

Title: Alfaro vs. Dumalagan: A Case of Annulment of Title and Double Sale

Facts:

The legal battle involves Lot No. 1710 in Talisay-Minglanilla Estate, Brgy. San Roque, Talisay City, initially registered under Olegario Bagano. On June 14, 1995, Bagano sold the property to Spouses Prosperous and Peblia Alfaro, who then secured the title in their name and improved the property. Meanwhile, Spouses Dumalagan claimed ownership over a portion of this lot, Lot No. 1710-H, based on a sale from Bagano dated December 6, 1993. They had taken possession and allowed tenants on the property.

Parallel to this, a separate case titled “Spouses Olegario P. Bagano and Cecilia C. Bagano vs. Spouses Peblia and Prosperous Alfaro” (Bagano case), sought to nullify the sale to Alfaro, which the Supreme Court eventually upheld, confirming Alfaro’s title. The trial court, in the current case, dismissed the complaint for lack of cause of action, a decision later reversed by the Court of Appeals, invalidating Alfaro’s title over Lot No. 1710-H and recognizing the Dumalagans’ ownership. The Supreme Court’s review was sought thereafter.

Issues:

1. Does the doctrine of res judicata apply, preventing the re-litigation of the Alfaro’s ownership declared in the Bagano case?
2. Were the Alfaros buyers in good faith, ignorant of any claim or interest in the property by others?
3. Does an expired adverse claim still provide constructive notice to subsequent buyers about possible defects in the title?

Court’s Decision:

1. **Res Judicata**: The Supreme Court found that the doctrine does not apply because there’s no identity of parties or cause of action between the Bagano case and the current dispute.
2. **Good Faith of Buyers**: The Court determined the Alfaros were not buyers in good faith. Despite expired annotations of adverse claims, the need for their cancellation maintained their effect as liens unless formally removed. Moreover, the Alfaros’ prior knowledge of occupants and their claims contradicted claims of good faith.
3. **Expired Adverse Claim**: The Supreme Court clarified that even if an adverse claim is technically expired, its annotation remains effective as a lien against the property until formally cancelled, serving as constructive notice to other parties.

Doctrine:

The Supreme Court reiterated the principle that the existence of adverse claims, even if expired, necessitates formal cancellation to remove their effect as liens on the property, thereby providing constructive notice to subsequent buyers. Additionally, the Court emphasized the importance of good faith in the priority of rights under Article 1544 of the Civil Code regarding double sales, establishing that priority is given to those who in good faith register first in the Registry of Property.

Class Notes:

- **Res Judicata**: Requires final judgment, on the merits, by a court of competent jurisdiction, and identity of parties, subject matter, and cause of action.
- **Good Faith in Property Purchase**: Defined under the Civil Code, emphasizes the purchaser's lack of notice of any defect or claim on the property at time of purchase and payment.
- **Article 1544, Civil Code**: Governs double sale of property, emphasizing registration in good faith as the criterion for resolving conflicts.
- **Adverse Claims**: Highlight the significance of annotations on titles as constructive notice to subsequent purchasers, mandating formal cancellation for removal.

Historical Background:

This case illustrates the complexities surrounding property transactions in the Philippines, particularly on issues of good faith, the impact of adverse claims, and the doctrine of double sales. It underscores the critical due diligence required in purchasing property to ensure the legitimacy of the title and the rights of all parties involved.