

****Title:****

Spouses Montaña vs. Francisco, et. al. (G.R. No. 147192)

****Facts:****

On April 13, 1977, petitioners Spouses Eduardo and Leticia Montaña entered into a Deed of Conditional Sale with the Government Service Insurance System (GSIS) for a parcel of land in Jaro, Iloilo City, covered by Transfer Certificate of Title (TCT) No. T-41681. They began paying amortizations in January 1979 and occupied the property starting 1980.

In the summer of 1994, Atty. Salvador Paja informed the Montañas that the property now belonged to respondent Rosalina Francisco. Upon inquiry, Leticia discovered an annotation on TCT No. T-41681 indicating a tax delinquency sale held on June 28, 1991, transferring ownership to Francisco.

Leticia requested an Adverse Claim annotation on the title on June 13, 1994, and learned that Francisco bought the property at a public auction for delinquent taxes. Petitioners allegedly were not notified of the tax delinquency, auction, or their right to redeem the property.

The Montañas filed a case for the declaration of nullity of the sale and damages in the RTC Iloilo City, Branch 23. The City Treasurer presented documents purporting to show proper notification and process adherence. Public respondents claimed proper notice was given to GSIS via Baldomero Dagdag.

The RTC ruled in favor of the Montañas, declaring the auction sale invalid for failing to meet notice requirements. Francisco appealed to the Court of Appeals (CA), which overturned the RTC's decision. The CA held that GSIS received appropriate notice, and the sale procedures were lawful. The Montañas then appealed to the Supreme Court.

****Issues:****

1. Whether the Montañas, as vendees under a Deed of Conditional Sale, should have received notice of tax delinquency and the public auction sale.
2. Whether the publication and notice requirements for the auction sale were duly complied with.
3. Whether Francisco's acquisition of the property through the auction sale was legal and valid.

4. If the Montañós's petition was properly dismissed due to the principles of res judicata (finality of judgment).

****Court's Decision:****

The Supreme Court assessed the adequacy of legal procedures concerning notice and publication of the tax delinquency and auction sale.

1. ****Compliance with Notice Requirements:****

The Court agreed with CA's assessment that pursuant to Section 73 of P.D. No. 464, notice need be given to the registered owner, GSIS, not to the Montañós, who were merely beneficial owners. The Court concurred with the CA's finding that GSIS had received due process notice.

2. ****Validity of Auction Publication:****

The Supreme Court referenced affidavits attesting to the notice's triple publication. Even if notice was only published twice instead of three times, this did not invalidate the sale as per established jurisprudence in *Talusan v. Tayag*, underlining that personal notice sufficed to protect the taxpayer's interest.

3. ****Legitimacy of Francisco's Acquisition:****

Given that the notice requirements to the registered owner were fulfilled, and having upheld earlier decisions validating the auction, the Supreme Court confirmed the legality of Francisco's acquisition.

4. ****Res Judicata Application:****

The Supreme Court reinforced that the CA decision in related case *GSIS v. City Assessor of Iloilo City* regarding the same property and similar arguments was final and binding, establishing the legality of the tax sale.

Thus, the Supreme Court affirmed the CA's Decision, confirming the legality and regularity of the tax delinquency and subsequent auction sale.

****Doctrine:****

Only the registered owner of a property is entitled to notice of tax delinquency and auction sale (See: *Talusan v. Tayag*). Proper service of notice to the registered owner protects the taxpayer's rights, and minor irregularities in publication do not necessarily invalidate the auction when sufficient legal notice is provided (Section 267 of the Local Government

Code).

****Class Notes:****

- ****Real Property Taxation Principles:****

- Notice of tax delinquency must be served to the registered owner, even if another party has a beneficial or conditional interest.
- Proper posting and newspaper publication requirements are mandatory for auction validity, but substantial compliance often suffices.
- Courts emphasize protection of the substantive rights of the titleholder over procedural lapses.

- ****Key Statute and Jurisprudence:****

- Section 73 of P.D. No. 464: Discusses advertisement and public auction sale procedures for delinquent properties.
- Section 267 of the Local Government Code: Provides for required consignment deposit and limits on invalidating sales due to procedural irregularities.
- Talusan v. Tayag: Validates priority of personal notice over publication irregularities.

****Historical Background:****

Property disputes over auction sales of tax-delinquent properties have been frequent, often involving conflicts between registered owners and possessory or conditional holders. These cases underpin the judiciary's emphasis on due process and legal notice requirements in property taxation and the protection of property rights against procedural shortcomings. The GSIS's involvement signals government entities' occasional tax liability disputes despite general exemptions, further enriching the doctrinal landscape.