

Orion Savings Bank vs. Shigekane Suzuki

Title: Orion Savings Bank vs. Shigekane Suzuki, G.R. No. 204754

Facts:

In August 2003, Shigekane Suzuki, a Japanese national, inquired through Helen Soneja, about purchasing a condominium unit (Unit No. 536) and parking slot (Parking Slot No. 42) at Cityland Pioneer, Mandaluyong City, owned by Yung Sam Kang, a Korean national and a Special Resident Retiree's Visa holder. After negotiations, the price was set at P2,800,000. On August 5, 2003, Suzuki paid a reservation fee of P100,000 via check, and on August 21, 2003, he paid the remaining P2,700,000 via another check. A Deed of Absolute Sale was executed on August 26, 2003.

Suzuki took possession and commenced renovations. However, despite several demands, Kang did not deliver the titles, citing they were with Alexander Perez, Orion's Loans Officer. Without receiving the titles, Suzuki conducted a registry check, verifying that there were no annotations tied to Parking Slot No. 42 and that CCT No. 18186 (title to the condominium unit) indicated a mortgage favoring Orion for P1,000,000, which was cancelled on June 16, 2000.

To protect his interest, Suzuki filed an Affidavit of Adverse Claim for both properties. On October 14, 2003, Orion informed Suzuki via counsel that the property sale to Suzuki was void due to an unregistered Dacion en Pago executed on February 2, 2003, covering Unit No. 536 by Kang for an unpaid loan of P1,800,000.

Suzuki filed a complaint for specific performance and damages against Kang and Orion on January 27, 2004. The Regional Trial Court (RTC) ruled in Suzuki's favor, ordering Orion to deliver the titles and awarding damages. Orion appealed to the Court of Appeals (CA), which upheld the RTC's ruling but reversed the damages award. Orion's subsequent motion for reconsideration was denied, prompting them to file a petition for review on certiorari with the Supreme Court.

Issues:

1. **Whether the Deed of Sale between Suzuki and Kang is valid.**
2. **Whether Suzuki can be considered an innocent purchaser for value.**
3. **Whether the unregistered Dacion en Pago executed between Kang and Orion has any bearing on Suzuki's purchase.**

4. **Whether the PRA restriction relates to the validity of the conveyance to Suzuki.**

Court's Decision:

Issue 1: Validity of the Deed of Sale

The Court ruled that the Deed of Sale between Suzuki and Kang is valid. The issue of spousal consent raised by Orion was dismissed because it was not introduced during trial, thus was raised only on appeal to the CA, violating principles of fair play and due process. Applying the presumption-identity approach and Philippine law since the foreign law (South Korean law on conjugal property) was not adequately proven by Orion, the Court found no reason to invalidate Kang's conveyance in favor of Suzuki.

Issue 2: Innocent Purchaser for Value

The Court affirmed that Suzuki was an innocent purchaser for value, having exerted due diligence by verifying the titles and finding no encumbrances. The perceived good-faith effort fulfilled the criteria especially since there were no annotations regarding the mortgage favoring Orion on the titles when Suzuki made the purchase.

Issue 3: Effect of the Unregistered Dacion en Pago

The Court found the Dacion en Pago unpersuasive and unable to supersede Suzuki's purchase. Orion could not present sufficient evidence to prove the Dacion en Pago's due execution and authenticity. Furthermore, the Court noted inconsistencies and contradictions in Orion's documentation and witness testimonies, undermining the Dacion en Pago's legitimacy.

Issue 4: PRA Restriction

The PRA restriction was deemed irrelevant to the conveyance to Suzuki. The restriction primarily served to inform the owner about potential visa implications rather than as a legal encumbrance affecting title transfers, thereby not impacting Suzuki's status as a purchaser in good faith.

Doctrine:

1. **Presumption-Identity Approach:** Where foreign law is unclaimed or unproven, it is presumed identical to Philippine law.

2. **Priority in Documented Sales:** The general principle that the earliest recorded sale of a property prevails as stipulated under Article 1544 of the New Civil Code, applies only when there are valid multiple sales, which was not the case here due to the invalidity of Orion's claimed Dacion en Pago.

3. **Good Faith Title Inquiry:** A purchaser is considered to have taken adequate steps and is in good faith if they conduct proper due diligence on property titles which show no relevant encumbrances during the period of inquiry.

Class Notes:

- **Key Principles in Property Sales:**

- **Presumption of Identity:** Non-pleaded/proven foreign law is assumed identical to local law.

- **Priority Rule in Sales:** Earliest recorded sale prevails if all sales are valid.

- **Due Diligence:** Buyer's good faith is tied to adequate inquiry into title status.

- **Statutes:**

- **New Civil Code, Article 1458:** Definitions and obligations in the contract of sale.

- **New Civil Code, Article 1544:** Rules on double sale.

- **Revised Rules of Court, Rule 132, Sections 24 and 25:** Proving foreign laws and attesting copies.

Historical Background:

The case reflects a critical examination of property law, specifically concerning the rights of a purchaser in good faith against prior, unregistered claims. It explores the application of international private law and procedural requirements in proving foreign laws in Philippine courts, contributing to the broader context of property transactions involving foreign nationals with visa-related investments in the Philippines.