

Title

Agricultural and Home Extension Development Group vs. Court of Appeals, et al., G.R. No. L-40941, July 25, 1991

Facts

1. **Initial Sale to Gundran**:

- **March 29, 1972**: Spouses Andres Diaz and Josefa Mia sold a 19-hectare parcel of land in Las Piñas, Rizal, covered by Transfer Certificate of Title (TCT) No. 287416, to Bruno Gundran.

- The owner's duplicate copy of the title was given to Gundran, who, however, did not register the Deed of Absolute Sale owing to notices of lis pendens on the title.

2. **Joint Venture Agreement**:

- **November 20, 1972**: Bruno Gundran entered into a Joint Venture Agreement (non-annotated on the title) with the petitioner, Agricultural and Home Development Group, for the improvement and subdivision of the land.

3. **Subsequent Sale to Cabautan**:

- **August 30, 1976**: Spouses Diaz and Mia sold the same property to Librado Cabautan.

- **September 3, 1976**: A judicial order resulted in a new owner's copy of the TCT being issued to the Diaz spouses. The notices of lis pendens were canceled, and the Deed of Sale to Cabautan was recorded, which led to the issuance of TCT No. S-33850/T-172 in Cabautan's name.

4. **Legal Actions**:

- **March 14, 1977**: Gundran filed an action for reconveyance and cancellation of TCT No. 33850/T-172 in the Court of First Instance (CFI) of Pasay City against Cabautan and Josefa Mia.

- **August 31, 1977**: The petitioner filed a complaint in intervention seeking the same relief as Gundran's.

5. **Trial Court and Appellate Court Decisions**:

- **January 12, 1987**: The CFI dismissed both Gundran's and the petitioner's complaints for lack of merit while also dismissing Cabautan's counterclaims for insufficiency of evidence.

- The decision was subsequently affirmed by the Court of Appeals, with the modification requiring Josefa Mia to pay Gundran P90,000.00 plus legal interest and costs.

Issues

1. **Who between Bruno Gundran and Librado Cabautan is the rightful owner of the disputed property under Article 1544 of the Civil Code?**
2. **Was Librado Cabautan a purchaser in good faith?**
3. **Did the earlier possession by the petitioner and Gundran affect Cabautan's claim of being an innocent purchaser for value?**

Court's Decision

1. **Rightful Ownership Under Article 1544:**

- The Supreme Court affirmed that ownership belonged to Librado Cabautan. Under Article 1544 of the Civil Code, when immovable property is sold to different vendees, the ownership shall belong to the one who first recorded it in good faith. Since the sale to Cabautan was properly registered, he had a stronger claim.

2. **Good Faith of Cabautan:**

- The Court established that Cabautan was a purchaser in good faith. The title at the time of his purchase showed no annotations of any sale, lien, or encumbrance in favor of Gundran or the petitioner. Even though there were notices of lis pendens earlier, these were canceled by judicial orders. Thus, Cabautan's belief in clear title at the time of recording was justified.

3. **Possession by the Petitioner:**

- The courts found no evidence supporting the petitioner's claim of prior possession of the land. Therefore, Cabautan's knowledge or lack thereof regarding the petitioner's possession did not impact his status as an innocent purchaser for value.

Doctrine

Article 1544 of the Civil Code: When the same immovable property has been sold to different vendees, ownership belongs to the person who first registers the sale in good faith. If there's no registration, precedence goes to the first possessor in good faith, or among those lacking possession, to the person with the oldest title in good faith.

Class Notes

1. **Key Elements/Concepts:**

- **Double Sale:** Governed by Article 1544 of the Civil Code.

- **Good Faith in Purchasers:** Defined as having no notice of any existing claim and paying a fair price.

- **Lis Pendens**: Serves notice to the world but does not constitute a lien unless ruled by the court.
- **Registration**: The act of registration is crucial as it confers ownership upon compliance with statutory requirements.

2. **Relevant Statutes**:

- **Civil Code of the Philippines, Article 1544**: “If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property. Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property...”

Historical Background

Historical perspective on land transactions highlights the importance of proper and timely registration to avoid disputes. The case reflects societal changes in land ownership and urban development, especially in rapidly urbanizing areas. The Torrens system’s role in providing clear and unequivocal land ownership documentation is central to maintaining order in property transactions. Hence, this case underscores modern practices in property law emphasizing bureaucratic propriety and procedural correctness in recording land transactions.