

Title: Ayson and Lumanlan vs. Court of Appeals and Primo Arambulo; Primo Arambulo vs. Court of Appeals and Simeon Ayson and Maura Lumanlan

Facts:

Primo Arambulo (respondent) filed a lawsuit on December 29, 1942, in the Court of First Instance of Tarlac against Basilio Yalung to compel the latter to execute a formal deed of sale for a 10-hectare land he purchased on November 24, 1942. The discovery that the land was still under the name of Basilio's mother and sister prompted Arambulo to include Paulina Yalung as a defendant. However, an earlier transaction on May 15, 1941, between the Yalungs and appellants Simeon Ayson and Maura Lumanlan was revealed, involving the same land but under a pacto de retro sale arrangement with a repurchase agreement of four years.

When Arambulo filed for specific performance, Ayson and Lumanlan intervened, claiming they had a pre-existing right to the property. Their sale was not recorded until 1943, after Arambulo's possession. The trial court, on motion of Arambulo, allowed him to judicially consign the repurchase amount, leading to a declaration of him as the absolute owner by virtue of constructive repurchase.

Issues:

1. Was the execution of a notarial deed of sale a retro effective in conveying ownership prior to its registration?
2. Can a vendee in good faith be considered in bad faith upon discovery of a prior sale a retro?
3. Does the law of consignment require compliance to effectuate a valid repurchase?

Court's Decision:

1. The Supreme Court held that under Act 496, no conveyance or binding effect on registered land occurs until actual registration. Therefore, the sale a retro in favor of Ayson and Lumanlan did not transfer ownership or possession until its late registration in 1943.
2. Arambulo remained a possessor in good faith even after discovering the prior sale because his possession was based on a valid transaction of which he was initially unaware, and the prior sale had not been registered.
3. The consignment by Arambulo, despite being made via a manager's check and without direct notice to the vendees a retro, was considered inadequately executed. However, the court provided Arambulo a 30-day grace period to make the payment in legal tender, thus maintaining his right to repurchase the land.

Doctrine:

- The act of registration is crucial in transferring ownership of registered land, as per Act 496 (now reinforced under the Property Registration Decree or PD 1529).
- A possessor in good faith retains that status until proven otherwise by the emergence of a legally superior claim.
- The requirements of consignation must strictly follow the provisions of the Civil Code, including the mode of payment and notification to creditors.

Class Notes:

- **Act of Registration**: The critical role of proper and timely registration in affirming transactions affecting registered land.
- **Good Faith Possession**: The importance of the point of discovery of any conflicting claims in determining the good faith status of a possessor.
- **Consignation**: The specific requirements under the Civil Code for a valid consignation, including legal tender payment and proper notice to affected parties.

Historical Background:

This case underscores the intersections of pre-war and post-war legal claims involving land transactions in the Philippines, particularly highlighting issues around the formalization of property deals and the impact of non-registration on subsequent transactions. It illustrates the processes of the judicial system in resolving conflicts emerging from overlapping claims of ownership and possession, emphasizing the primacy of registration in securing property rights.