

96 Phil. 447

[G.R. No. L-3676. January 31, 1955]

SOCORRO VASQUEZ, PLAINTIFF AND APPELLANT VS. LI SENG GIAP AND LI SENG GIAP & SONS, DEFENDANTS AND APPELLEES.

D E C I S I O N

PADILLA, J.:

This is an action to rescind the sale of a parcel of land together with the improvements erected thereon, described in the complaint, which was sold by the plaintiff to the defendant Li Seng Giap on 22 January 1940, on the ground that the vendee was an alien and under the Constitution incapable to own and hold title to lands. The case was decided upon the following stipulation of facts:

Plaintiff and defendants in the above-entitled case, by their respective attorneys, hereby stipulate and agree that the facts involved in this litigation are as follows:

That plaintiff and defendant Li Seng Giap are, and were at all times mentioned herein, of legal age and residents of the City of Manila, Philippines; that defendant Li Seng Giap & Sons, Inc., is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office in the City of Manila, Philippines.

II

That on January 22, 1940, plaintiff sold and transferred to defendant Li Seng Giap, then Chinese citizen, for the sum of P 14,500, a parcel of land together with a house of strong materials existing thereon, more particularly bounded and described as follows:

“A PARCEL OF LAND (Lot No. 22-A of the subdivision plan Psd-15360, being a portion of Lot No. 22, Block No. 2809 of the Cadastral Survey of Manila, G. L. R. O. Cadastral Record No. 192), situated in the District of Tondo, City of Manila. Bounded on the NE. by lot No. 23, Block No. 2809, on the SE. by Lot No. 22-B, Block No. 2809; on the SW. by Lot No. 21, Block No. 2809; and on the NW. by Calle Magdalena; * * * containing an area of four hundred twenty-three square meters and forty-five square decimeters (423.45) more or less.” (Assessed value—P15,579.00)

III

That on August 21, 1940, defendant Li Seng Giap sold and transferred unto defendant Li Seng Giap & Sons, Inc., whose shareholding's then were owned by Chinese citizens, for the same sum of P14,500, the above-mentioned parcel, together with the improvements thereon, and duly registered under Transfer Certificate of Title No. 59684 of the Office of the Register of Deeds for the city of Manila on August 23, 1940.

IV

That defendant Li Seng Giap was duly naturalized as a Filipino citizen on May 10, 1941, under Certificate of Naturalization No. 515, the records of which were duly reconstituted under an order of this Honorable Court in Case No. R-603 dated May 24, 1946.

V

That defendant Li Seng Giap & Sons, Inc., is now a Filipino corporation, 96.67 per cent of its stocks being owned by Filipinos, and duly authorized by its articles of incorporation to own, acquire or dispose of real properties.

VI

That the following are the names and respective citizenship and shareholdings of the present stockholders of Li Seng Giap & Sons, Inc.:

Names	Citizenship	No. of shares	Per cent	Total amount
Li Seng Giap	Filipino	3,400	56.67	P340,000.00
Tang Ho de Li Seng Giap	Filipino	1,200	20.00	120,000.00
William Lee	Filipino	200	3.33	20,000.00
Henry Lee	Filipino	200	3.33	20,000.00
Thomas J. Lee	Filipino	200	3.33	20,000.00
Sofia Lee Teehankee	Filipino	200	3.33	20,000.00
Julian M. Lee	Filipino	200	3.33	20,000.00
Charles Lee	Filipino	200	3.33	20,000.00
Anthony P. Lee	Chinese	<u>200</u>	<u>3.33</u>	<u>20,000.00</u>
		6,000	100.00%	P600,000.00

VII

That Henry Lee was duly naturalized as a Filipino citizen on October 21, 1936, under Certificate of Naturalization No. 352, the records of which were duly reconstituted under an order of this Honorable Court in Case No. R-407 dated May 24, 1946.

VIII

That Thomas J. Lee was duly naturalized as a Filipino citizen on May 10, 1941, under Certificate of Naturalization No. 516, the records of which were duly reconstituted under an order of this Honorable Court in Case No. R-604 dated May 24, 1946.

IX

That Willian Lee was duly naturalized as a Filipino citizen on November 1, 1948, under Certificate of Naturalization No. 2 of the Court of First Instance of Daet, Camarines Norte.

X

That Sofia Lee Teehankee is a Filipino citizen being married to Dr. Rafael Teehankee, a Filipino citizen.

XI

That Julia M. Lee and Charlea Lee are both Filipinos by operation of law as they were both minors when their father, Li Seng Giap, became a Filipino citizen on May 10, 1941.

Manila, Philippines, September 7, 1949.

Respectfully Submitted:

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The Court rendered judgment dismissing the complaint with cost against the plaintiff. She has appealed.

In *Caoile vs. Yu Chiao*, 49 Off. Gaz., 4321; *Talento vs. Makiki*, 49 Off. Gaz., 4331; *Bautista vs. Uy* 49 Off. Gaz., 4336; *Rellosa vs. Gaw Chee*, 49 Off. Gaz., 4345 and *Mercado vs. Go Bio*, 49 Off. Gaz., 5360, the majority, of this Court has ruled that in sales of real estate to aliens incapable of holding title thereto by virtue of the provisions of the Constitution^[1] both the vendor and the vendee are deemed to have committed the constitutional violation and being thus *in pari delicto* the courts will not afford protection to

either party.^[2] From this ruling three Justices dissented.^[3]

The action is not of rescission because it is not postulated upon any of the grounds provided for in Article 1291 of the old Civil Code and because the action of rescission involves lesion or damage and seeks to repair it. It is an action for annulment under Chapter VI, Title II, Book II, on nullity of contracts, based on a defect in the contract which invalidates it independently of such lesion or damages.^[4] It is very likely that the majority of this Court proceeded upon that theory when it applied the *in pari delicto* rule referred to above.

In the United States the rule is that in a sale of real estate to an alien disqualified to hold title thereto the vendor divests himself of the title to such real estate and has no recourse against the vendee despite the latter's disability on account of alienage to hold title to such real estate and . the vendee may hold it against the whole world except as against the State. It is only the State that is entitled by proceedings in the nature of *office found* to have a forfeiture or escheat declared against the vendee "Who is incapable of holding title to the real estate sold and conveyed to him."^[5]

However, if the State does not commence such proceedings and in the meantime the alien becomes naturalized citizen, the State is deemed to have waived its right to escheat the real property and the title of the alien thereto becomes lawful and valid as of the date of its conveyance or transfer to him.^[6] The rule in the United States that in a sale of real estate to an alien disqualified to hold title thereto, the vendor divests himself of the title to such real estate and is not permitted to sue for the annulment of his contract, is also the rule under the Civil Code. * * * Article 1302 of the old Civil Code provides: * * * Persons *sui juris* cannot, however, avail themselves of the incapacity of those with whom they contracted; * * *."

Manresa's comment on this clause of article 1302 of the Civil Code is as follows:

Irresponsabilidad del defecto alegada.—Es la segunda de las

condiciones necesarias para el ejercicio de la acción. Algunos la expresan diciendo que solo puede intentar aquella *el perjudicado*, pero esta expresión puede conducir a ideas equivocadas, ya que la nulidad es independiente

de la lesión, como declara el art. 1.300, y es lícito al favorecido económicamente por el contrato pedir la nulidad basándose en causas a él no imputables, y en cambio no autoriza en ley el caso inverso.

Sencilla la regla contenida en el párrafo segundo de este artículo, puede complicarse cuando coexisten dos defectos del contrato, como puede suceder, derivándose a veces de un mismo hecho, *verbigracia*, el contrato celebrado con un

incapaz por quien ignora que lo es: en este ejemplo es indudable que la persona capaz no podrá pedir la nulidad fundado en la incapacidad de la otra, pero si alegar el error o el dolo que padeciese si las circunstancias del sujeto eran de decisiva influencia en el contrato. (*Supra*, pp. 708-709.)

Appellant argues that if at the time of the conveyance of the real property the appellee was incapable of holding title to such real estate, the contract of sale was null or void and may be annulled, and his subsequent naturalization as a Filipino citizen cannot retroact to the date of the conveyance to make it lawful and valid. However, if the ban on aliens from acquiring not only agricultural but also urban lands, as construed by this Court in the *Krivenko* case, is to preserve the nation's lands for future generations of Filipinos, that aim or purpose would not be thwarted but achieved by making lawful the acquisition of real estate by aliens who became Filipino citizens by naturalization. The title to the parcel of land of the vendee, a naturalized Filipino citizen, being valid that of the domestic corporation to which the parcel of land has been transferred, must also be valid, 96.67 per cent of its capital stock being owned by Filipinos.

The judgment appealed from is affirmed, without costs.

Paras, C.J., Pablo, Bengzon, Montemayor, Reyes, A., Jugo, Bantista Angelo, and Labrador, JJ., concur.

^[1] Section 5, Article XIII; Krivenko vs. Register of Deeds, 44 Off. Gaz., 471.

^[2] Article 1305, old Civil Code; Article 1411, new Civil Code.

^[3] Mr. Justice Pablo, Mr. Justice Alex. Reyes and the writer. *See* Caoile vs. Yu Chiao, Talento vs. Makiki, Bautista vs. Uy, Rellosa vs. Gaw Chee and Mercado vs. Go Bio, *supra*.

^[4] Manresa, Commentaries al Codigo Civil Espafiol, Vol. VIII, p. 698, 4th ed.

^[5] Abrams vs. State, 88 Pac. 327; Craig vs. Leslie et al., 4 Law, Ed. 460; 3 Wheat, 563, 589-590; Cross vs. Del Valle, 1 Wall, (U. S.) 513; 17 Law. Ed., 515; Gouverneur vs. Robertson, 11 Wheat, 332, C Law. Ed., 488.

^[6] Osterman vs. Baldwin, 6 Wall, 116, 18 Law. ed. 730; Manuel vs. Wulff, 152 U. S. 505, 38 Law. ed. 532; Pembroke vs. Houston, 79 SW 470; Fieorella vs. Jones, 259 SW 782.

CONCURRING OPINION

REYES, J.B.L., J.:

I fully concur with the opinion of Justice Padilla, but wish to stress, as an additional reason for the decision in the present case, that when this action was instituted in 1948, the disability of the original vendee had been already

removed, since he was naturalized in 1941; and that the stockholders of the second transferee, Li Seng Giap & Sons, Inc., who hold more than 60 per cent of its capital stock, had likewise become Filipino citizens before, and not after, the action to annul was filed.

Judgment affirmed.

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