on a curious document heightens the belief of the Court that the City may not be deprived of a right that has long been vested in its favor. The odd timing in the issuance of the Declarations of Forfeiture and its very contents which observably benefit the Estate to the core form a nagging doubt that may not be easily shrugged off. This hinders the Court from applying the exceptions to the rule on estoppel, when doing this would result in more impropriety. It is the City that would suffer an injustice if it were to be bound by its officer's suspect actions. The policy of enabling local governments to fully utilize the income potentialities of the real property tax would be put at a losing end if tax delinquent properties could be recovered by the sheer expediency of a document erroneously or, perhaps fraudulently, issued by its officers. This would place at naught, the essence of redemption as a statutory privilege; for then, the statutory period for its exercise may be extended by the indiscretion of scrupulous officers. In other words, the period would become flexible because extensions of the period would depend, not just on the sound discretion of the City Treasurer but on his attitude, work ethics and worse, temperament.

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APPEARANCES OF COUNSEL

Oscar P. Mata for petitioner.
Dominguez Paderna & Tan Law Office for respondent.

D E C I S I O N

MENDOZA, *J.*:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the January 24, 2013 Decision[1] and the May 15, 2013 Resolution[2] of the Court of Appeals *(CA),* in CA-G.R. CV No. 01903-MIN, which affirmed the June 6, 2008 Decision of the Regional Trial Court, Branch 17, Davao City *(RTC)*, ordering the City of Davao to, among others, receive the amount of ₱5,000,000.00 as full payment of the redemption price of the forfeited properties of the Intestate Estate of Amado S. Dalisay.

The Facts

The Estate of Amado S. Dalisay *(the Estate)* owned the following properties, all situated in Davao City:

1. Lot 1, Pcs-11-001298, covered by Transfer Certificate of Title (TCT) No. T-202211 with Tax Declaration No. E-1-34-10484;

2. Lot 6, Pcs-11-001298, covered by TCT No. T-202215 with Tax Declaration No. E-1-34-10488;

3. Lot 7, Pcs-11-001298, covered by TCT No. T-202216 with Tax Declaration No. E-1-34-10489;

4. Lot 2, Pcs-11-001298, covered by TCT No. T-202212 with Tax Declaration No. E-1-34-10492; and

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[1] *Rollo*, pp. 37-47. Penned by Associate Justice Renato C. Francisco with Associate Justices Edgardo A. Camello and Oscar V. Badelles, concurring, Twenty-Second Division, Cagayan De Oro City.

[2] *Id.* at 48-49.

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5. Building erected in Lot No. 26-B and covered by Tax Declaration No. E-1-34-10480.

These properties were advertised for sale at a public auction for non-payment of real estate taxes. The public auction was scheduled on July 19, 2004. No bidders appeared on the date of the public auction, thus, the aforesaid properties were acquired by the City Government of Davao *(the City)* pursuant to Section 263 of Republic Act *(R.A.)* No. 7160 of the Local Government Code of 1991 *(LGC)* which provides:

> Section 263. *Purchase of Property By the Local Government Units for Want of Bidder.* - In case there is no bidder for the real property advertised for sale as provided herein, the real property tax and the related interest and costs of sale, the local treasurer conducting the sale shall purchase the property in behalf of the local government unit concerned to satisfy the claim and within two (2) days thereafter shall make a report of his proceedings which shall be reflected upon the records of his office. It shall be the duty of the Registrar of Deeds concerned upon registration with his office of any such declaration of forfeiture to transfer the title of the forfeited property to the local government unit concerned without the necessity of an order from a competent court.
>
> **Within one (1) year from the date of such forfeiture**, the taxpayer or any of his representative, may redeem the property by paying to the local treasurer the full amount of the real property tax and the related interest and the costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be vested on the local government unit concerned.

On September 13, 2005, or more than a year after the public auction, the Declarations of Forfeiture for the five (5) properties were separately issued by the City Treasurer. The common provisions of the declarations read:

> **WHEREAS, the delinquent taxpayer or his authorized representative, has within a period of one (1) year from said date of Declaration of Forfeiture as herein specified, to redeem the property** sold by paying to the City Treasurer the full amount of the real property tax and related interest and cost of sale as authorized under R.A. 7160. If the property is not redeemed as herein provided, the ownership of the above described property shall be

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fully vested to the City Government of Davao in accordance with Section 263 of R.A. 7160.

NOW, THEREFORE, for and in accordance of the foregoing, I RODRIGO S. RIOLA, in my capacity as the Acting City Treasurer of Davao City, and pursuant to the provision of Section 262 of Republic Act 7160 otherwise known as the Local Government Code of 1991 **hereby DECLARE AS IT HEREBY DECLARED the above described property FORFEITED in favor of the City Government of Davao.**

EXECUTED in Davao City, Philippines this 13th day of September 2005.

[Emphases Supplied]

On October 3, 2005, the City caused the annotation of the five (5) Declarations of Forfeiture on the corresponding TCTs of the properties.

Subsequently, the Estate inquired from the City Treasurer's Office regarding the amount of the redemption price of the properties. On September 11, 2006, the Real Property Tax Division of the City furnished the Estate copies of the billing statements containing a handwritten summary of the amount showing the aggregate total of ₱4,996,534.67.

Thus, on September 13, 2006, the Estate delivered a written tender of payment to the City Treasurer and, at the same time, tendered the amount of ₱5,000,000.00. The City, however, refused to accept the same. This constrained the Estate to file the Notice to Deposit the ₱5,000,000.00 with the Office of the Clerk of Court, RTC, at the disposal of the City Treasurer. In doing so, the Estate was made to pay legal fees amounting to ₱75,200.00. An action for redemption, consignation and damages against the City was consequently filed by the Estate with the RTC.

For its part, the City admitted the existence of the billing statements, but it posited that their issuance was not an admission that the Estate still had the right to redeem the properties. The period of redemption had long expired on July 19, 2005, a year after the subject properties were acquired by the City during

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the public auction for want of a bidder. Hence, its refusal to accept the tendered amount was valid and for a lawful cause.

On June 6, 2008, the RTC ruled in favor of the Estate, finding the latter's evidence as preponderantly acceptable in establishing its right of redemption. The City was ordered to: 1) receive the ₱5,000,000.00 deposited with the Clerk of Court, as full payment of the redemption price of the forfeited properties; and 2) issue a certificate of redemption in favor of the Estate. Further, actual damages and attorneys fees in the amount of ₱75,200.00 and ₱50,000.00, respectively, were awarded in favor of the Estate.[3]

Aggrieved, the City appealed the RTC decision to the CA, arguing that the one (1) year period should be reckoned from the date of forfeiture, that is, when the properties of the Estate were purchased by the City for want of a bidder during the public auction on July 19, 2004. In the same vein, the RTC erred in holding that the City was estopped from disclaiming and denying the erroneous statement made by the City Treasurer when the Estate was inadvertently informed that the one year redemption period started from the date of the issued Declaration of Forfeiture.

To this, the Estate countered that the reckoning date should be the one stated in the Declarations of Forfeiture which corresponded to their date of issuance, to wit, on September 13, 2005.

In the assailed decision, the CA affirmed the ruling of the RTC. It observed that the City had been remiss in its duty to immediately issue the Declaration of Forfeiture within two (2) days from purchase of the property as required under Section 263 of the LGC. The CA then explained that "redemption should be looked upon with favor, and where no injury would follow, a liberal construction will be given to redemption laws, specifically on the exercise of the right to redeem." In the words of the CA:

In the case at bench, We have come to the conclusion upon inquiry into the equities of this case to liberally apply the redemption provision

[3] *Id*. at 37-38.

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of the law in favor of the Estate of Amado Dalisay and give them another opportunity to recover the properties.

It must be stressed that the delinquent taxpayer may **within one (1) year from the date of such forfeiture, redeem the property** by paying to the local treasurer the full amount of the real property tax and the related interest and the costs of sale. The City, by its own inefficiency, belatedly issued the DECLARATIONS OF FORFEITURE on September 13, 2005. Such is no fault of the plaintiff-appellee.[4]

[Emphasis and Underscoring in the Original]

As regards the issue on damages, the CA found the award of attorney's fees proper, in accordance with Article 2208 of the Civil Code which allowed an award of the said fees and expenses of litigation, other than judicial costs, when by the act or omission of one party, compelled the other to litigate and incur expenses of litigation to protect his interest.[5] In this case, the City's refusal to accept the Estate's tendered payment for the redemption of the lots had effectively constrained it to file suit. Lastly, the actual damages in the amount of ₱75,200.00 as consignation fees had been proven with the corresponding receipt.

Hence, this petition.

ASSIGNMENT OF ERRORS:

1. THAT THE HONORABLE COURT ERRED IN HOLDING THAT THE ONE YEAR REDEMPTION PERIOD BEGINS FROM THE DATE OF DECLARATION OF FORFEITURE ISSUED BY THE CITY TREASURER ON SEPTEMBER 13, 2006, INSTEAD OF JULY 19, 2004, WHEN THE SUBJECT DELINQUENT PROPERTIES WERE FORFEITED BY THE CITY GOVERNMENT FOR WANT OF BIDDER DURING THE PUBLIC AUCTION SALE;

2. THAT THE HONORABLE COURT ERRED IN HOLDING THAT THE CITY GOVERNMENT IS ESTOPPED FROM DISCLAIMING AND DENYING THE ERRONEOUS STATEMENT MADE BY THE CITY TREASURER IN HIS DECLARATION OF

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[4] *Id*. at 46.

[5] *Id*. at 46-47.

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FORFEITURES DATED SEPTEMBER 13, 2006, WHICH INADVERTINTLY (SIC) INFORMED THE PLAINTIFF THAT THE ONE YEAR REDEMPTION PERIOD STARTS FROM THE DATE OF DECLARATION;

3. THAT THE HONORABLE COURT ERRED IN HOLDING THAT THE PROVISION OF SECTION 263 OF R.A. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991" DID NOT EXPRESSLY REPEAL THE PERTINENT PROVISION OF REDEMPTION UNDER P.D. 464, THE LAW GOVERNING REAL PROPERTY TAXATION THEN, AND ACT 496, SECTIONS 50 AND 377 GRANTING THE RIGHT OF REDEMPTION TO BE EXERCISED WITHIN ONE YEAR FROM THE REGISTRATION OF SAID FORFEITED PROPERTIES IN THE REGISTER OF DEEDS;

4. THAT THE HONORABLE COURT ERRED IN HOLDING PUBLIC DEFENDANT-APPELLANT LIABLE TO PAY PLAINTIFF FOR ACTUAL DAMAGES IN THE AMOUNT OF ₱75,200.00 AS CONSIGNATION FEES AND ATTORNEY'S FEES AMOUNTING TO ₱50,000.00.[6]

The City argues that no law provides that the one (1) year redemption period should be counted from the date of the Declaration of Forfeiture. What the LGC simply provides is that the period of redemption is *"within one (1) year from the date of such forfeiture."* For the City, this phrase means that the effective date of the forfeiture was July 19, 2004, when the tax delinquent properties were sold at a public auction and, thus, forfeited in its favor for want of a bidder, rather than September 13, 2005 or the date of the issued Declarations of Forfeiture.

Further, and contrary to the observation of the CA, Section 263 of the LGC does not order the City Treasurer to issue a declaration of forfeiture within two (2) days from the date when tax delinquent real properties, sold at auction sale, are purchased by the local government in the absence of a bidder. It merely directs the local treasurer to make a report of his proceedings which shall be reflected in the records of his office. In fine, it

[6] *Id*. at 27.

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is the position of the City that the issuance of the said declarations of forfeiture had no bearing in the determination of the period of redemption, inasmuch as the same were only issued for registration purposes with the Register of Deeds.[7] Here, the date of issuance of the five (5) declarations of forfeiture on September 13, 2005 was immaterial as the same was merely intended to facilitate the transfers of title to the forfeited properties in favor of the City after the lapse of the redemption period reckoned from the auction sale held on July 19, 2004.

Assuming *arguendo* that the City Treasurer is mandated by law to issue a declaration of forfeiture within two (2) days from the purchase of the properties, the City avers that it should not be bound by the consequences of the malfeasance of its public officers. In other words, the City invokes the doctrine that the principle of estoppel does not operate against the government for the act of its agents, and that it is never estopped by any mistake or error on their part.[8]

Position of the Estate

For its part, the Estate argues that the City erred when it interpreted the subject provision and concluded that "[t]he law does not say that the one (1) year period of redemption is counted from the date of 'declaration of forfeiture.'"[9] It explained that the provision merely states that the redemption period is counted from "the date of such forfeiture," and the word "such" before the word "forfeiture" was resorted to in order to avoid the repetition of the words "declaration of" before the word "forfeiture."[10] This interpretation is supported by the second paragraph of the same provision which mentions the phrase, "any such declaration of forfeiture" in connection with the duty of the Register of Deeds to transfer the title of the forfeited

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[7] *Id*. at 30.

[8] *La Bugal-B'laan Tribal Association, Inc. v. Ramos*, 486 Phil. 754, 881 (2004).

[9] *Rollo*, p. 84.

[10] *Id*. at 85.

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property to the local government unit *sans* a court order. The Estate submits that the subject provision should be read as follows:

> **Within one (1) year from the date of declaration of forfeiture** the taxpayer or any of its representative, may redeem the property by paying to the local treasurer the full amount of the real property tax and the related interest and costs of sale. If the property is not redeemed as provided herein, the ownership thereof shall be fully vested in the local government unit concerned.[11]
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> [Emphasis Supplied]

The Estate likewise opposes the City's theory that declarations of forfeiture have no bearing in the determination of the period of redemption because the same were only issued by the treasurer for registration purposes with the Register of Deeds. For the Estate, there is a difference between redemption of property sold at a public auction and redemption of property purchased by the local government unit for want of bidder. The former is governed by Section 261 of the LGC, while the latter is covered by Section 263 (2) of the same law.

Reply of the City

The City replies that the term "such" as found in the phrase, "date of such forfeiture," should be construed as referring to the entire legal process of forfeiture as prescribed in the first paragraph of Section 263 and not to the singular word, "declaration," as found in the second sentence of the said paragraph. More importantly, the operative act of forfeiture is the act of the City Treasurer, in behalf of the city, in purchasing the property for lack of a bidder, and not the registration of any declaration of forfeiture because the said document only facilitates the transfer of ownership of the property. The City also makes reference to Section 261 of the LGC, involving the redemption of tax delinquent properties purchased by the public, which provides that the redemption of the property is to be reckoned from the date of the sale. For the City, this rule is equally applicable in resolving the present case involving Section 263 of the LGC because the distinctions between the

[11] *Id*.

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said provisions are too insignificant, for the Court to rule otherwise. Regardless of whether the property put up for auction was purchased by the public or by the local government for want of a bidder, the commencement of the period for redemption must begin on the date of the sale, for the sake of uniformity in the rules.[12]

The Issues

After a perusal of the arguments presented by the parties, the Court culled the main issue into this significant question of law:

> **Whether the one (1) year redemption period of forfeited tax delinquent properties purchased by the local government for want of a bidder is reckoned from the date of the auction or sale or from the date of the issuance of the declaration of forfeiture.**

The Court's Ruling

In its decision, the CA obviously resorted to an interpretation based solely on the basic rules in interpretation: the liberal application of redemption laws. It inquired into the "equities of this case" and preferred to uphold the protection afforded to the original owner of the property as it is "the policy of the law to aid rather than defeat the owner's right."[13]

The Court need not belabor the existence of this rule in jurisprudence. In a long line of cases, the Court has indeed been copious in its stance to allow the redemption of property where in doing so, the ends of justice are better realized. *Doronila v. Vasquez*[14] allowed redemption in certain cases even after the lapse of the one-year period in order to promote justice and avoid injustice. In *Tolentino v. Court of Appeals,*[15] the policy of the law to aid rather than defeat the right of redemption was

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[12] *Id*. at 116-133.

[13] *Id*. at 46.

[14] 72 Phil. 572 (1941).

[15] 193 Phil. 663 (1981).

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expressed, stressing that where no injury would ensue, liberal construction of redemption laws was to be pursued and the exercise of the right to redemption to be permitted to better serve the ends of justice. In *De los Reyes v. Intermediate Appellate Court*,[16] the rule was liberally interpreted in favor of the original owner of the property to give him another opportunity, should his fortunes improve, to recover his property.

Nonetheless, the Court's agreement with the CA decision ends here. The above rulings now beget a more important question for the resolution of this case: Does a simplistic application of the liberal construction of redemption laws provide a just resolution of this case? The Court answers this question in the negative.

While it is a given that redemption by property owners is looked upon with favor, it is equally true that the right to redeem properties remains to be a statutory privilege.[17] Redemption is by force of law, and the purchaser at public auction is bound to accept it.[18] Further, the right to redeem property sold as security for the satisfaction of an unpaid obligation does not exist preternaturally. Neither is it predicated on proprietary right, which, after the sale of the property on execution, leaves the judgment debtor and vests in the purchaser. Instead, it is a bare statutory privilege to be exercised only by the persons named in the statute.[19]

In other words, a valid redemption of property must appropriately be based on the law which is the very source of this substantive right. It is, therefore, necessary that compliance with the rules set forth by law and jurisprudence should be shown in order to render validity to the exercise of this right. Hence,

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[16] 257 Phil. 406 (1989).

[17] *Mateo v. Court of Appeals*, 99 Phil. 1042 (1956).

[18] *Spouses De Robles v. Court of Appeals*, G.R. No. 128053, June 10, 2004, 431 SCRA 566, 570, citing *Natino v. Intermediate Appellate Court*, 274 Phil. 602 (1991).

[19] *Spouses Paray v. Dra. Rodriguez*, 515 Phil. 546, 554 (2006), citing See *Magno v. Viola*, 61 Phil. 80, 84 (1934-1935).

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when the Court is beckoned to rule on this validity, a hasty resort to elementary rules on construction proves inadequate. Especially so, when there are deeper underpinnings involved, not only as to the right of the owner to take back his property, but equally important, as to the right of the purchaser to acquire the property after deficient compliance with statutory requirements, including the exercise of the right within the period prescribed by law.

The Court cannot close its eyes and automatically rule in favor of the redemptioner at all times. The right acquired by the purchaser at an execution sale is inchoate and does not become absolute until after the expiration of the redemption period without the right of redemption having been exercised. "But inchoate though it be, it is, like any other right, entitled to protection and must be respected until extinguished by redemption."[20] Suffice it to say, the liberal application of redemption laws in favor of the property owner is not an austere solution to a controversy, where there are remarkable factors that lead to a more sound and reasonable interpretation of the law. Here, the proper focus of the CA should have been the just and fair interpretation of the law, instead of an automatic and constricted view on its liberal application.

It is without question that Section 263 of the LGC lacks definiteness as to the reckoning point for the redemption of tax delinquent properties. It merely employs the phrase, "*within one (1) year from the date of such forfeiture."* On one hand, the City avers that the period commences from the date of the forfeiture, that is, the date of the auction. On the other hand, the Estate insists that the redemption period begins from the date when the declarations of forfeiture were issued.

For the Court, the arguments of the City point toward a more just and fair resolution of the perceived vagueness in the law.

First. The City's theory that the term "forfeiture," contemplated in the subject phrase, refers to the date when the

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[20] *Heirs of Blancaflor v. Court of Appeals*, 364 Phil. 454, 463 (1999), citing *Bautista v. Fule*, 85 Phil. 391, 393 (1950).

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tax delinquent properties were sold at a public auction, holds more logic than the conjecture of the Estate on the usage of the word "such."

Indeed, Section 263 of the LGC takes into effect because of one vital factor: the absence of a bidder in a public auction for tax delinquent properties. Were it not for this fact, this provision would not come into operation or, at the least, find relevance. Sections 260 and 261 would have come into play in cases where a purchaser, other than the local government unit, places a bid on the property. This is undeniably a distinct feature of Section 263 that cannot be ignored. The absence of the public impels the City Treasurer to purchase the property in behalf of the city. Reason would, therefore, dictate that this purchase by the City is the very forfeiture mandated by the law. The contemplated "forfeiture" in the provision points to the situation where the local government *ipso facto* "forfeits" the property for want of a bidder.

This analysis is ridden with substance that surpasses the hypothesis of the Estate. The Estate purely speculates that the term "such" in the phrase "the date of such forfeiture," was only resorted to in order to avoid the repetition of the words in the text of the law. It attempts to convince the Court that the second paragraph of the same provision which mentions the phrase, "any such declaration of forfeiture," in connection with the duty of the Register of Deeds to transfer the title of the forfeited property, shows that the "forfeiture" contemplated by the law is that of the issuance of the Declaration of Forfeiture. While the Estate has a point in saying that the City may not speciously insist that the law does not say that the one (1) year period of redemption is counted from the date of "declaration of forfeiture," this proffered explanation is far more hallow and unfounded.

As explained above, the better theory that is consistent with the subject matter of the provision is that forfeiture of tax delinquent properties transpires no later than the purchase made by the city due to lack of a bidder from the public. This happens

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on the date of the sale, and not upon the issuance of the declaration of forfeiture.

To rule otherwise would be similar to saying that prior to the accrual of the local government's right as a purchaser, an additional requirement of issuing a declaration of forfeiture is necessary. Not only is this duty unfounded, but it also places the local government in a vacuum from the time of the auction up to the time it issues the document. It causes the absurd situation, where the local government's forfeiture of the property for want of a bidder becomes an empty and meaningless exercise merely because the issuance of the declaration of forfeiture came at a much subsequent time. The precarious effect of this view strips off the local government of the protection given by law to a purchaser during and after a public auction. This goes against the safeguards to which a purchaser is entitled until a valid redemption of the property ensues because then, it is burdened with yet another positive act of issuing a document in order to gain rights. Surely, this is not the intention of Section 263. The local government's power to acquire tax delinquent properties cannot be overemphasized at this point.

Second. The CA seemed to have completely disregarded the ruling in *City Mayor v. RCBC (City Mayor)*[21] in its quick application of the liberal rules of statutory construction. True, *City Mayor* involved Section 261 of the LGC, instead of Section 263, because it involved a private individual who was adjudged as the highest bidder during the public auction. Nevertheless, the said case passed upon the very issue at bench: the reckoning period of the redemption period for auctioned tax delinquent properties.

In *City Mayor*, the property owner and respondent bank filed a petition for the acceptance of its tender of payment and for the subsequent issuance of the certificate of redemption, after the highest bidder during the auction had effected payment of the tax delinquencies and the issuance and registration of the corresponding Certificate of Sale of Delinquent Property. The

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[21] 640 Phil. 517 (2010).

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lower court ruled in favor of the respondent bank on the ground that "the counting of the one (1) year redemption period of tax delinquent properties sold at public auction should start from the date of registration of the certificate of sale or the final deed of sale in favor of the purchaser" based on Section 78 of Presidential Decree (P.D.) No. 464.[22]

The Court, however, disagreed with the lower court's position, *viz*:

> However, since the passing of R.A. No. 7160, such is no longer controlling. The issue of whether or not R.A No. 7160 or the Local Government Code, repealed P.D. No. 464 or the Real Property Tax Code has long been laid to rest by this Court. Jurisdiction thrives to the effect that R.A. No. 7160 repealed P.D. No. 464. From January 1, 1992 onwards, the proper basis for the computation of the real property tax payable, including penalties or interests, if applicable, must be R. A. No. 7160. Its repealing clause, Section 534, reads:
>
> SECTION 534. *Repealing Clause*. –
>
> xxx xxx xxx
>
> (c) The provisions of Sections 2, 3, and 4 of Republic Act No. 1939 regarding hospital fund; Section 3, a (3) and b (2) of Republic Act No. 5447 regarding the Special Education

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[22] Section 78. Redemption of real property after sale. Within the term of one year from the date of the registration of sale of the property, the delinquent taxpayer or his representative, or in his absence, any person holding a lien or claim over the property, shall have the right to redeem the same by paying the provincial or city treasurer or his deputy the total amount of taxes and penalties due up to the date of redemption, the costs of sale and the interest at the rate of twenty per centum on the purchase price, and such payment shall invalidate the sale certificate issued to the purchaser and shall entitle the person making the same to a certificate from the provincial or city treasurer or his deputy, stating that he had redeemed the property.

The provincial or city treasurer or his deputy shall, upon surrender by the purchaser of the certificate of sale previously issued to him, forthwith return to the latter the entire purchase price paid by him plus the interest at twenty per centum per annum herein provided for, the portion of the cost of the sale and other legitimate expenses incurred by him, and said property shall thereafter be free from the lien of said taxes and penalties.

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> Fund; Presidential Decree No. 144 as amended by Presidential Decree Nos. 559 and 1741; Presidential Decree No. 231 as amended; Presidential Decree No. 436 as amended by Presidential Decree No. 558; and *Presidential Decrees Nos.* 381, 436, *464*, 477, 526, 632, 752, and 1136 are hereby repealed and rendered of no force and effect.

Inasmuch as the crafter of the Local Government Code clearly worded the above-cited Section to repeal P.D. No. 464, it is a clear showing of their legislative intent that R.A. No. 7160 was to supersede P.D. No. 464. As such, it is apparent that in case of sale of tax delinquent properties, R.A. No. 7160 is the general law applicable.

xxx xxx xxx

From the foregoing, **the owner of the delinquent real property or person having legal interest therein, or his representative, has the right to redeem the property within one (1) year from the date of sale upon payment of the delinquent tax and other fees.** Verily, **the period of redemption of tax delinquent properties should be counted not from the date of registration of the certificate of sale, as previously provided by Section 78 of P.D. No. 464, but rather on the date of sale of the tax delinquent property, as explicitly provided by Section 261 of R.A. No. 7160.**

[Emphases and Underscoring Supplied]

It is worthy to note, however, that *City Mayor* was ultimately resolved in favor of respondent bank because it turned out that petitioner city government enacted an ordinance, which provided for the procedure in the collection of delinquent taxes on real properties within its territorial jurisdiction. Section 14 (a) Paragraph 7 of the said ordinance expressly set the redemption period within one (1) year from the date of the *annotation* of the sale of the property at the proper registry. Being a special law with limited territorial application, the city ordinance prevailed over that of the LGC which was, and still is, the general law on the matter. Consequently, the respondent bank had until February 10, 2005 to redeem the subject properties counted from the date of registration of the Certificate of Sale of Delinquent Property on February 10, 2004. Its tender of payment of the subject properties' tax delinquencies and other fees on June 10, 2004, was then well within the redemption period.

It is now apparent that the previous rule enunciating the reckoning period of redemption for tax delinquent properties from the date of the registration of sale of the property is no longer controlling. Section 261 now mandates that **the owner of the delinquent real property or person having legal interest therein, or his representative, has the right to redeem the property within one (1) year from the date of sale upon payment of the delinquent tax and other fees.**

In the case at bench, considering the fact that neither of the parties has invoked the existence of an ordinance of similar import, the general law on the matter finds bearing. In applying the pronouncements in *City Mayor* to this case, the Court finds no harm in considering the interpretation of Section 261 which is emphatic in saying that the redemption period is set "within one (1) year from the date of sale," as applicable to Section 263. The usage of the terms "sale" and "forfeiture" in Sections 261 and 263, respectively, only highlights a distinction in the situations covered and produces no significant variance. The former refers to the voluntary purchase made by a bidder in public auction while the latter points to the divesting of the ownership of a particular property on account of the breach of a legal duty, without compensation,[23] for example, the non-payment of tax. Therefore, in cases covered by these pertinent provisions in the LGC, the date of the "sale" or "forfeiture" is rightfully the point in time when the owner is divested of certain attributes of ownership over the property albeit only until the redemption of the property. This translates to no other event but to the date of the public auction. More than the purpose of uniformity and harmony among provisions of law, the Court finds this conclusion as consistent with the intention of the law.

Third. At this juncture, the Court considers the peculiar fact involved in this case: the City Treasurer's belated issuance of the disputed Declarations of Forfeiture. Clearly, this irregularity had eventually shaped and brought forth the subject controversy. Had it not been for the severe delay in the issuance, there would have been no dispute and the reckoning period of the redemption

[23] *Webster's Third New International Dictionary*, 1993.

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period would have been a toss between closer dates, rather than those claimed, which are years apart, to wit: July 19, 2004 and September 13, 2005.

The general rule is that the State cannot be put in estoppel by the mistakes or errors of its officials or agents.[24] Indeed, like all general rules, this is also subject to exceptions. Estoppel should not be invoked except in a rare and unusual circumstance. It may not be invoked where it would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and should be applied only in those special cases where the interests of justice clearly require it.[25]

The Court, however, can only commiserate with the situation of the state and its lost chance of recovering its property, as it still sees no reason to depart from the general rule. The following circumstances became the object of the Court's perplexity:

1. The Estate does not dispute the validity of the notices with respect to the public auction. This brings the Court to the safe assumption that there was valid constructive notice as to possible danger of forfeiture of the properties prior to the auction. The Estate, with its administrator in the person of Nicasio B. Paderna, is undoubtedly bound by this. Corollary thereto, the delinquent status of the properties may not be said to have been surprising news to the Estate.

2. Just the same, it took the Estate more than one (1) year from the date of the auction of which it was properly notified, to inquire from the City Treasurer's Office regarding the amount of the redemption price due. On the same date of inquiry or on September 11, 2006, the Estate was furnished a handwritten summary of the amount due for redemption. It is fair to suppose that at this point, the Estate became aware that no declaration of forfeiture had yet been issued by the City Treasurer.

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[24] *Republic v. Court of Appeals*, 361 Phil. 319, 329 (1999), citing *Lim v. Pacquing*, 310 Phil. 722, 757 (1995).

[25] *Id.*, citing 31 CJS 675-676.

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3. Two (2) days after this inquiry, and as if a reaction thereto, the City Treasurer issued the subject five (5) Declarations of Forfeiture on September 13, 2006. Now with full confidence on the said document and its expressed statement that the property owner had one year from the date of its issuance, within which to redeem the properties, the Estate lost no time in tendering its payment for the redemption of the properties.

The delay on the part of the Estate to at least inquire into the outcome of the auction and its misplaced reliance on a curious document heightens the belief of the Court that the City may not be deprived of a right that has long been vested in its favor. The odd timing in the issuance of the Declarations of Forfeiture and its very contents which observably benefit the Estate to the core form a nagging doubt that may not be easily shrugged off. This hinders the Court from applying the exceptions to the rule on estoppel, when doing this would result in more impropriety.

It is the City that would suffer an injustice if it were to be bound by its officer's suspect actions. The policy of enabling local governments to fully utilize the income potentialities of the real property tax would be put at a losing end if tax delinquent properties could be recovered by the sheer expediency of a document erroneously or, perhaps fraudulently, issued by its officers. This would place at naught, the essence of redemption as a statutory privilege; for then, the statutory period for its exercise may be extended by the indiscretion of scrupulous officers. In other words, the period would become flexible because extensions of the period would depend, not just on the sound discretion of the City Treasurer but on his attitude, work ethics and worse, temperament.

The Court cannot allow this situation to prevail.

In this case, the period to redeem the subject properties of this case had long expired on July 19, 2005, and since then, the forfeiture of the properties had become absolute. The failure of the Estate to validly exercise its right of redemption within the statutory period had already resulted in the consolidation of ownership over the properties by the City.

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One final word. The resolution of this case does not, in any way, cloud the glaring misfeasance in office committed by the City Treasurer. As discussed, this legal battle could not have developed were it not for the lull of more than a year between the subject auction and the issuance of the declarations of forfeiture. More often than not, inordinate delay in the issuance of documents, whether out of a ministerial or directory function, creates an injurious effect to the parties concerned. This inefficiency in the bureaucracy must be thwarted lest the quality of public service in local governments deteriorate and personal rights suffer. No less than the Constitution sanctifies the principle that a public office is a public trust, and enjoins all public officers and employees to serve with the highest degree of responsibility, integrity, loyalty, and efficiency.[26] These attributes, by all means, are expected of a City Treasurer.

WHEREFORE, the assailed January 24, 2013 Decision of the Court of Appeals and its May 15, 2013 Resolution in C.A.-G.R. CV No. 01903-MIN are **REVERSED** and **SET ASIDE**. No costs.

The action for redemption, consignation and damages filed by respondent Estate is ordered **DISMISSED.**

SO ORDERED.

Peralta,[*] *Bersamin,*[**] *del Castillo (Acting Chairperson),*[***] and *Leonen, JJ.,* concur.

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[26] Article XI, Section 1, 1987 Constitution.

[*] Per Special Order No. 2088 dated July 1, 2015.

[**] Per Special Order No. 2079 dated June 29, 2015.

[***] Per Special Order No. 2087 (Revised) dated July 1, 2015.