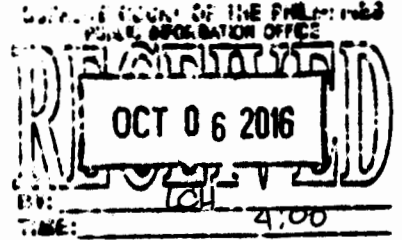




Republic of the Philippines  
**Supreme Court**  
 Manila



**FIRST DIVISION**

**CAMERON GRANVILLE 3**  
**ASSET MANAGEMENT, INC.,**

Petitioner,

- versus -

**FIDEL O. CHUA and FILIDEN**  
**REALTY AND DEVELOPMENT**  
**CORP.,**

Respondents.

**G.R. No. 191170**

SERENO, *CJ*, Chairperson,  
 LEONARDO-DE CASTRO,  
 BERSAMIN,\*  
 PERLAS-BERNABE, and  
 CAGUIOA, *JJ*.

Promulgated:

**SEP 14 2016**

X -----X

**DECISION**

**SERENO, *CJ*:**

This is a Petition for Review on Certiorari under Rule 45 of the Rules of Court seeking to nullify the Court of Appeals (CA) Decision<sup>1</sup> and Resolution<sup>2</sup> in CA-G.R. SP No. 103809. The CA Decision annulled the Orders<sup>3</sup> of the Regional Trial Court of Parañaque City, Branch 258 (RTC Branch 258), which joined petitioner as party-defendant in Civil Case No. 01-0207. The CA Resolution denied petitioner's motion for reconsideration.

**FACTS**

In 1988, respondents obtained an initial loan of ₱4 million from the Metropolitan Bank and Trust Co. (Metrobank). The loan was secured by a real estate mortgage constituted over three parcels of land located in Parañaque City (subject property).<sup>4</sup> The real estate mortgage was amended

\* On official leave.

<sup>1</sup> *Rollo*, pp. 69-83. The Decision dated 26 August 2009 issued by the Court of Appeals Special Third Division was penned by Associate Justice Ricardo R. Rosario, with Associate Justices Martin S. Villarama (a retired Member of this Court) and Pampio A. Abarintos concurring.

<sup>2</sup> *Id.* at 66-67. The Resolution dated 11 February 2010 issued by the Court of Appeals Special Former Special Third Division was penned by Associate Justice Ricardo R. Rosario, with Associate Justices Pampio A. Abarintos and Mariflor Punzalan-Castillo (in lieu of J. Villarama, Jr. per Raffle dated 24 November 2009) concurring.

<sup>3</sup> *Id.* at 85-87. The Orders dated 28 December 2007 and 9 April 2008 issued by the Regional Trial Court of Parañaque City, Branch 258, in Civil Case No. 01-0207 were penned by Judge Raul E. de Leon.

<sup>4</sup> *Id.* at 89.

several times to accommodate additional loans they incurred over the years.<sup>5</sup> On 13 January 2000, respondents and Metrobank restructured the obligation through a Debt Settlement Agreement over the outstanding obligation of ₱88,101,093.98.<sup>6</sup>

For failure of respondents to pay, Metrobank sought the extrajudicial foreclosure of the real estate mortgage over the subject property. On 4 May 2001, it sent them a Notice of Sale<sup>7</sup> setting the public auction on 31 May 2001. Seeking to stop the intended public auction, respondents filed a Complaint<sup>8</sup> docketed as Civil Case No. 01-0207 for injunction with prayer for the issuance of a temporary restraining order (TRO), preliminary injunction and damages.

The Regional Trial Court of Parañaque City, Branch 257 (RTC Branch 257), issued a TRO.<sup>9</sup> However, upon the expiration of the TRO, Metrobank scheduled another public auction on 8 November 2001. On the morning of that day, RTC Branch 257 issued an Order directing Metrobank to reschedule the intended sale to a date after the resolution of the application for preliminary injunction.<sup>10</sup> However, the latter allegedly received the Order only on 12 November 2001 and pushed through with the scheduled public auction on 8 November 2001. A Certificate of Sale<sup>11</sup> was thereafter issued in its favor on 9 November 2001.

In an Order dated 6 March 2002,<sup>12</sup> the application for preliminary injunction filed by respondents was denied by RTC Branch 257 for mootness in view of the consummated public auction sale. When their motion for reconsideration was denied,<sup>13</sup> respondents filed a petition for certiorari before the CA. The appellate court reversed and set aside the Order dated 6 March 2002 issued by RTC Branch 257 and remanded Civil Case No. 01-0207 for further proceedings.<sup>14</sup>

Upon motion of respondents, the presiding judge of RTC Branch 257 inhibited from further hearing the case.<sup>15</sup> The case was later re-raffled to RTC Branch 258.<sup>16</sup>

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<sup>5</sup> Id. at 89-90.

<sup>6</sup> Id. at 111-114.

<sup>7</sup> Id. at 116-117.

<sup>8</sup> Id. at 88-98.

<sup>9</sup> Id. at 127, 131.

<sup>10</sup> Id. at 185.

<sup>11</sup> Id. at 235-237.

<sup>12</sup> Id. at 292-295.

<sup>13</sup> Id. at 319.

<sup>14</sup> Id. at 386-397; Decision dated 26 July 2002 in CA-G.R. SP No. 70208. On 9 April 2003, this Court found no reversible error in the CA ruling, and entry of judgment was made on 28 July 2003.

<sup>15</sup> Id. at 443.

<sup>16</sup> Id. at 445.

Meanwhile, respondents filed a Motion to Admit Amended Complaint<sup>17</sup> with attached Amended Verified Complaint<sup>18</sup> for annulment of foreclosure of mortgage, declaration of nullity of certificate of sale, and injunction.

On 17 October 2007, petitioner filed a Motion for Joinder of Party and/or Substitution.<sup>19</sup> It alleged that by virtue of a Deed of Absolute Sale dated 17 September 2003,<sup>20</sup> Metrobank sold to Asia Recovery Corporation (ARC) its credit against respondents including all rights, interests, claims and causes of action arising out of the loan and mortgage agreements between Metrobank and respondents. ARC, in turn, specifically assigned the credit to petitioner through a Deed of Assignment dated 31 March 2006.<sup>21</sup> Petitioner prayed that it be substituted in lieu of Metrobank in the proceedings before RTC Branch 258.

Aside from its *conforme* to the motion filed by petitioner, Metrobank also filed a Comment<sup>22</sup> stating that the bank had no objection to its substitution by petitioner. Metrobank explained that the account of respondents had been declared a nonperforming loan pursuant to Republic Act No. 9182 (Special Purpose Vehicle Act of 2002 or SPV Act) and, as such, had been included among the other accounts sold to ARC by virtue of the Deed of Absolute Sale.<sup>23</sup>

The motion of petitioner was, however, vigorously opposed by respondents.<sup>24</sup> They alleged that they were entitled to a full disclosure of the details of the sale, as well as of the transfer and assignment of their debt pursuant to their right of redemption under the SPV Act and Article 1634<sup>25</sup> of the Civil Code.

### RULING OF THE RTC

In an Order dated 28 December 2007,<sup>26</sup> RTC Branch 258 granted the motion and ordered petitioner to be joined as party-defendant, but without dropping Metrobank as defendant.

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<sup>17</sup> Id. at 244-245.

<sup>18</sup> Id. at 246-260.

<sup>19</sup> Id. at 465-469.

<sup>20</sup> Id. at 470-474.

<sup>21</sup> Id. at 475-476.

<sup>22</sup> Id. at 478-479.

<sup>23</sup> Id. at 507-509.

<sup>24</sup> Id. at 480-484.

<sup>25</sup> CIVIL CODE, Article 1634:

Article 1634. When a credit or other incorporeal right in litigation is sold, the debtor shall have a right to extinguish it by reimbursing the assignee for the price the latter paid therefor, the judicial costs incurred by him, and the interest on the price from the day on which the same was paid.

A credit or other incorporeal right shall be considered in litigation from the time the complaint concerning the same is answered.

The debtor may exercise his right within thirty days from the date the assignee demands payment from him.

<sup>26</sup> *Rollo*, p. 85.

In the Order dated 9 April 2008,<sup>27</sup> RTC Branch 258 denied respondents' motion for reconsideration. It ruled that petitioner was a necessary party to the final determination of the case.

Aggrieved, petitioners filed a special civil action for certiorari under Rule 65 of the Rules of Court before the CA.

### **RULING OF THE CA**

In the assailed Decision dated 26 August 2009,<sup>28</sup> the CA granted the petition and annulled the Orders of RTC Branch 258.

The CA ruled that if it was true that Metrobank had divested itself of any interest in respondents' debt, then the trial court should have forthwith ordered the bank's exclusion from the proceedings.<sup>29</sup> According to the CA, the trial court provided for a provisional joinder/substitution of parties – a practice that cannot be countenanced due to the basic rule that every action must be prosecuted or defended in the name of the real party in interest.<sup>30</sup>

The appellate court also doubted whether substitution was proper, because the Deed of Absolute Sale between Metrobank and ARC did not specify whether respondents' debt was included in the portfolio of nonperforming loans sold.<sup>31</sup>

At bottom, the CA ruled that petitioner could not substitute for Metrobank in the proceedings before the trial court without first disclosing the consideration paid by petitioner for the transfer of interest.<sup>32</sup>

Petitioner filed a motion for reconsideration, which the CA denied in the challenged Resolution dated 11 February 2010.<sup>33</sup>

### **ISSUE**

The issue to be resolved in this case is simple: whether petitioner may be joined as party-defendant in Civil Case No. 01-0207.

### **OUR RULING**

We grant the petition.

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<sup>27</sup> Id. at 86-87.

<sup>28</sup> Supra note 1.

<sup>29</sup> Id. at 75.

<sup>30</sup> Id. at 76.

<sup>31</sup> Id. at 76-78.

<sup>32</sup> Id. at 78-81.

<sup>33</sup> Supra note 2.

As stated at the outset, the instant petition seeks a Rule 45 review of a Rule 65 decision of the CA. We stated in *Montoya v. Transmed Manila Corp.*<sup>34</sup> that our task in these cases is not to determine the correctness of the ruling of the trial court, but to examine whether the CA correctly determined the existence of grave abuse of discretion in the Orders of RTC Branch 258 allowing the joinder of petitioner in Civil Case No. 01-0207.

Section 6, Rule 3 of the Rules of Court, provides the rule on the joinder of parties:

Section 6. *Permissive joinder of parties.* — All persons in whom or against whom any right to relief in respect to or arising out of the same transaction or series of transactions is alleged to exist, whether jointly, severally, or in the alternative, may, except as otherwise provided in these Rules, join as plaintiffs or be joined as defendants in one complaint, where any question of law or fact common to all such plaintiffs or to all such defendants may arise in the action; but the court may make such orders as may be just to prevent any plaintiff or defendant from being embarrassed or put to expense in connection with any proceedings in which he may have no interest.

The rationale for allowing parties to join in a proceeding that delves on a common question of law or fact concerning them is trial convenience; i.e., to save the parties unnecessary work, trouble and expense.<sup>35</sup> In order to meet the requirements of justice and convenience, the rule on the joinder of parties is construed with considerable flexibility.<sup>36</sup> Hence, courts are given broad discretion in determining who may properly be joined in a proceeding.<sup>37</sup>

The rules also provide that in case of a transfer of interest, the court, upon motion, may direct the person to whom the interest is transferred to be substituted in the action or joined with the original party.<sup>38</sup>

Indeed, a transferee *pendente lite* is a proper party that stands exactly in the shoes of the transferor, the original party.<sup>39</sup> Transferees are bound by the proceedings and judgment in the case, such that there is no need for them to be included or impleaded by name.<sup>40</sup> We have even gone further and said that the transferee is joined or substituted in the pending action by operation of law from the exact moment when the transfer of interest is perfected between the original party and the transferee.<sup>41</sup>

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<sup>34</sup> 613 Phil. 696 (2009).

<sup>35</sup> *Prudential Bank v. Intermediate Appellate Court*, G.R. No. 74886, 8 December 1992, 216 SCRA 257.

<sup>36</sup> *Balastro v. CA*, 150-C Phil. 462 (1972).

<sup>37</sup> *Id.*

<sup>38</sup> Rules of Court, Rule 3, Section 19.

<sup>39</sup> *Fetalino v. Sanz*, 44 Phil. 691 (1923).

<sup>40</sup> *Id.*

<sup>41</sup> *Natalia Realty, Inc. v. CA*, 440 Phil. 1 (2002).

Nevertheless, “[w]hether or not the transferee should be substituted for, or should be joined with, the original party is largely a matter of discretion.”<sup>42</sup> That discretion is exercised in pursuance of the paramount consideration that must be afforded for the protection of the parties’ interests and right to due process.<sup>43</sup>

Notably, unless the exercise of that discretion is shown to be arbitrary, this Court is not inclined to review acts committed by the courts *a quo*.<sup>44</sup>

In this case, part of the reason why the CA ascribed grave abuse of discretion to the trial court was the latter’s statement in the Order dated 28 December 2007 as follows:

Thus, the Court hereby grants that [petitioner] be joined as party defendant in this case without dropping Metrobank at this stage conditioned, however, that if in the course of the trial, the Court finds that based on the testimonial and documentary evidence to be presented by Metrobank that it can be dropped, the same shall be effected pursuant to Section 11, Rule 3 of the 1997 Rules of Civil Procedure.<sup>45</sup>

According to the CA, this statement allowed for a “provisional” joinder/substitution of parties. It is difficult to fathom how the above statement of the trial court could have constituted grave abuse of discretion when the ruling was in accordance with Section 11, Rule 3 of the Rules of Court. The rule provides that parties may be dropped or added by order of the court on motion of any party or on the court’s own initiative at any stage of the action and on such terms as are just. For the CA to say that, as between Metrobank and petitioner, “only one of them is clothed with the personality to actively participate in the proceedings below”<sup>46</sup> is to show a regrettable lack of understanding of the rules and an unwarranted restriction of the trial court’s discretion.

Contrary to the finding of the CA, there is enough evidence in the records to support the fact of the transfer of interest between Metrobank and petitioner. The CA highlights only that it was not clear whether respondents’ debt was included in the portfolio of nonperforming loans sold to ARC. The appellate court then turned a blind eye to the representations of Metrobank before the trial court confirming the fact of the transfer of interest to ARC and then later to petitioner. The admission by Metrobank sufficiently supplied whatever was omitted by the non-presentation of the entire portfolio of nonperforming loans. The non-presentation may be

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<sup>42</sup> *Galace v. Bagtas*, 120 Phil. 657, 663 (1964).

<sup>43</sup> *Heirs of Medrano v. De Vera*, 641 Phil. 228 (2010).

<sup>44</sup> *Galace v. Bagtas*, *supra*.

<sup>45</sup> *Rollo*, p. 85.

<sup>46</sup> *Id.* at 76.

understandable in view of the sensitive nature of the portfolio and its contents. At any rate, the Deed of Assignment clearly spelled out that all of the rights, title, and interest over respondents' loan, which had an outstanding principal balance of ₱88,101,093.98, had been transferred by ARC to petitioner.

We observe that the CA effectively ruled that the disclosure of the consideration for the transfer of rights was a condition precedent for the joinder of petitioner in the proceedings.

In order not to preempt judgment or make a pronouncement as to any matter other than the pertinent issue before it, this Court will simply remind the CA and the parties that a disclosure of the consideration for the transfer of interest is not among the following requirements for a party to be joined in a proceeding: (1) the right to relief arises out of the same transaction or series of transactions; (2) there is a question of law or fact common to all the parties; and (3) the joinder is not otherwise prohibited by the rules on jurisdiction and venue.<sup>47</sup>

In fine, we find that the CA erred in ruling that RTC Branch 258 committed grave abuse of discretion when the latter allowed the joinder of petitioner as party-defendant in Civil Case No. 01-0207. Under the rules, the trial court is given wide discretion and enough leeway to determine who may be joined in a proceeding, or whether a party may properly be substituted by another due to a transfer of interest. Within the premises, the trial court's grant of the joinder cannot be seriously assailed.

**WHEREFORE**, the petition is **GRANTED**. The Court of Appeals Decision dated 26 August 2009 and Resolution dated 11 February 2010 in CA-G.R. SP No. 103809 are **REVERSED** and **SET ASIDE**.

The Orders dated 28 December 2007 and 9 April 2008 issued by the Regional Trial Court of Parañaque City, Branch 258, are **REINSTATED**.

**SO ORDERED.**



**MARIA LOURDES P. A. SERENO**  
Chief Justice

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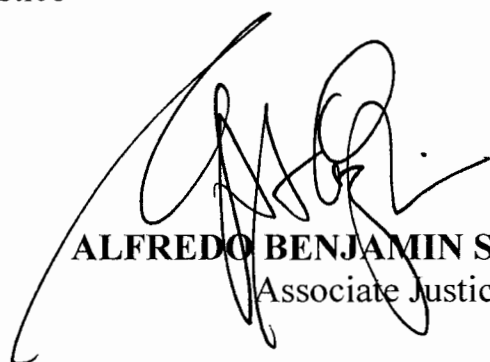
<sup>47</sup> *Pantranco North Express, Inc. v. Standard Insurance Co., Inc.*, 493 Phil. 616 (2005).

WE CONCUR:

*Teresita Leonardo de Castro*  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

(On official leave)  
**LUCAS P. BERSAMIN**  
• Associate Justice

*Ms. Perl*  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

*Maria Lourdes P. A. Sereno*  
**MARIA LOURDES P. A. SERENO**  
Chief Justice