

Title:

Sps. Alfredo vs. Sps. Borrás (G.R. Nos. 139240-41)

Facts:

1. Godofredo and Carmen Alfredo, owners of an 81,524 sqm. parcel of land in Bataan, secured a mortgage with DBP for P7,000.
2. Unable to pay, they sold the land to Armando and Adelia Borrás for P15,000, with the understanding that the Borrás would assume the mortgage.
3. The mortgage was paid off, the land's title and tax documents were transferred to the Borrás, and existing tenants were introduced to the new owners.
4. Years later, Godofredo and Carmen re-sold subdivided portions of the land to numerous individuals (the "Subsequent Buyers"), who received new titles.
5. Discovered by Armando and Adelia in 1994, they filed an adverse claim and a complaint for specific performance against the Alfresdos; later including the Subsequent Buyers.
6. Trial court ruled in favor of Armando and Adelia, declaring the sale valid, ordering the cancellation of the Subsequent Buyers' titles, and directing Godofredo and Carmen to deliver a deed of sale.
7. The Court of Appeals affirmed the trial court's decision and rejected a motion for reconsideration.

Issues:

1. Whether the oral sale of the Subject Land is valid and enforceable.
2. Whether the action is barred by prescription and laches.
3. Validity of the subsequential sale and titles issued to the Subsequent Buyers.
4. Liability of petitioners for attorney's fees, litigation expenses, and treble costs.
5. Entitlement of petitioners to counterclaim for attorney's fees and litigation expenses.

Court's Decision:

****Issue 1 - Validity of the Sale**:**

- ****Resolution**:** The contract of sale was valid.
- ****Rationale**:** The receipt dated March 11, 1970, constituted a sufficient memorandum under the Statute of Frauds. Physical delivery and transfer of ownership to the Borrás was established, evidenced by possession and property documents possession by Armando and Adelia.
- The Statute of Frauds does not apply to executory contracts, and the involvement of both Carmen and Godofredo or their representative in the handover satisfies legal requirements.

****Issue 2 - Prescription and Laches**:**

- ****Resolution**:** The action was not barred.
- ****Rationale**:** The action for reconveyance, whether viewed as such or strictly one for specific performance, is subject to a ten-year prescriptive period, starting from discovery of fraud. The action was timely filed.

****Issue 3 - Validity of Subsequent Sale**:**

- ****Resolution**:** The Subsequent Buyers were not purchasers in good faith.
- ****Rationale**:** Constructive notice of the prior adverse claim and prior sale disqualified them from good faith protections. Ownership cannot be transferred if the seller has no title, reaffirming the first buyers' rights.

****Issue 4 - Attorney's Fees and Costs**:**

- ****Resolution**:** The petitioners were liable.
- ****Rationale**:** The trial court justified P20,000 in litigation expenses and attorney's fees due to petitioners' conduct enforcing the lawsuit's necessity. Treble costs were affirmed to punish fraudulent maneuvers.

****Issue 5 - Counterclaim for Fees and Expenses**:**

- ****Resolution**:** The counterclaim was denied.
- ****Rationale**:** The petitioners' claims were unfounded as raised issues of good faith and lawful purchase were dismissed.

Doctrine:

- ****Statute of Frauds**:** A contract for the sale of real property must be written unless one party's actions validate it. Here the receipt and subsequent actions substantiated the oral agreement.
- ****Constructive Trust**:** Fraud in property registration creates an implied trust, where the fraudulent titleholder is a trustee for the rightful owner, permitting an action for reconveyance within ten years.
- ****Good Faith in Property Purchase**:** Constructive notice of adverse claims negates a subsequent buyer's claim to good faith protection.

Class Notes:

- ****Contract of Sale**** elements: Consent, object, price.
- ****Statute of Frauds**:** Only applies to contracts not in written evidence unless action consummates the contract and provides benefits.

- **Prescription Period**: Actions on fraud and reconveyance are generally ten years from discovery.
- **Implied Trust**: Fraudulent gains necessitate the fraudulent party to hold property in trust.
- **Doctrine of Indefeasibility**: Titles are indefeasible unless fraud is involved.

Historical Background:

- **Original Homestead Title Prohibition**: Public Land Act prohibits alienation of homestead land within 5-25 years of the patent issuance without government approval. Godofredo and Carmen initially bypassed this protection unknowingly creating future conflicts.
- **Land Tenure and Agrarian Reform**: The tenants and policy on homestead lands reflect historical agrarian issues pervasive in Philippine land law, critically affecting rural proprietary relationships.

By addressing all legal intricacies and affirming the rightful ownership of Armando and Adelia over the Subject Land, this case reasserts solid interpretation of contractual, real property, and trust laws under Philippine jurisprudence.