

Title:

Universal Robina Sugar Milling Corporation vs Heirs of Angel Teves

Facts:

1. Andres Abanto owned two parcels of land in Campuyo, Manjuyod, Negros Oriental. Lot 1 (55,463 sqm) was registered under TCT No. H-37, and Lot 2 (193,789 sqm) was unregistered.
2. Abanto died on February 16, 1973. His heirs executed an "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale" on October 19, 1974. They sold Lot 1 to Angel M. Teves and Lot 2 to United Planters Sugar Milling Company, Inc. (UPSUMCO) for a total of PHP 115,000. The sale was not registered.
3. Teves verbally allowed UPSUMCO to use Lot 1 for pier and loading facilities with the condition UPSUMCO pays real property taxes and retains possession until its corporate dissolution. UPSUMCO built a guesthouse and pier facilities.
4. The Philippine National Bank (PNB) acquired UPSUMCO's properties, including the subject properties, through foreclosure, which were later transferred to the Asset Privatization Trust (APT) and sold to Universal Robina Sugar Milling Corporation (URSUMCO).
5. Upon learning of URSUMCO's acquisition, Teves demanded the return of Lot 1 or payment of corresponding rentals, contending its use was only permitted to UPSUMCO and not included in the foreclosure.
6. URSUMCO refused, claiming acquisition rights through UPSUMCO.

Procedural Posture:

1. Teves filed a complaint in the RTC Dumaguete City on June 18, 1992.
2. Teves died on September 4, 1992, and his heirs were substituted.
3. RTC rendered a judgment in favor of Teves on April 6, 1994.
4. URSUMCO appealed, but the Court of Appeals affirmed the RTC decision.
5. URSUMCO filed a motion for reconsideration denied by the Court of Appeals on February 10, 1997.
6. URSUMCO filed a petition for review on certiorari with the Supreme Court.

Issues:

1. Whether the respondents (Teves' heirs) have established a cause of action against URSUMCO.
2. Whether URSUMCO has the legal capacity to question the validity of the sale.
3. Whether the complaint should have been dismissed for lack of barangay conciliation.

Court's Decision:

1. **Cause of Action**:

- The Court affirmed that the document between Teves and Abanto's heirs was a contract of sale transferring ownership to Teves upon payment.
- URSUMCO's claim that the sale lacked consideration and was merely a promise to sell was dismissed. The price was validly stated as PHP 115,000 for the combined lots.
- URSUMCO's argument about the transaction being unregistered affecting third parties was irrelevant. The sale's validity between Teves and the heirs was unaffected by its non-registration.

2. **Questioning the Sale**:

- URSUMCO lacks the standing to contest the transaction as it was not a party to the original contract between Teves and the heirs of Andres Abanto.
- URSUMCO did not prove it was an innocent purchaser for value.
- Ownership was already transferred to Teves as per the Extradicial Settlement and Sale of 1974.

3. **Barangay Conciliation**:

- The petitioner raised the issue of barangay conciliation non-referral.
- The Court ruled that corporations cannot be involved in barangay conciliation proceedings, thus this ground failed.

Doctrine:

1. **Contract of Sale**:

- A contract of sale transfers ownership to the vendee upon delivery of the thing sold. An unfulfilled registration does not invalidate a sale; it remains binding between the parties.

2. **Good Faith Acquisition**:

- A party cannot claim good faith if they fail to investigate facts that should have made them aware of existing claims or interests on a property.

3. **Jurisdiction Over Corporations in Barangay Conciliation**:

- Corporations cannot be impleaded in barangay conciliation proceedings as per Katarungang Pambarangay Law.

Class Notes:

1. **Elements of Contract of Sale**:

- Agreement between the parties, price, and delivery of the object.

2. **Formalities of Contracts**:

- Article 1358, NCC: Certain contracts must be in writing for efficacy or convenience, not affecting validity between original parties.

3. **Good Faith Purchaser**:

- Lacks prior notice of another's claim and pays a fair price—failure to verify information negates innocence.

4. **Barangay Conciliation**:

- Sec. 1, Rule VI: Corporations cannot participate in barangay conciliation.

Historical Background:

- The case deals with property rights transference under traditional legal structures in Philippine civil law, reflecting on extrajudicial settlements common in estates with less formality in rural areas. Ownership disputes, especially involving agricultural lands frequently engage in legal principles from both traditional civil law and modern corporate transactions.