



Republic of the Philippines  
**Supreme Court**  
 Manila

EN BANC

SUPREME COURT OF THE PHILIPPINES  
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**ZOMER DEVELOPMENT G.R. No. 194461**  
**COMPANY, INC.,**  
 Petitioner,

Present:

PERALTA, *Chief Justice*,  
 PERLAS-BERNABE\*,  
 LEONEN,  
 CAGUIOA,  
 REYES, A., JR.\*\* ,  
 GESMUNDO,  
 REYES, J., JR.,  
 HERNANDO,  
 CARANDANG,  
 LAZARO-JAVIER,  
 INTING,  
 ZALAMEDA,  
 LOPEZ\*\*\*, and  
 DELOS SANTOS\*\*\*\*, *JJ.*

-versus-

**SPECIAL TWENTIETH DIVISION  
 OF THE COURT OF APPEALS,  
 CEBU CITY and UNION BANK OF  
 THE PHILIPPINES,**  
 Respondents.

**Promulgated:**

January 7, 2020

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**DECISION**

**LEONEN, J.:**

Courts have the discretion to entertain an action for declaratory relief.<sup>1</sup> They cannot be compelled, by a writ of mandamus, to resolve the case when they exercise this discretion.

\* On official leave.

\*\* On official business.

\*\*\* On wellness leave.

\*\*\*\* No part.

<sup>1</sup> See RULES OF COURT, Rule 63, sec. 5.

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This is a Petition for Mandamus<sup>2</sup> which seeks to compel the Court of Appeals to rule on the constitutionality of Section 47<sup>3</sup> of Republic Act No. 8791, or the General Banking Law of 2002, in CA-G.R. CV No. 00288. In its Decision,<sup>4</sup> the Court of Appeals refused to rule on the constitutionality of the statute, deferring the resolution of this issue to this Court.

Zomer Development Company, Inc. (Zomer Development), a domestic corporation,<sup>5</sup> owned three (3) parcels of land in Cebu City covered by Transfer Certificate of Title No. 59105, Transfer Certificate of Title No. 59123, and Transfer Certificate of Title No. 59214.<sup>6</sup> The properties were mortgaged to International Exchange Bank as security for its loan.<sup>7</sup>

When Zomer Development failed to pay its indebtedness, International Exchange Bank foreclosed on the properties. A Notice of Extra-judicial Foreclosure Sale was posted and published on October 18, 2001, informing the public that the properties would be sold at an auction.<sup>8</sup> When the auction was conducted, International Exchange Bank emerged as the highest bidder. Thus, the Sheriff issued to it Certificates of Sale on November 19, 2001.<sup>9</sup> The Certificates of Sale provided for a period of redemption of twelve months from registration, "or sooner and/or later, as provided for under applicable laws."<sup>10</sup>

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<sup>2</sup> *Rollo*, pp. 4–19.

<sup>3</sup> Republic Act No. 8791 (2000), sec. 47 provides:

SECTION 47. *Foreclosure of Real Estate Mortgage*. — In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan or other credit accommodation granted, the mortgagor or debtor whose real property has been sold for the full or partial payment of his obligation shall have the right within one year after the sale of the real estate, to redeem the property by paying the amount due under the mortgage deed, with interest thereon at the rate specified in the mortgage, and all the costs and expenses incurred by the bank or institution from the sale and custody of said property less the income derived therefrom. However, the purchaser at the auction sale concerned whether in a judicial or extrajudicial foreclosure shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with law. Any petition in court to enjoin or restrain the conduct of foreclosure proceedings instituted pursuant to this provision shall be given due course only upon the filing by the petitioner of a bond in an amount fixed by the court conditioned that he will pay all the damages which the bank may suffer by the enjoining or the restraint of the foreclosure proceeding.

Notwithstanding Act 3135, juridical persons whose property is being sold pursuant to an extrajudicial foreclosure, shall have the right to redeem the property in accordance with this provision until, but not after, the registration of the certificate of foreclosure sale with the applicable Register of Deeds which in no case shall be more than three (3) months after foreclosure, whichever is earlier. Owners of property that has been sold in a foreclosure sale prior to the effectivity of this Act shall retain their redemption rights until their expiration.

<sup>4</sup> *Rollo*, pp. 22–34. The Decision dated October 18, 2010 was penned by Associate Justice Agnes Reyes-Carpio and concurred in by Associate Justices Pampio A. Abarintos and Edgardo L. Delos Santos of the Special Twentieth Division, Court of Appeals, Cebu City.

<sup>5</sup> *Id.* at 4.

<sup>6</sup> *Id.* at 22–23.

<sup>7</sup> *Id.* at 105.

<sup>8</sup> *Id.* at 23–24.

<sup>9</sup> *Id.* at 24–25.

<sup>10</sup> *Id.* at 25.

On December 10, 2001, International Exchange Bank registered the Certificates of Sale in the Register of Deeds. Consequently, Transfer Certificates of Title Nos. 361006, 361007, and 361008 were issued in its name.<sup>11</sup>

On February 18, 2002, Zomer Development filed a Complaint for *Declaration of Nullity of Notice of Sale, Certificate of Sale & TCTs and Declaration as Unconstitutional Sec. 47, RA No. 8791*.<sup>12</sup> It argued that Section 47 of Republic Act No. 8791,<sup>13</sup> or the General Banking Law of 2002, violates its right to equal protection since the law provides a shorter period for redemption of three (3) months or earlier to juridical entities compared to the one (1) year redemption period given to natural persons. This discrimination, it argued, gives “undue advantage to lenders who are non-banks.”<sup>14</sup>

Copies of the Complaint were furnished to the Office of the Solicitor General upon order of the Regional Trial Court. The Office of the Solicitor General, however, did not participate in the case.<sup>15</sup>

On March 24, 2004, the Regional Trial Court dismissed the Complaint. The trial court refused to rule on the constitutionality of Republic Act No. 8791, Section 47. According to the trial court, to rule on the issue will deprive the Republic of its right to due process since it was not heard on the issue and was not impleaded as party defendant in the case.<sup>16</sup>

Zomer Development appealed this Decision to the Court of Appeals,

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<sup>11</sup> Id. at 26.

<sup>12</sup> Id. at 27.

<sup>13</sup> Rep. Act No. 8791 (2000), sec. 47 provides:

SECTION 47. *Foreclosure of Real Estate Mortgage.* — In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan or other credit accommodation granted, the mortgagor or debtor whose real property has been sold for the full or partial payment of his obligation shall have the right within one year after the sale of the real estate, to redeem the property by paying the amount due under the mortgage deed, with interest thereon at the rate specified in the mortgage, and all the costs and expenses incurred by the bank or institution from the sale and custody of said property less the income derived therefrom. However, the purchaser at the auction sale concerned whether in a judicial or extrajudicial foreclosure shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with law. Any petition in court to enjoin or restrain the conduct of foreclosure proceedings instituted pursuant to this provision shall be given due course only upon the filing by the petitioner of a bond in an amount fixed by the court conditioned that he will pay all the damages which the bank may suffer by the enjoining or the restraint of the foreclosure proceeding.

Notwithstanding Act 3135, juridical persons whose property is being sold pursuant to an extrajudicial foreclosure, shall have the right to redeem the property in accordance with this provision until, but not after, the registration of the certificate of foreclosure sale with the applicable Register of Deeds which in no case shall be more than three (3) months after foreclosure, whichever is earlier. Owners of property that has been sold in a foreclosure sale prior to the effectivity of this Act shall retain their redemption rights until their expiration.

<sup>14</sup> *Rollo*, pp. 26–27.

<sup>15</sup> Id. at 27.

<sup>16</sup> Id. at 28.

arguing that the Republic was not required to be impleaded when questions regarding the constitutionality of a statute are raised.<sup>17</sup>

On October 18, 2010, the Court of Appeals rendered a Decision<sup>18</sup> dismissing the appeal “without prejudice to appellant’s filing of the appropriate case before the Supreme Court.”<sup>19</sup> The Court of Appeals categorized Zomer Development’s Complaint as one for declaratory relief and refused to “make a definitive ruling”<sup>20</sup> on the constitutionality issue, citing Rule 63, Section 5 of the Rules of Court on the discretion of courts to entertain petitions for declaratory relief.

The Court of Appeals held that “the case is novel and can be best resolved by the Supreme Court[,]”<sup>21</sup> since any pronouncement may have “far reaching effects”<sup>22</sup> on existing procedural rules like Supreme Court Circular No. 7-2002.<sup>23</sup>

Zomer Development now files this Petition for Mandamus<sup>24</sup> before this Court, praying that the Court of Appeals be compelled to resolve the issue on the constitutionality of Republic Act No. 8791, Section 47 in CA-G.R. CV No. 00288.

Petitioner argues that mandamus was the proper remedy since the Court of Appeals evaded its duty to decide on the constitutionality of Republic Act No. 8791, Section 47.<sup>25</sup> It adds that in declining to rule on the issue, the Court of Appeals deprived it of its right to due process since it did not put an end to the controversy between the parties.<sup>26</sup>

Private respondent, on the other hand, counters that the plain, speedy, and adequate remedy was a motion for reconsideration or an appeal; thus, Petitioner cannot use a petition for mandamus as a substitute for a lost appeal.<sup>27</sup> It contends that Petitioner no longer has the right to be protected by a writ of mandamus, since ownership over the disputed properties has

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<sup>17</sup> Id. at 29.

<sup>18</sup> Id. at 22–34.

<sup>19</sup> Id. at 34.

<sup>20</sup> Id. at 31.

<sup>21</sup> Id.

<sup>22</sup> Id. at 32.

<sup>23</sup> Guidelines for the Enforcement of Supreme Court En Banc Resolution of December 14, 1999 in Administrative Matter No. 99-10-05-0 (Re: Procedure in Extra-Judicial Foreclosure of Mortgage), as amended by the Resolutions dated January 30, 2001 and August 7, 2001, promulgated on January 2, 2002.

<sup>24</sup> *Rollo*, pp. 4–19. In view of its acquisition of International Exchange Bank, Union Bank of the Philippines entered its appearance with this Court (*rollo*, pp. 40–42). Comment (*rollo*, pp. 43–56) was filed on July 22, 2011 while Reply (*rollo*, pp. 64–70) was filed on March 15, 2012. Parties were ordered to submit their respective memoranda (*rollo*, pp. 76–95 and 104–117) on January 28, 2013 (*rollo*, pp. 74–75).

<sup>25</sup> Id. at 90–93.

<sup>26</sup> Id. at 93–94.

<sup>27</sup> Id. at 108–110.

already been consolidated.<sup>28</sup> Private respondent likewise argues that the Petition has become moot in light of *Goldenway Merchandising Corporation v. Equitable PCI Bank*,<sup>29</sup> which has already passed upon the constitutionality of Republic Act No. 8791, Section 47.<sup>30</sup>

From the arguments of the parties, this Court was confronted with the following issues for resolution:

*First*, whether or not the Petition for Mandamus was the proper remedy, or more succinctly, whether the Court of Appeals can be compelled to rule on the constitutionality of a statute by writ of mandamus; and

*Second*, whether or not the case has already become moot in light of *Goldenway Merchandising Corporation v. Equitable PCI Bank*.<sup>31</sup>

However, in order to fully pass upon these issues, this Court later on directed the Office of the Solicitor General to comment on the constitutionality of Section 47 of Republic Act No. 8791. The Bangko Sentral ng Pilipinas and the Bankers Association of the Philippines were also directed to submit their comments on the issue, in order to afford an opportunity to be heard by the parties that may be directly affected by the resolution of the issue.<sup>32</sup>

In its Comment,<sup>33</sup> the Office of the Solicitor General insists that the constitutionality of Section 47 of Republic Act No. 8791 has already been settled in *Goldenway Merchandising Corporation*.<sup>34</sup> It points out that the provision's constitutionality was further reiterated in *White Marketing Development Corporation v. Grandwood Furniture and Woodwork, Inc.*<sup>35</sup> Thus, it was "indubitable" that the provision did not violate Petitioner's right to equal protection.<sup>36</sup>

The Bankers Association of the Philippines and the Bangko Sentral ng Pilipinas, in their respective Comments,<sup>37</sup> echo the Office of the Solicitor General's sentiments, and reiterate that *Goldenway Merchandising Corporation* has already settled this issue with finality.<sup>38</sup>

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<sup>28</sup> Id. at 110.

<sup>29</sup> 706 Phil. 427 (2013) [Per J. Villarama, Jr., Third Division].

<sup>30</sup> *Rollo*, pp. 111–114.

<sup>31</sup> 706 Phil. 427 (2013) [Per J. Villarama, Jr., Third Division].

<sup>32</sup> *Rollo*, pp. 124–125.

<sup>33</sup> Id. at 126–137.

<sup>34</sup> Id. at 128–130.

<sup>35</sup> 800 Phil. 845 (2016) [Per J. Mendoza, Second Division].

<sup>36</sup> *Rollo*, pp. 130–131.

<sup>37</sup> Id. at 138–157 and 158–165.

<sup>38</sup> Id. at 143–145 and 159–161.

In its Consolidated Reply,<sup>39</sup> Petitioner reiterates its earlier argument in the Petition that Section 47 was unconstitutional as it was “a classic example of class legislation which is intended to favor banks, quasi-banks and other trust entities to the prejudice of juridical persons.”<sup>40</sup>

Thus, even after the submission of comments from parties that may be affected by this Court’s resolution, the issues before us remain the same: *first*, whether or not the Court of Appeals can be compelled by writ of mandamus to pass upon the constitutionality of a statute, and *second*, whether or not the issue of constitutionality has been rendered moot.

While not raised as an issue by the parties before this Court, we find that for a complete resolution of all controversies in this case, we must likewise first pass upon the issue of whether or not the trial court erred in dismissing the Complaint on the ground that the Office of the Solicitor General was not impleaded as a party.

## I

The trial court erred in dismissing the Complaint on the ground that the Republic, represented by the Office of the Solicitor General, was not impleaded in this case.


The Complaint, while denominated as a *Declaration of Nullity of Notice of Sale, Certificate of Sale & TCTs and Declaration as Unconstitutional Sec. 47, RA No. 8791*, was, in reality, an action for declaratory relief. Petitioner, in seeking the nullification of the foreclosure sale, questioned the validity of Republic Act No. 8791, Section 47 insofar as the law limits the redemption period for juridical persons to only three (3) months. Petitioner was a juridical person affected by the shorter redemption period. Under Rule 63, Section 1 of the Rules of Court, any person whose rights are affected by a statute may bring an action before the trial court to determine its validity:

SECTION 1. *Who May File Petition.* — Any person interested under a deed, will, contract or other written instrument, or whose rights are affected by a statute, executive order or regulation, ordinance, or any other governmental regulation may, before breach or violation thereof[,] bring an action in the appropriate Regional Trial Court to determine any question of construction or validity arising, and for a declaration of his rights or duties, thereunder.

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<sup>39</sup> Id. at 170–189.

<sup>40</sup> Id. at 173.



In dismissing the action, the trial court cited Rule 63, Section 3 of the Rules of Court, in that the Solicitor General was required to be impleaded in all actions where the validity of a statute was in question:

SECTION 3. *Notice on Solicitor General.* — In any action which involves the validity of a statute, executive order or regulation, or any other governmental regulation, the Solicitor General shall be notified by the party assailing the same and shall be entitled to be heard upon such question.

The Rules, however, only require that notice be given to the Solicitor General. They do not state that if the Solicitor General fails to participate in the action, the action would be dismissed.

The Administrative Code provides that the Solicitor General shall appear in any action involving the validity of a statute “when in his [or her] judgment his intervention is necessary *or when requested by the Court.*”<sup>41</sup>

In this instance, the trial court sent a copy of the Complaint to the Office of the Solicitor General.<sup>42</sup> The Office of the Solicitor General, however, did not participate in the case. The failure of the Office of the Solicitor General to participate, however, should not prejudice a litigant’s cause.

The trial court dismissed the action on the ground that the Solicitor General may be deprived of due process. Due process, however, has already been accorded to the Solicitor General when he/she was furnished with a copy of the Complaint. The Solicitor General’s failure to comment on the Complaint should have the effect of waiving his or her right to participate in the case. To hold otherwise would be to give the Solicitor General more power than what the law grants. The Solicitor General does not have and should not have unbridled control over cases that were originally filed between private parties.

## II

The grant of declaratory relief is discretionary on the courts. Courts may refuse to declare rights or to construe instruments if it will not terminate the controversy or if it is unnecessary and improper under the circumstances. A discretionary act cannot be the subject of a petition for mandamus.

While Petitioner’s Complaint before the trial court was captioned as

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<sup>41</sup> ADMINISTRATIVE CODE, Book IV, Title III, Chapter 12, Section 35 (3).

<sup>42</sup> *Rollo*, p. 27.

one for *Declaration of Nullity of Notice of Sale, Certificate of Sale & TCTs and Declaration as Unconstitutional Sec. 47, RA No. 8791*, it was, as the Court of Appeals correctly found, a petition for declaratory relief. Petitioner sought the declaration of Republic Act No. 8791 unconstitutional so that, in effect, the foreclosure proceedings of the properties now held by private respondent would be declared void.

Courts, however, have the discretion of whether to entertain an action for declaratory relief. In *Chan v. Galang*.<sup>43</sup>

Declaratory relief is discretionary upon the court to entertain. It may refuse to exercise the power to declare rights and to construe instruments in any case where the declaration or construction is not necessary and proper at the time under all the circumstances[.]<sup>44</sup>

The same paragraph now appears in Rule 63, Section 5 of the Rules of Court:

SECTION 5. *Court Action Discretionary.* — Except in actions falling under the second paragraph of section 1 of this Rule, the court, *motu proprio* or upon motion, may refuse to exercise the power to declare rights and to construe instruments in any case where a decision would not terminate the uncertainty or controversy which gave rise to the action, or in any case where the declaration or construction is not necessary and proper under the circumstances.

Although the Regional Trial Courts have exclusive original jurisdiction over actions for declaratory relief,<sup>45</sup> the Court of Appeals exercises appellate jurisdiction over final judgments of the trial court.<sup>46</sup> Thus, the Court of Appeals may, in appeals of actions for declaratory relief, apply Rule 63 of the Rules of Court in resolving the appeal.

The Court of Appeals, in deferring the question of the validity of Republic Act No. 8791, Section 47 to the Court of Appeals, cited Rule 63, Section 5 of the Rules of Court, and held that to resolve the Petition “would be an empty discourse and will not terminate the controversy.”<sup>47</sup> This was an exercise of the Court of Appeals’ discretion.

Any person may file a verified petition for mandamus against any tribunal, corporation, board, officer, or person who “unlawfully neglects the performance of an act which the law specifically enjoins as a duty resulting

<sup>43</sup> 124 Phil. 940 (1966) [Per J. Bengzon, En Banc].

<sup>44</sup> Id. at 947.

<sup>45</sup> See RULES OF COURT, Rule 63, sec. 1 and *Macasiano v. National Housing Authority*, 296 Phil. 56 (1993) [Per J. Davide, Jr., En Banc].

<sup>46</sup> See Republic Act No. 7902 (1995).

<sup>47</sup> *Rollo*, p. 31.



from an office, trust, or station[.]”<sup>48</sup> Petitioner submits that the Court of Appeals had the duty to pass upon the issue of the statute’s constitutionality. By refusing to pass upon it, it argues that the Court of Appeals unlawfully neglected its duty and may properly be the subject of a petition for mandamus.

Mandamus, however, may issue only to compel the performance of a ministerial duty. It cannot be issued to compel the performance of a discretionary act. In *Metro Manila Development Authority v. Concerned Residents of Manila Bay*:<sup>49</sup>

Generally, the writ of *mandamus* lies to require the execution of a ministerial duty. A ministerial duty is one that “requires neither the exercise of official discretion nor judgment.” It connotes an act in which nothing is left to the discretion of the person executing it. It is a “simple, definite duty arising under conditions admitted or proved to exist and imposed by law.” *Mandamus* is available to compel action, when refused, on matters involving discretion, but not to direct the exercise of judgment or discretion one way or the other.<sup>50</sup> (Emphasis in the original, citations omitted)

Petitioner cannot file a petition for mandamus to compel what is essentially a discretionary act on the Court of Appeals. What Petitioner should have done was to file a petition for certiorari to question the exercise of the Court of Appeals’ discretion. Unfortunately, Petitioner filed the wrong remedy. As such, the Petition must be denied.

### III

Even assuming that the Court of Appeals may be compelled to rule on the issue of the validity of Republic Act No. 8791, Section 47, the Petition has already become moot in view of the promulgation of *Goldenway Merchandising Corporation v. Equitable PCI Bank*.<sup>51</sup>

In *Goldenway Merchandising*, this Court squarely addressed the argument that Republic Act No. 8791, Section 47 violated the equal protection clause when it provided a shorter redemption period for juridical persons. This Court, in finding the argument unmeritorious, stated:

<sup>48</sup> RULES OF COURT, Rule 65, sec. 3.

<sup>49</sup> 595 Phil. 305 (2008) [Per J. Velasco, En Banc].

<sup>50</sup> Id. at 326 citing *Angchangco, Jr. v. Ombudsman*, 335 Phil. 766 (1997) [Per J. Melo, Third Division]; BLACK’S LAW DICTIONARY (8th ed., 2004); and *Lamb v. Phipps*, 22 Phil. 456, 490 (1912) [Per J. Johnson, First Division].

<sup>51</sup> 706 Phil. 427 (2013) [Per J. Villarama, Jr., Third Division].

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Petitioner's claim that Section 47 infringes the equal protection clause as it discriminates mortgagors/property owners who are juridical persons is equally bereft of merit.

The equal protection clause is directed principally against undue favor and individual or class privilege. It is not intended to prohibit legislation which is limited to the object to which it is directed or by the territory in which it is to operate. It does not require absolute equality, but merely that all persons be treated alike under like conditions both as to privileges conferred and liabilities imposed. Equal protection permits of reasonable classification. We have ruled that one class may be treated differently from another where the groupings are based on reasonable and real distinctions. If classification is germane to the purpose of the law, concerns all members of the class, and applies equally to present and future conditions, the classification does not violate the equal protection guarantee.

We agree with the CA that the legislature clearly intended to shorten the period of redemption for juridical persons whose properties were foreclosed and sold in accordance with the provisions of Act No. 3135.

The difference in the treatment of juridical persons and natural persons was based on the nature of the properties foreclosed — whether these are used as residence, for which the more liberal one-year redemption period is retained, or used for industrial or commercial purposes, in which case a shorter term is deemed necessary to reduce the period of uncertainty in the ownership of property and enable mortgagee-banks to dispose sooner of these acquired assets. It must be underscored that the General Banking Law of 2000, crafted in the aftermath of the 1997 Southeast Asian financial crisis, sought to reform the General Banking Act of 1949 by fashioning a legal framework for maintaining a safe and sound banking system. In this context, the amendment introduced by Section 47 embodied one of such safe and sound practices aimed at ensuring the solvency and liquidity of our banks. It cannot therefore be disputed that the said provision amending the redemption period in Act 3135 was based on a reasonable classification and germane to the purpose of the law.<sup>52</sup>

As pointed out by the Office of the Solicitor General, the Bangko Sentral ng Pilipinas, and the Bankers Association of the Philippines, the constitutionality of Section 47 of Republic Act No. 8791 has likewise been passed upon in *White Marketing Development Corporation v. Grandwood Furniture and Woodwork*:<sup>53</sup>

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<sup>52</sup> Id. at 438–440 citing *JMM Promotion and Management, Inc. v. Court of Appeals*, 329 Phil. 87 (1996) [J. Kapunan, First Division]; *Ichong v. Hernandez*, 101 Phil. 1155, 1164 (1957) [Per J. Labrador, En Banc]; *Abbas v. Commission on Elections*, 258-A Phil. 870, 882 (1989) [Per J. Cortes, En Banc]; *People v. Vera*, 65 Phil. 56 (1937) [Per J. Laurel, First Division]; *Laurel v. Misa*, 76 Phil. 372 (1946); *J.M. Tuason and Co., Inc. v. Land Tenure Administration*, 142 Phil. 393 (1970) [Per J. Fernando, Second Division]; and Records, 11<sup>th</sup> Cong.; Sponsorship speech of the late Senator Raul S. Roco, Records of the Senate, March 17, 1999, Vol. III, No. 76, pp. 552–559.

<sup>53</sup> 800 Phil. 845 (2016) [Per J. Mendoza, Second Division].

Grandwood had three months from the foreclosure or before the certificate of foreclosure sale was registered to redeem the foreclosed property. This holds true even when Metrobank ceased to be the mortgagee in view of its assignment to ARC of its credit, because the latter acquired all the rights of the former under the mortgage contract — including the shorter redemption period. The shorter redemption period should also redound to the benefit of White Marketing as the highest bidder in the foreclosure sale as it stepped into the shoes of the assignee-mortgagee.

Measured by the foregoing parameters, the Court finds that Grandwood's redemption was made out of time as it was done after the certificate of sale was registered on September 30, 2013. Pursuant to Section 47 of R.A. No. 8791, it only had three (3) months from foreclosure or before the registration of the certificate of foreclosure sale, whichever came first, to redeem the property sole in the extrajudicial sale.

Such interpretation is in harmony with the avowed purpose of R.A. No. 8791 in providing for a shorter redemption period for juridical persons. In *Goldenway Merchandising Corporation v. Equitable PCI Bank*, the Court explained that the shortened period under Section 47 of R.A. No. 8791 served as additional security for banks to maintain their solvency and liquidity, to wit:

The difference in the treatment of juridical persons and natural persons was based on the nature of the properties foreclosed — whether these are used as residence, for which the more liberal one-year redemption period is retained, or used for industrial or commercial purposes, in which case a shorter term is deemed necessary to reduce the period of uncertainty in the ownership of property and enable mortgagee-banks to dispose sooner of these acquired assets. It must be underscored that the General Banking Law of 2000, crafted in the aftermath of the 1997 Southeast Asian financial crisis, sought to reform the General Banking Act of 1949 by fashioning a legal framework for maintaining a safe and sound banking system. In this context, the amendment introduced by Section 47 embodied one of such safe and sound practices aimed at ensuring the solvency and liquidity of our banks. It cannot therefore be disputed that the said provision amending the redemption period in Act 3135 was based on a reasonable classification and germane to the purpose of the law.

To adopt Grandwood's position that Section 47 of R.A. No. 8791 no longer applies would defeat its very purpose to provide additional security to mortgagee-banks. The shorter redemption period is an incentive which mortgagee-banks may use to encourage prospective assignees to accept the assignment of credit for a consideration. If the redemption period under R.A. No. 8791 would be extended upon the assignment by the bank of its rights under a mortgage contract, then it would be tedious for banks to find willing parties to be subrogated in its place. Thus, it would adversely limit the bank's opportunities to quickly

dispose of its hard assets, and maintain its solvency and liquidity.<sup>54</sup>  
(Citations omitted)

The same case has also been cited in *Spouses Limso v. Philippine National Bank*,<sup>55</sup> where this Court upheld the rationale for the shorter redemption period for juridical persons:

We rule that the period of redemption for this case should be not more than three (3) months in accordance with Section 47 of Republic Act No. 8791. The mortgaged properties are all owned by Davao Sunrise. Section 47 of Republic Act No. 8791 states: “the mortgagor or debtor whose real property has been sold” and “juridical persons whose property is being sold[.]” Clearly, the law itself provides that the right to redeem belongs to the owner of the property mortgaged. As the mortgaged properties all belong to Davao Sunrise, the shorter period of three (3) months is the applicable redemption period.

The policy behind the shorter redemption period was explained in *Goldenway Merchandising Corporation v. Equitable PCI Bank*:

....

To grant a longer period of redemption on the ground that a co-debtor is a natural person defeats the purpose of Republic Act No. 8791. In addition, the real properties mortgaged by Davao Sunrise appear to be used for commercial purposes.<sup>56</sup> (Citations omitted)

Despite being given numerous opportunities to do so, Petitioner has neither mentioned *Goldenway Merchandising* in any of its pleadings nor argued against its applicability in this case.

While this Court looks with favor on the redemption of properties by its owners, the process of redemption is still a statutory privilege. Parties must still comply with the laws and the procedural rules on the matter. In *City of Davao v. Intestate Estate of Amado D. Dalisay*:<sup>57</sup>

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

<sup>54</sup> Id. at 855–857 citing *Goldenway Merchandising Corporation v. Equitable PCI Bank*, 706 Phil. 427 (2013) [Per J. Villarama, Jr., Third Division].

<sup>55</sup> 779 Phil. 287 (2016) [Per J. Leonen, Second Division].

<sup>56</sup> Id. at 402–403 citing *Goldenway Merchandising Corporation v. Equitable PCI Bank*, 706 Phil. 427 (2013) [Per J. Villarama, Jr., Third Division].

<sup>57</sup> 764 Phil. 171 (2015) [Per J. Mendoza, Second Division].

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.

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 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[.]<sup>58</sup>

#### IV

The Constitution guarantees that no person shall be denied equal protection of the laws.<sup>59</sup> The right to equal protection of the laws guards "against undue favor and individual or class privilege, as well as hostile discrimination or the oppression of inequality."<sup>60</sup>

Equal protection, however, was not intended to prohibit the legislature from enacting statutes that either tend to create specific classes of persons or objects, or tend to affect only these specific classes of persons or objects. Equal protection "does not demand absolute equality among residents; it merely requires that all persons shall be treated alike, under like circumstances and conditions both as to privileges conferred and liabilities enforced."<sup>61</sup> As aptly discussed in *Victoriano v. Elizalde Rope Worker's Union*:<sup>62</sup>

<sup>58</sup> Id. at 185–186 citing *Mateo v. Court of Appeals*, 99 Phil. 1042 (1956) [Per J. Reyes, En Banc]; *Spouses De Robles v. Court of Appeals*, 475 Phil. 518 (2004) [Per J. Tinga, Second Division]; *Natino v. Intermediate Appellate Court*, 274 Phil. 602 (1991) [Per J. Davide, Jr., Third Division]; *Spouses Paray v. Dra. Rodriguez*, 515 Phil. 546, 554 (2006) [Per J. Tinga, Third Division]; See *Magno v. Viola*, 61 Phil. 80, 84 (1934) [Per J. Abad Santos, En Banc]; *Heirs of Blancaflor v. Court of Appeals*, 364 Phil. 454, 463 (1999) [Per C.J. Davide, Jr., En Banc]; and *Bautista v. Fule*, 85 Phil. 391, 393 (1950) [Per J. Reyes, First Division].

<sup>59</sup> See CONST., art. III, sec. 1.

<sup>60</sup> *Ichong v. Hernandez*, 101 Phil. 1155, 1164 (1957) [Per J. Labrador, En Banc].

<sup>61</sup> Id.

<sup>62</sup> 158 Phil. 60 (1974) [Per J. Zaldivar, Second Division].

The guaranty of equal protection of the laws is not a guaranty of equality in the application of the laws upon all citizens of the state. It is not, therefore, a requirement, in order to avoid the constitutional prohibition against inequality, that every man, woman and child should be affected alike by a statute. Equality of operation of statutes does not mean indiscriminate operation on persons merely as such, but on persons according to the circumstances surrounding them. It guarantees equality, not identity of rights. The Constitution does not require that things which are different in fact be treated in law as though they were the same. The equal protection clause does not forbid discrimination as to things that are different. It does not prohibit legislation which is limited either in the object to which it is directed or by the territory within which it is to operate.

The equal protection of the laws clause of the Constitution allows classification. Classification in law, as in the other departments of knowledge or practice, is the grouping of things in speculation or practice because they agree with one another in certain particulars. A law is not invalid because of simple inequality. The very idea of classification is that of inequality, so that it goes without saying that the mere fact of inequality in no manner determines the matter of constitutionality. All that is required of a valid classification is that it be reasonable, which means that the classification should be based on substantial distinctions which make for real differences; that it must be germane to the purpose of the law; that it must not be limited to existing conditions only; and that it must apply equally to each member of the class. This Court has held that the standard is satisfied if the classification or distinction is based on a reasonable foundation or rational basis and is not palpably arbitrary.

In the exercise of its power to make classifications for the purpose of enacting laws over matters within its jurisdiction, the state is recognized as enjoying a wide range of discretion. It is not necessary that the classification be based on scientific or marked differences of things or in their relation. Neither is it necessary that the classification be made with mathematical nicety. Hence legislative classification may in many cases properly rest on narrow distinctions, for the equal protection guaranty does not preclude the legislature from recognizing degrees of evil or harm, and legislation is addressed to evils as they may appear.<sup>63</sup>

Thus, a statute that treats one class differently from another class will not violate the equal protection clause as long as the classification is valid. In *Samahan ng Progresibong Kabataan v. Quezon City*,<sup>64</sup> this Court summarized the three (3) tests to determine the reasonableness of a classification:

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<sup>63</sup> Id. at 86–88 citing 16 Am Jur. 2d, page 850; *International Harvester Co. v. Missouri*, 234 U.S. 199, 58 L. ed. 1276, 1282; *Atchison T.S.F.R. Co. v. Missouri*, 234 U.S. 199, 58 L. ed. 1276, 282; *People v. Vera*, 65 Phil. 56, 126 [Per J. Laurel, First Division]; *People v. Carlos*, 78 Phil. 535, 542 [Per J. Tuason, En Banc]; 16 C.J.S. 997; 16 Am. Jur. 2d, page 862; *Continental Baking Co. v. Woodring*, 286 U.S. 352, 76 L. ed. 1155, 1182; *Great Atlantic & Pacific Tea Co. v. Grosjean*, 301 U.S. 412, 81 L.ed. 1193, 1200; and *German Alliance Ins. Co. v. Lewis*, 233 U.S. 389, 58 L. ed., 1011, 1024;

<sup>64</sup> 815 Phil. 1067 (2017) [Per J. Perlas-Bernabe, En Banc].

The strict scrutiny test applies when a classification either (i) interferes with the exercise of fundamental rights, including the basic liberties guaranteed under the Constitution, or (ii) burdens suspect classes. The intermediate scrutiny test applies when a classification does not involve suspect classes or fundamental rights, but requires heightened scrutiny, such as in classifications based on gender and legitimacy. Lastly, the rational basis test applies to all other subjects not covered by the first two tests.<sup>65</sup>

A “suspect class” is defined as “a class saddled with such disabilities, or subjected to such a history of purposeful unequal treatment, or relegated to such a position of political powerlessness as to command extraordinary protection from the majoritarian political process.”<sup>66</sup>

Juridical entities enjoy certain advantages that natural persons do not, such as limited liability. A corporation has a separate and distinct personality from its corporate officers or stockholders. It may incur its own liabilities and is responsible for the payment of its debts. Thus, a corporate officer or a stockholder, as a general rule, is not personally held liable for corporate debts.<sup>67</sup>

The properties of juridical entities are also often used for commercial purposes. Corporations will give more attention to assets that are income-generating, and will also be equipped with greater resources for the protection of these assets.

In contrast, the properties of natural persons are more often used for residential purposes. They are also directly responsible for the liabilities they incur and, often, are not equipped with the same resources that juridical entities may have.

Juridical entities, thus, cannot be considered a “suspect class.” The rational basis test may be applied to determine the constitutionality of Republic Act No. 8971, Section 47.

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<sup>65</sup> Id. at 1113–1114 citing *Central Bank Employees Association, Inc. v. Bangko Sentral ng Pilipinas*, 487 Phil. 531 (2004) [Per J. Puno, En Banc]; *White Light Corporation v. City of Manila*, 596 Phil. 444 (2009) [Per J. Tinga, En Banc]; *Ang Ladlad LGBT Party v. COMELEC*, 632 Phil. 32, 77 (2010) [Per J. Del Castillo, En Banc]; JOAQUIN BERNAS, S.J. THE 1987 CONSTITUTION OF THE PHILIPPINES: A COMMENTARY 139–140 (2009); Concurring Opinion of Associate Justice Teresita J. Leonardo-De Castro in *Garcia v. Drilon*, 712 Phil. 44, 124–127 (2013) [Per J. Perlas-Bernabé, En Banc]; *Disini, Jr. v. Secretary of Justice*, 727 Phil. 28, 97–98 (2014) [Per J. Abad, En Banc]; and *Mosqueda v. Filipino Banana Growers & Exporters Association, Inc.*, 793 Phil. 17 (2016) [Per J. Bersamin, En Banc].

<sup>66</sup> Dissenting Opinion of J. Carpio Morales in *Central Bank Employees Association, Inc. v. Bangko Sentral ng Pilipinas*, 487 Phil. 531, 694 (2004) [Per J. Puno, En Banc] citing *San Antonio Independent School District v. Rodriguez*, 411 U.S. 1; 93 S. Ct. 1278; 36 L. Ed. 2d 16 (1973).


<sup>67</sup> See *Philippine National Bank v. Hydro Resources Contractors Corporation*, 706 Phil. 297 (2013) [Per J. Leonardo-De Castro, First Division].

“The rational basis test requires only that there be a legitimate government interest and that there is a reasonable connection between it and the means employed to achieve it.”<sup>68</sup> A longer period of redemption is given to natural persons whose mortgaged properties are more often used for residential purposes. A shorter period of redemption is given to juridical persons whose properties are more often used for commercial purposes. *Goldenway Merchandising* explains that the shorter period is aimed to ensure the solvency and liquidity of banks. This helps minimize the period of uncertainty in the ownership of commercial properties and enable mortgagee-banks to dispose of these acquired assets quickly.

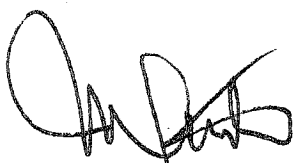
There is, thus, a legitimate government interest in the protection of the banking industry and a legitimate government interest in the protection of foreclosed residential properties owned by natural persons. The shortened period of redemption for juridical entities may be considered to be the reasonable means for the protection of both these interests.

**WHEREFORE, the Petition is DENIED.**

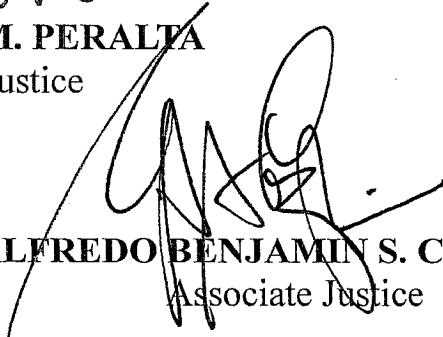
**SO ORDERED.**

  
**MARVIC M.V.F. LEONEN**  
 Associate Justice

WE CONCUR:

  
**DIOSDADO M. PERALTA**  
 Chief Justice

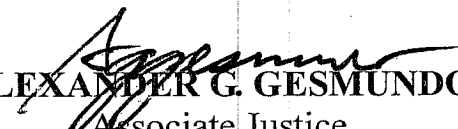
On official leave  
**ESTELA M. PERLAS-BERNABE**  
 Associate Justice

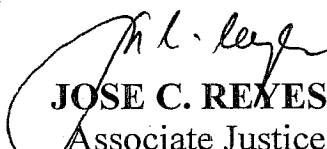
  
**ALFREDO BENJAMIN S. CAGUIOA**  
 Associate Justice


<sup>68</sup> Separate Opinion of J. Leonen in *Samahan ng Progresibong Kabataan v. Quezon City*, 815 Phil. 1067, 1147 (2017) [Per J. Perlas-Bernabe, En Banc].




On official business  
**ANDRES B. REYES, JR.**  
Associate Justice

  
**ALEXANDER G. GESMUNDO**  
Associate Justice


  
**JOSE C. REYES, JR.**  
Associate Justice

  
**RAMON PAUL L. HERNANDO**  
Associate Justice

  
**ROSMAR D. CARANDANG**  
Associate Justice

  
**AMY C. LAZARO JAVIER**  
Associate Justice

  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

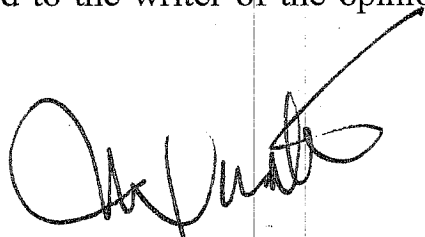
  
**RODIL V. ZALAMEDA**  
Associate Justice

On wellness leave  
**MARIO V. LOPEZ**  
Associate Justice

No part  
**EDGARDO L. DELOS SANTOS**  
Associate Justice

**CERTIFICATION**

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.

  
**DIOSDADO M. PERALTA**  
Chief Justice

**CERTIFIED TRUE COPY**

  
**EDGAR O. ARICHETA**  
Clerk of Court En Banc  
Supreme Court