

794 Phil. 180

### THIRD DIVISION

[ G.R. No. 199431. August 31, 2016 ]

**STA. FE REALTY, INC. AND VICTORIA SANDEJAS FABREGAS, PETITIONERS, VS. JESUS M. SISON, RESPONDENT.**

### DECISION

#### **REYES, J.:**

Before the Court is a Petition for Review on *Certiorari*<sup>[1]</sup> seeking to annul and set aside the Decision<sup>[2]</sup> dated July 18, 2011 and the Resolution<sup>[3]</sup> dated November 23, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 90855, which affirmed with modification the Decision<sup>[4]</sup> dated August 8, 2006 of the Regional Trial Court (RTC) of Calamba City, Laguna, Branch 92, in Civil Case No. 2342-96-C.

#### **The Facts and the Case**

This case stemmed from a Complaint<sup>[5]</sup> for reconveyance of property filed by Jesus M. Sison (Sison) against Sta. Fe Realty, Inc. (SFRI), Victoria Sandejas Fabregas (Fabregas) (collectively, the petitioners), Jose Orosa (Orosa) and Morninglow Realty, Inc. (MRI) (collectively, the defendants).

The subject of this petition is a parcel of land with an area of 15,598 square meters, designated as Lot 1-B-1 in the subdivision plan Psd-04-038233, located in Barrio Bagong Kalsada, Calamba City, Laguna. The said tract of land is a portion of the land covered by Transfer Certificate of Title (TCT) No. 61132, having a total area of 60,987 sq m originally owned by SFRI.<sup>[6]</sup>

The records showed that SFRI agreed to sell to Sison the south eastern portion of the land covered by TCT No. 61132. On October 19, 1989, SFRI executed a Deed of Sale over the subject property to Fabregas for the amount of P10,918.00. Fabregas, then, executed

another deed of sale in favor of Sison for the same amount. This sale was authorized by SFRI in a Board Resolution dated April 30, 1989, and was then adopted by its Board of Directors together with the corresponding Secretary's Certificate dated October 11, 1989.<sup>[7]</sup>

Immediately thereafter, Sison caused the segregation of the corresponding 15,598 sq m from the whole 60,987-sq-m land and was designated as Lot 1-B-1 in the subdivision plan Psd-04-038233. He took possession of the subject property and introduced improvements thereon, such as fencing the property, putting a no trespassing sign, barbed wires and hedges of big tress. He also constructed a fishpond and a resort on the subject property.<sup>[8]</sup>

However, Sison was not able to register the sale and secure a title in his name over the subject property because the petitioners refused to pay realty taxes and capital gains tax, as well as to turn over the owner's copy of TCT No. 61132 and the subdivision plan. To protect his interest over the subject property, Sison was constrained to pay the said taxes from 1979 to 1990. Nevertheless, the defendants still refused to surrender the mother title and all other pertinent documents necessary to transfer the title of the subject property in Sison's name.<sup>[9]</sup>

Meanwhile, on December 2, 1991, SFRI caused the subdivision of the entire property covered by TCT No. 61132 into four lots, designated as: Lot 1-B-1, Lot 1-B-2, Lot 1-B-3 and Lot 1-B-4 under subdivision plan Psd-04-05414. After that, Lot 1-B-3 was further subdivided into four lots designated as Lot 1-B-3-A, Lot 1-B-3-B, Lot 1-B-3-C, and Lot 1-B-3-D, under subdivision plan Psd-0434-05-056810. As a result of the subdivision of Lot 1-B into new lots, TCT No. 61132 was cancelled and TCT No. T-255466 covering Lot 1-B-3-C was issued in the name of SFRI with an area of 16,000 sq m and With an annotation of the right of first refusal in favor of MRI.<sup>[10]</sup>

Subsequently, SFRI sold Lot 1-B-3-C to Orosa as evidenced by the Deed of Sale dated March 1, 1994. Orosa was able to transfer the property in his name; thus, TCT No. T-255466 was cancelled, and TCT No. T-297261 was issued in his name.<sup>[11]</sup>

Sison claimed that Lot 1-B-3-C is practically one and the same with Lot 1-B-1 which was previously sold by SFRI to Fabregas, and which the latter sold to him except for the excess of 402 sq m. Accordingly, when Sison learned about the subsequent sale of the subject property that he bought, he tried to settle the matter amicably but the parties did not reach an agreement. Hence, he instituted an action for reconveyance of property against the defendants.<sup>[12]</sup>

For their part, the petitioners denied that they agreed to sell the 15,598 sq m of TCT No. 61132 to Sison. They claimed that Sison was aware of the subdivision caused by SFRI and that Lot 1-B-3-C which is one of the several lots from the subdivision is not the same with Lot 1-B-1 which Sison is claiming.<sup>[13]</sup> They averred that Sison persuaded Fabregas to sell to him a portion of Lot 1-B in exchange of P700,000.00 and Sison will be the one to shoulder the expenses for the capital gains tax. They contended that they merely accommodated Sison's request to sign another set of deeds of sale over the subject property with a reduced price of P10,918.00 so that the capital gains tax would be reduced.<sup>[14]</sup> They also asserted that Sison did not pay the consideration agreed upon for the sale of the subject property; thus, Fabregas rescinded the sale by sending a notice to Sison who did not contest the rescission of the sale.<sup>[15]</sup>

For his part, Orosa claimed that he is a buyer in good faith as there is nothing annotated in TCT No. T-255466 which would warn or alert him of any lien or encumbrance or adverse claim on the property except for the right of first refusal granted to MRI. He claimed that the lot he bought from SFRI was different from that which Sison was claiming.<sup>[16]</sup>

On August 8, 2006, the RTC rendered its Decision<sup>[17]</sup> in favor of Sison, thus:

WHEREFORE, judgment is hereby rendered in favor of [Sison], as follows:

1. Declaring [Sison] the absolute owner of the lot described hereunder, free from all liens and encumbrances, to wit:

x x x x

2. Ordering [Orosa] to reconvey the above-described lot to [Sison];
3. Ordering the Register of Deeds of Laguna, Calamba Branch to perform the following: (a) to cancel TCT No. T-297261 issued in the name of [Orosa] and all titles subsequent thereto, and (b) to cause the issuance of the corresponding [TCT] in the name of [Sison] covering the above-described property upon his submission of a duly approved subdivision plan and technical description, free from Entry No. 357529 annotated on TCT No. 297261 and all other liens and encumbrances;
4. Ordering [the petitioners] to pay [Sison], jointly and severally, the following amounts:

- a. P10,946.91 as actual damages;
- b. P200,000.00 as moral damages;
- c. P50,000.00 as exemplary damages;
- d. P200,000.00 as attorney's fees; and
- e. costs of suit.

SO ORDERED.<sup>[18]</sup>

On appeal, the CA affirmed the findings of the RTC but reduced the award of moral damages and attorney's fees to P50,000.00 and P100,000.00, respectively.<sup>[19]</sup>

The petitioners filed a motion for reconsideration but it was denied.<sup>[20]</sup> Hence, this petition.

### **The Issue Presented**

WHETHER THE CA ERRED IN AFFIRMING THE DECISION OF THE RTC RECONVEYING THE SUBJECT PROPERTY TO SISON.

### **Ruling of the Court**

The petition lacks merit.

The Court has time and again ruled that factual findings of the CA are conclusive on the parties and carry even more weight when the said court affirms the factual findings of the trial court.<sup>[21]</sup> But even if the Court were to re-evaluate the evidence presented in this case, there is still no reason to depart from the lower courts' ruling that the reconveyance is proper.

Essentially, the issues raised center on the core question of whether Sison is entitled to reconveyance of the subject property. In resolving this issue, the pertinent point of inquiry is whether the deed of absolute sale by and between SFRI and Fabregas, as well as the deed of absolute sale between Fabregas and Sison are valid and enforceable.

Sison anchors his cause of action upon the two deeds of sale and his possession and occupation of the subject property.<sup>[22]</sup> The petitioners, however, counter that: (1) the deeds of sale were simulated; (2) Fabregas had unilaterally rescinded the sale; and (3) the subject property is now registered in the hands of an innocent purchaser for value.

The petitioners mainly argues that the deeds of sale were simulated because of its alleged failure to reflect the true purchase price of the sale which is P700,000.00 plus the assignment by Sison and his wife of certain properties located in Lingayen and Urdaneta, Pangasinan in favor of the petitioners. According to the petitioners, these deeds were executed at the request of Sison in order to reduce the amount to be paid as capital gains tax. They contend that there is an apparent gross disproportion between the stipulated price and the value of the subject property which demonstrates that the deeds stated a false consideration.

The Court, however, concurs with the disquisition of the lower courts that the evidence on record established that the deeds of sale were executed freely and voluntarily. The RTC noted that the petitioners admitted their intention to sell the subject property to Sison, and they voluntarily executed the said deeds of sale which were duly acknowledged before a notary public. These admissions that the deeds of sale were signed and executed by them in due course bar them from questioning or denying their acts.

In this case, all the elements for a contract to be valid are present. A perfected contract of absolute sale exists between SFRI and Fabregas and then Fabregas and Sison. There was meeting of the minds between the parties when they agreed on the sale of a determinate subject matter, which is the south eastern portion of Lot 1-B with an area of 15,598 sq m, and the price is certain, without any condition or reservation of title on the part of the petitioners.

To bolster their claim that the deeds of sale were void, the petitioners argue that there is gross disproportion between the price and the value of the subject property. The Court, however, ruled that gross inadequacy of price by itself will not result in a void contract. Gross inadequacy of price does not even affect the validity of a contract of sale, unless it signifies a defect in the consent or that the parties actually intended a donation or some other contract. Inadequacy of cause will not invalidate a contract unless there has been fraud, mistake or undue influence.<sup>[23]</sup>

The Court observed that the petitiOners are assailing the deeds of sale for being absolutely

simulated and for inadequacy of the price. However, these two grounds are incompatible. If there exists an actual consideration for transfer evidenced by the alleged act of sale, no matter how inadequate it be, the transaction could not be a simulated sale.<sup>[24]</sup>

Nonetheless, the fact remains that the petitioners have failed to prove that the assailed deeds of sale were simulated. The legal presumption is in favor of the validity of contracts and the party who impugns its regularity has the burden of proving its simulation.<sup>[25]</sup> Since the petitioners failed to discharge the burden of proving their allegation that the deeds of sale were simulated, the presumption of regularity and validity of the contract stands.

Considering that the Court finds the deed of sale between Fabregas and Sison to be valid and not fictitious or simulated, the next question to be resolved is whether the unilateral rescission made by Fabregas was valid and binding on Sison.

To begin with, this stance on the alleged unilateral rescission of the sale presupposes an implied admission of the validity of the deed of sale which the petitioners were claiming to be simulated. The remedy of rescission is based on the fulfilment of the obligation by the party and it is not on the alleged lack of consideration of the contract.

Here, it appears that Fabregas failed to judicially rescind the contract. The Court had already ruled that in the absence of a stipulation, a party cannot unilaterally and extrajudicially rescind a contract. A judicial or notarial act is necessary before a valid rescission can take place.<sup>[26]</sup>

The party entitled to rescind should apply to the court for a decree of rescission. The right cannot be exercised solely on a party's own judgment that the other committed a breach of the obligation. The operative act which produces the resolution of the contract is the decree of the court and not the mere act of the vendor.<sup>[27]</sup> "In other words, the party who deems the contract violated may consider it resolved or rescinded, and act accordingly, without previous court action, but it proceeds at its own risk. For it is only the final judgment of the corresponding court that will conclusively and finally settle whether the action taken was or was not correct in law."<sup>[28]</sup>

While the petitioners claim that Sison did not pay the price for the subject property, the notice of rescission that Fabregas allegedly sent to Sison declaring her intention to rescind the sale did not operate to validly rescind the contract because there is absolutely no stipulation giving Fabregas the right to unilaterally rescind the contract in case of non-payment. Consequently, the unilateral rescission she made is of no effect.

After finding that there was no valid rescission that took place, hence, the deeds of sale are valid and binding, the next issue to be discussed is whether Sison is entitled to reconveyance of the subject property which is now registered in the name of Orosa. Consequently, the bone of contention is whether Orosa is a buyer in good faith and for value.

The determination of whether Orosa is a buyer in good faith is a factual issue, which generally is outside the province of this Court to determine in a petition for review. Although this rule admits of exceptions, none of these applies to this case. There is no conflict between the factual findings and legal conclusions of the RTC and the CA, both of which found Orosa to be a buyer in bad faith. Moreso, Orosa's assertion that he was an innocent purchaser for value was not proven by clear and convincing evidence since his right to adduce evidence was validly waived by the trial court when his counsel failed to appear at the scheduled date of hearing despite being duly notified thereof.<sup>[29]</sup>

It was clearly established that the property sold to Orosa was practically the same to the one sold to Sison. In the pre-trial order issued by the trial court, the following judicial admission was made: *that Lot 1-B-1 is within the property sold by SFRI to Orosa.*<sup>[30]</sup> Such admission by the petitioners on the identity of the property covered by the deeds of sale executed in favor of Sison is admissible in evidence against Orosa. Furthermore, the written report and sketch plan of Geodetic Engineer Noel V. Sogueco established the fact that the property sold to Sison was well within the area described in TCT No. 297261 issued to Orosa. In short, the said documentary evidence proved that the lot sold to Sison as Lot 1-B-1 coincided with Lot 1-B-3-C described in TCT No. T-297261.<sup>[31]</sup>

The petitioners now contend that Orosa is a purchaser in good faith and for value. They argue that SFRI's title was free from any liens or encumbrances that could have triggered Orosa's suspicion. Orosa further argued that he acquired the subject property in good faith and had it first recorded in the Registry of Property, since he was unaware of the first sale.

In line with this, the Court had already ruled that, as in this case, the failure of buyer to take the ordinary precautions which a prudent man would have taken under the circumstances, especially in buying a piece of land in the actual, visible and public possession of another person, other than the vendor, constitutes gross negligence amounting to bad faith.<sup>[32]</sup>

When a piece of land is in the actual possession of persons other than the seller, the buyer must be wary and should investigate the rights of those in possession.

Without making such inquiry, one cannot claim that he is a buyer in good faith. When a man proposes to buy or deal with realty, his duty is to read the public manuscript, that is, to look and see who is there upon it and what his rights are. A want of caution and diligence, which an honest man of ordinary prudence is accustomed to exercise in making purchases, is in contemplation of law, a want of good faith. The buyer who has failed to know or discover that the land sold to him is in adverse possession of another is a buyer in bad faith. x x x.<sup>[33]</sup> (Citation omitted and italics in the original)

Applying this parameter, the Court is convinced that Orosa cannot be considered a buyer and registrant in good faith and for value. It is apparent from the records of this case that after Sison bought the subject property, he immediately took possession of it, and introduced improvements thereon, such as fencing the property, putting a no trespassing sign, barbed wires and hedges of big trees. Sison also constructed a fishpond and a resort on the subject property.<sup>[34]</sup>

Evidently, the presence of these structures should have alerted Orosa to the possible flaw in the title of SFRI. Hence, Orosa should have been aware of Sison's prior physical possession and claim of ownership over the subject property. If Orosa had visited the property, he would already know that someone else besides his seller has possession over the same.

The fact that Orosa had the subject property first registered will not help his cause. Orosa cannot rely on his TCT No. T-255466 as an incontrovertible evidence of his ownership over the subject property. The fact that Orosa was able to secure a title in his name does not operate to vest ownership upon him of the subject property. "Registration of a piece of land under the Torrens System does not create or vest title, because it is not a mode of acquiring ownership. A certificate of title is merely an evidence of ownership or title over the particular property described therein. It cannot be used to protect a usurper from the true owner; nor can it be used as a shield for the commission of fraud; neither does it permit one to enrich himself at the expense of others. Its issuance in favor of a particular person does not foreclose the possibility that the real property may be co-owned with persons not named in the certificate, or that it may be held in trust for another person by the registered owner."<sup>[35]</sup>

It is clear from the admissions of the parties that Sison had been in actual possession and occupation of the subject property at the time that it was sold by SFRI to Orosa. Thus, Orosa



did not acquire any right from SFRI over the subject property since the latter was no longer the owner of the same at the time the sale was made to him. The ownership over the subject property had already been vested to Sison prior to such sale. Hence, reconveyance of the subject property to Sison is warranted.

Lastly, the Court sustains the award of damages to Sison as it is beyond cavil that Sison was forced to institute the instant case to protect his interest. The surrounding circumstances of this case and the evident bad faith on the part of Sison justify the grant of compensatory, moral and exemplary damages and attorney's fees to Sison.

**WHEREFORE**, the petition is **DENIED**. The Decision dated July 18, 2011 and the Resolution dated November 23, 2011 of the Court of Appeals in CA-G.R. CV No. 90855 are **AFFIRMED**.

**SO ORDERED.**

*Velasco, Jr., (Chairperson), Peralta, Perez, and Jardeleza, JJ., concur.*

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November 9, 2016

### **NOTICE OF JUDGMENT**

Sirs / Mesdames:

Please take notice that on **August 31, 2016** a Decision, copy attached hereto, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on November 9, 2016 at 11:15 a.m.

Very truly yours,  
**(SGD)**  
**WILFREDO V.**  
**LAPITAN**  
*Division Clerk of Court*

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<sup>[1]</sup> *Rollo*, pp. 9-40.

<sup>[2]</sup> Penned by Associate Justice Florito S. Macalino, with Associate Justices Juan Q. Enriquez,

Jr., and Ramon M. Bato, Jr. concurring; id. at 42-50.

<sup>[3]</sup> Id. at 51-52.

<sup>[4]</sup> Rendered by Judge Alberto F. Serrano; id. at 185-200.

<sup>[5]</sup> Id. at 54-65.

<sup>[6]</sup> Id. at 55-56.

<sup>[7]</sup> Id. at 186-187.

<sup>[8]</sup> Id. at 187-188.

<sup>[9]</sup> Id. at 188.

<sup>[10]</sup> Id.

<sup>[11]</sup> Id. at 44.

<sup>[12]</sup> Id.

<sup>[13]</sup> Id. at 45.

<sup>[14]</sup> Id.

<sup>[15]</sup> Id. at 46.

<sup>[16]</sup> Id.

<sup>[17]</sup> Id. at 185-200.

<sup>[18]</sup> Id. at 199-200.

<sup>[19]</sup> Id. at 49.

<sup>[20]</sup> Id. at 51-52.

<sup>[21]</sup> *Metropolitan Bank & Trust Company v. Spouses Miranda*, 655 Phil. 265, 272 (2011 ).

<sup>[22]</sup> *Rollo*, p. 191.

<sup>[23]</sup> *Bacungan v. CA, et al.*, 595 Phil. 284, 292 (2008).

<sup>[24]</sup> *Alifio v. Heirs of Angelica A. Lorenzo, et al.*, 518 Phil. 698, 711 (2008).

<sup>[25]</sup> *Tating v. Marcella*, 548 Phil. 19, 31 (2007).

<sup>[26]</sup> *Eds Manufacturing, Inc. v. Healthcheck International Inc.*, 719 Phil. 205, 216 (2013).

<sup>[27]</sup> *Id.* at 217, citing *Iringan v. CA*, 418 Phil. 286, 295 (2001).

<sup>[28]</sup> *Golden Valley Exploration, Inc. v. Pinkian Mining Company, et al.*, 736 Phil. 230, 243 (2014), citing *U.P. v. De Los Angeles, etc., et al.*, 146 Phil. 108, 115 (1970).

<sup>[29]</sup> *Rollo*, p. 196.

<sup>[30]</sup> *Id.* at 186.

<sup>[31]</sup> *Id.* at 196.

<sup>[32]</sup> *Rosaroso, et al. v. Soria, et al.*, 711 Phil. 644, 659 (2013), citing *Spouses Sarmiento v. CA*, 507 Phil. 101, 128 (2005).

<sup>[33]</sup> *Rosaroso, et al. v. Soria, et al.*, *id.* at 658-659.

<sup>[34]</sup> *Rollo*, p. 188.

<sup>[35]</sup> *Hortizuela v. Tagufa*, G.R. No. 205867, February 23, 2015, 751 SCRA 371, 382-383.