

Title: The Manila Banking Corporation vs. Edmundo S. Silverio and The Court of Appeals

Facts:

- Purificacion Ver sold two parcels of land located in Parañaque City to Ricardo C. Silverio, Sr. on April 16, 1979, without registering the deed of sale, leaving Ver as the titular owner.
- On February 22, 1990, The Manila Banking Corporation (TMBC) filed a complaint for money collection with an application for a writ of preliminary attachment against Ricardo Sr. and Delta Motors Corporation in Makati RTC, Civil Case No. 90-513.
- Following an RTC order on July 2, 1990, a notice of levy on attachment was inscribed on the titles of the properties.
- TMBC won the case at the trial court on March 29, 1993; Ricardo Sr. appealed to the Court of Appeals.
- Edmundo S. Silverio, Ricardo Sr.'s nephew, claimed ownership of the properties, alleging they were sold to him on September 11, 1989. He filed a case in Makati RTC on December 17, 1993, for cancellation of the levy and attachment.
- The RTC dismissed Edmundo's petition in May 1995, but the CA reversed this decision, directing the cancellation of the annotations on February 25, 1998.
- TMBC filed a petition for review with the Supreme Court, challenging the CA's decision.

Issues:

1. The propriety of questioning the validity of the sale by TMBC.
2. The correctness of ordering the cancellation of the notice of levy on attachment and writ of attachment.
3. The determination of bad faith on TMBC's part for not investigating Ricardo Sr.'s rights over the properties.

Court's Decision:

- The Supreme Court reversed the CA's decision and reinstated the RTC's dismissal of Edmundo's petition. The Court agreed with the trial court's finding that the sale between Ricardo Sr. and Edmundo was void for being absolutely simulated. The Court emphasized that an absolutely simulated contract is void and produces no effect, thus TMBC's levy on the properties was valid as they were still owned by Ricardo Sr. at the time of the levy.

Doctrine:

- The doctrine established in this case highlights that an absolutely simulated contract is void and does not produce any legal effect. Consequently, properties involved in such contracts can be subject to levy and attachment as if no sale had occurred.

Class Notes:

- Essential elements for the validity of contracts include consent, object, and cause (Civil Code, Articles 1318-1350).
- An absolutely simulated contract, where parties do not intend to create binding obligations, is void from the beginning (Civil Code, Article 1346).
- Properties can only be subject to levy and attachment if they belong to the debtor at the time of the levy (Civil Code, Article 2242).
- The defense of nullity in contracts is available to third parties whose interests are directly affected (Civil Code, Article 1421).

Historical Background:

- The case illustrates the complexities involved in property transactions that are not registered, leading to disputes over ownership and creditor claims. The Philippine legal system, through cases like this, underscores the importance of registering property transactions to avoid disputes and ensure that creditor rights are protected in accordance with established legal doctrines.