

Title: Celestino Balus v. Saturnino Balus and Leonarda Balus Vda. de Calunod

Facts:

The case involves the heirs of Rufo Balus, namely petitioner Celestino Balus and respondents Saturnino Balus and Leonarda Balus Vda. de Calunod. Rufo Balus owned a parcel of land in Iligan City, which he mortgaged to the Rural Bank of Maigo, Lanao del Norte, to secure a loan. Rufo failed to pay the loan, leading to the foreclosure of the property and its sale at a public auction, wherein the Bank was the sole bidder. After the redemption period lapsed, the Bank acquired the property through a sheriff's sale and was issued a new title.

Rufo Balus died on July 6, 1984, and on October 10, 1989, the petitioner and respondents executed an Extrajudicial Settlement of Estate, despite the property being titled under the Bank's name. They agreed to "redeem" the property and claimed one-third portions each. Three years later, without the knowledge of Celestino Balus, the respondents purchased the property from the Bank and obtained a new title.

Celestino continued to possess his third of the property, but the respondents, now legal owners, wanted to recover possession. They filed a Complaint for Recovery of Possession and Damages against Celestino, who then claimed his third as per the Extrajudicial Settlement, depositing his share with the court.

The RTC rendered a decision in Celestino's favor, ordering the respondents to sell him the one-third portion of the property. The respondents appealed to the CA, which reversed the RTC decision, leading to Celestino's petition to the Supreme Court.

Issues:

1. Did a co-ownership exist among the petitioner and respondents over the property after the property's title was transferred to the Bank?
2. Does the Extrajudicial Settlement between the parties constitute an agreement that warrants enforcing the petitioner's right to claim a portion of the property?

Court's Decision:

The Supreme Court denied the petition and affirmed the CA decision. It found that no co-ownership existed among the parties as the property was not part of Rufo Balus's estate at the time of his death since he had lost ownership during his lifetime.

As regards the Extrajudicial Settlement, the Court determined it did not express any intent

for the parties to continue co-ownership of the property, nor did it qualify as an agreement to buy the property from the Bank. The petitioner's previous refusals to purchase the property from the Bank contradicted his claim that he intended to repurchase the property along with the respondents.

Doctrine:

The rights to succession are transmitted at the moment of a person's death, and the inheritance includes only the property and transmissible rights and obligations existing at that time, as well as those accrued since the opening of the succession. Co-ownership is not presumed and must be established by evidence.

Class Notes:

- Transmissible rights at the time of death (Civil Code, Art. 777): Only those properties and rights owned at the moment of death are inheritable.
- Intent of parties in a contract (Civil Code, Articles 1315 and 1306): The validity of a contract and its stipulations depend on the intent of the parties, provided it's not contrary to law, morals, good customs, public order, or public policy.
- Doctrine of succession regarding property ownership: A decedent's heirs cannot inherit property that was not part of the decedent's estate at death.

Historical Background:

The principle articulated in this case is consistent with the settled understanding of succession law and property rights in the Philippine legal system. It reiterates the importance of clear property titles and the legal fact that successors can only inherit what was actually part of the decedent's estate at the time of death. The case underscores the distinctive treatment of property that has changed hands due to foreclosure, which ceases to be part of the decedent's estate and becomes ineligible for inheritance.