

Title:

Mercado v. Viardo and Provincial Sheriff of Nueva Ecija (1961)

Facts:

The case revolves around the dispute over a parcel of land in Nueva Ecija, Philippines, registered under original certificate of title (OCT) No. 3484. The property was owned by Leonor Belmonte, Felisa Belmonte, Pilar Belmonte, and Ines de Guzman, with conditions regarding their ownership shares. A writ of execution regarding a civil case involving Leon C. Viardo against Bartolome Driz and Pilar Belmonte resulted in the sheriff selling half of Pilar Belmonte's interest in the property at public auction to Viardo as the highest bidder. However, when the ownership was supposed to be consolidated in Viardo's name, the directive was not carried out, leaving the original title uncanceled.

Subsequently, Pilar Belmonte and her husband filed a case against Viardo with intent to redeem the property. During the pendency of this case, Pilar Belmonte transacted parts of her interest in the property. A notice of lis pendens recorded on the title failed to fully protect Viardo's interests. The Court of First Instance decided in favor of Viardo, identifying him as the legal owner, and this decision was partially amended upon appeal with the ordering of Plaintiff to deliver the palay produce or equivalent value thereof to Viardo. Execution followed, but Isidoro M. Mercado filed a third-party claim alleging ownership and possession of a portion of the land. Consequently, Viardo initiated civil case No. 2004, questioning the various transactions Pilar Belmonte had made disposing of her land interests. The trial court ruled partially in favor of various claimants to co-ownership and declared some transactions null and void.

Issues:

1. Whether the sales executed by Pilar Belmonte after the auction sale and record of lis pendens were valid and binding.
2. Whether the sales made by Pilar Belmonte to her daughters Joaquina and Patricia Driz were fictitious and intended to defraud Leon C. Viardo.
3. Whether Isidoro M. Mercado, as a third-party buyer, acquired his interest in the property free from the claims of Leon C. Viardo.
4. Whether the heirs of Bartolome Driz could be held personally liable for the judgment against their father.
5. Whether Pilar Belmonte should be held liable for damages and attorney's fees to Leon C. Viardo.

Court's Decision:

The Supreme Court modified the decision of the Court of First Instance. The Court held:

1. The sales made by Pilar Belmonte of her remaining one-half undivided interest were valid, but the conveyance of specific parcel portions was subject to final subdivision and could not confer absolute title.
2. The sales from Pilar Belmonte to her daughters were upheld since the properties sold were derived from another fourth interest originally owned by Pilar Belmonte's mother, Ines de Guzman.
3. Isidoro M. Mercado's purchase was valid as it pertained to the undivided one-half interest of Pilar Belmonte not in litigation and was not subject to the lis pendens, which only covered the interests acquired by Leon C. Viardo.
4. The substitution of the heirs of Bartolome Driz in civil case No. 161 did not make them personally liable for the judgment against their father, as they were only substituted to protect his interest.
5. Pilar Belmonte's transactions were found to be in bad faith, and she was held liable to pay damages to Leon C. Viardo.

Doctrine:

1. The doctrine of lis pendens ensures that anyone acquiring an interest in a property subject to litigation is bound by the eventual judgment in the pending case.
2. In cases of co-ownership, a co-owner may validly dispose of their aliquot part but not the specific portions of the property, unless such portions have been clearly segregated and titled in their name.

Class Notes:

- A notice of lis pendens binds subsequent purchasers or transferees to judgments arising from the litigation mentioned in the notice.
- Co-owners have the right to freely sell or dispose of their share, including the right to partition the property, unless it is expressly prohibited by law or stipulation.
- Sales made in bad faith, to defraud creditors or in anticipation of adverse judgments, can be rescinded, and damages can be awarded for such fraudulent transactions.

Historical Background:

This case highlights the intricate legal issues surrounding property rights, co-ownership, and good faith transactions in the context of Philippine law. It reflects the balance between the protection of purchasers and the enforcement of judgments, emphasizing the role of good faith and the doctrine of lis pendens in property transactions during ongoing litigation.

The decision demonstrates the court's commitment to equity and fair dealing in the resolution of complex property disputes.