

**\*\*Title: Magdalena T. Villasi vs. Spouses Filomeno Garcia and Ermelinda Halili-Garcia\*\***

**\*\*Facts:\*\***

In 1990, Magdalena T. Villasi engaged Fil-Garcia Construction, Inc. (FGCI) to construct a seven-storey condominium in Quezon City. Disputes over payment led FGCI to sue Villasi for unpaid accomplishment billings totaling P2,865,000.00. The trial court initially decided in FGCI's favor, but upon appeal, the decision was reversed; Villasi was determined to have overpaid, and FGCI was ordered to return the excess amount plus other costs. FGCI's subsequent appeal to the Supreme Court was denied due to tardiness.

Efforts to execute the appellate court's decision ensued, leading to the levy on a building registered under FGCI but, as it turns out, constructed on land owned by the Spouses Filomeno Garcia and Ermelinda Halili-Garcia. The Garcia spouses filed a third-party claim and a motion to suspend the auction, contending they owned the property mistakenly levied in FGCI's name. The RTC ordered the suspension, upheld later by the Court of Appeals, prompting Villasi to appeal to the Supreme Court, arguing against the suspension of the auction, erroneous upholding of FGCI's corporate veil, and proposing the sheriff file an appropriate notice of levy with the Register of Deeds.

**\*\*Issues:\*\***

1. Whether the Court of Appeals erred in upholding the RTC's decision to suspend the execution sale of the buildings based on the Garcia spouses' third-party claim.
2. Whether the Court of Appeals erred in not piercing the corporate veil of FGCI in this context.
3. Whether the sheriff should file the appropriate notice of levy with the Register of Deeds of Quezon City.

**\*\*Court's Decision:\*\***

The Supreme Court ruled in favor of Villasi, finding that the Garcia spouses failed to unmistakably establish ownership over the levied building. The Court highlighted that ownership of the land does not automatically confer ownership of the building, especially where evidence suggests otherwise. The Court found credible proof of FGCI's ownership through tax declarations and practical control over the building. The decision from the Court of Appeals was reversed, and the writ of execution to proceed with the sale was

upheld.

**\*\*Doctrine:\*\***

The Supreme Court clarified that money judgments are enforceable only against property incontrovertibly belonging to the judgment debtor. Third-party claims must be robustly established, or otherwise, not deter the enforcement of a judgment. The ruling also reiterated the limited circumstances under which a corporate veil might be pierced, emphasizing that ownership and liability are distinct.

**\*\*Class Notes:\*\***

1. **\*\*Execution of Judgments:\*\*** Execution can only be made against properties of the judgment debtor. Third-party claims require unmistakable proof of ownership to prevent execution (Section 16, Rule 39 of the Revised Rules of Court).
2. **\*\*Doctrine of Accession:\*\*** Accession dictates that ownership of land includes buildings therein, but this principle has exceptions, especially in cases where distinct ownership of building and land is proven (New Civil Code, Art. 440).
3. **\*\*Piercing the Corporate Veil:\*\*** Applies when legal entity separation is used to perpetrate fraud, evade legal obligations, or justify wrongs. This case underscores the doctrine's applicability only when corporate separateness cloaks fraud or illegality, which was deemed inapplicable here.

**\*\*Historical Background:\*\***

This case underscores the challenges inherent in enforcing court judgments, especially in the presence of third-party claims. It illustrates the complexities when land and improvements on land are owned separately, highlighting the judiciary's role in clarifying and enforcing property rights amidst disputes. Additionally, it reaffirms the principle that procedural and substantive rules in the execution of judgments safeguard against improper levy of property, ensuring that only the debtor's assets are used to satisfy judgment debts.