

Title:

Consolidated Rural Bank (Cagayan Valley), Inc. vs. Heirs of Teodoro De La Cruz

Facts:

The ownership dispute revolves around Lot No. 7036-A-7 initially owned by the Madrid brothers, which was sold in part to Aleja Gamiao and Felisa Dayag in 1957, a transaction unregistered but acknowledged by all parties involved. Gamiao and Dayag later sold subdivided portions of the lot (identified as 7036-A-7-A and 7036-A-7-B) to Restituto Hernandez and Teodoro de la Cruz, respectively, in 1964, who took possession and cultivated these lands. However, in a subsequent transaction dated June 15, 1976, without prior divestment from Gamiao and Dayag, the Madrid brothers sold the same lot to Pacifico Marquez, who later became the registered owner and mortgaged portions of it to Consolidated Rural Bank (Cagayan Valley) Inc. (CRB) and Rural Bank of Cauayan (RBC). The Madrid brothers' sale to Marquez led to the issuance of new titles under Marquez's name, which were later used for the mortgage.

The heirs of Teodoro De La Cruz filed for reconveyance and damages in 1986 against Marquez, RBC, and CRB, arguing that the subsequent transactions were null and void. The Regional Trial Court initially ruled in favor of the defendants, declaring Marquez the lawful owner and the mortgage to CRB valid. However, upon appeal, the Court of Appeals reversed this decision, declaring the heirs of Teodoro dela Cruz and Evangeline Hernandez-del Rosario as the rightful owners of the property and nullifying the transactions involving Marquez and the mortgages with CRB and RBC.

Issues:

1. Whether the Court of Appeals erred in finding Marquez was not a purchaser in good faith.
2. Whether the Court of Appeals was correct in declaring the mortgages in favor of RBC and CRB null and void due to bad faith.
3. The applicability of Article 1544 of the Civil Code concerning double sales and the priority of rights therein.

Court's Decision:

The Supreme Court denied the petition and affirmed the decision of the Court of Appeals with modifications. The decision meticulously underscored that Article 1544 of the Civil Code, which deals with double sales, was not applicable to this case because the disputed transactions involved different sets of sellers and not a singular vendor selling to multiple buyers. Instead, the principle of "prior in time, superior in right" was deemed applicable. It

was held that Marquez could not be considered a purchaser in good faith as he was aware of the heirs' claim and possession of the land, and thus, his registration did not vest him with better right. Consequently, the mortgages made by Marquez to CRB and RBC were declared null and void due to their failure to observe standard banking procedures for verifying the status of properties offered as security.

Doctrine:

- The principle of "prior in time, superior in right" applies in cases where Article 1544 on double sales is not applicable. This principle prioritizes the rights of the first buyer in instances of multiple sales provided they acted in good faith.
- In cases of real property transactions, the purchaser must exercise due diligence beyond the examination of the certificate of title, especially when in the presence of occupants other than the seller, to be considered a purchaser in good faith.

Class Notes:

- **Article 1544 of the Civil Code** outlines the rules for double sales, emphasizing the importance of registration in good faith as a determinant for resolving conflicts in ownership.
- **Principle of Prior Tempore, Potior Jure** ("first in time, stronger in right") - This establishes precedence in rights based on the chronology of valid claims.
- **Doctrine of Good Faith in Purchases** - Good faith must pervade every stage of the transaction from negotiation to registration; mere reliance on the title without due diligence especially in the face of obvious possession by another results in bad faith.
- **Nemo Dat Quod Non Habet** - One cannot give what one does not have. A purported seller cannot transfer ownership of a property he does not own or no longer owns.

Historical Background:

The case reflects the complexities involved in transactions concerning real estate in the Philippines and underscores the imperative for due diligence, good faith, and the adherence to statutory requirements of registration. It highlights the legal protections given to parties who act in good faith and the pitfalls of neglecting standard procedural verifications in property transactions.