

Title: **Pershing Tan Queto vs. Court of Appeals, Juan Pombuena, and Restituta Tacalinar Guangco de Pombuena**

Facts:

1. **Acquisition of Lot No. 304-B:** Restituta Tacalinar received Lot No. 304-B either as a donation or by purchase for P50.00 during her mother's lifetime while her father was already deceased.
2. **Application for Title:** On January 22, 1935, Juan Pombuena, Restituta's husband, filed an application for a Torrens Title over the lot.
3. **Cadastral Decision:** On November 22, 1938, a decision was promulgated declaring Juan ("married to Restituta") as the owner of the land.
4. **Lease Contract:** On September 22, 1949, Restituta and Juan leased the lot to Pershing Tan Queto for ten years.
5. **Unlawful Detainer Suit:** On December 27, 1960, Restituta filed an unlawful detainer suit against Tan Queto.
6. **Issuance of OCT:** An Original Certificate of Title was issued in Juan's name ("married to Restituta") on April 23, 1962.
7. **Unlawful Detainer Case Outcome:** The Municipal Court ruled in favor of the spouses, but the Court of First Instance dismissed the case following an alleged barter agreement between the spouses and Tan Queto, whereby Tan Queto received Lot No. 304-B, and the spouses received another parcel of land.
8. **Building Construction:** After the barter agreement, Tan Queto built a concrete building on the lot.
9. **Reconveyance Suit:** Restituta later sued Juan and Tan Queto for reconveyance of the lot, annulment of the barter, and recovery of the property.

Issues:

1. **Ownership of the Lot:** Whether Lot No. 304-B is paraphernal (Restituta's separate property) or conjugal (owned jointly by the spouses).
2. **Builder's Good Faith:** Whether Pershing Tan Queto is considered a builder in good faith or bad faith upon constructing a building on the lot.

Court's Decision:

1. **Ownership of the Lot:**
 - **Paraphernal vs. Conjugal:** The Supreme Court ruled that Lot No. 304-B is a conjugal property, not paraphernal. The Court explained that the alleged oral donation of the lot was not valid because it was not executed in a public instrument as required by law. Similarly, it

was not a valid donation mortis causa as it did not comply with the formalities of a will. The Court found that the lot was acquired by the spouses through a valid sale with a monetary consideration of P50.00, which is a considerable amount at the time and thus logically assumed to be conjugal funds.

- **Simulation of Sale:** The Court declared the sale was not fictitious because it involved valid consideration. Even if it were simulated, the simulation could not be invoked to prejudice third parties like Tan Queto.

2. **Builder's Good Faith:**

- **Bad Faith Analysis:** The Court held that although Tan Queto may have believed the lot belonged solely to Restituta, making him a builder in bad faith, Restituta did not stop him from constructing on the lot despite being aware of the construction. This made Restituta equally in bad faith.

- **Reimbursement:** As per mutual bad faith, Tan Queto should be considered a builder in good faith, entitling him to reimbursement if Restituta chooses to appropriate the building.

- **Ownership and Possession:** The Court ultimately held that Tan Queto, under the barter agreement and because he held possession with a court-affirmed property right, was more than a builder in good faith—he was an owner of the lot and the building thereon.

Doctrine:

- **Mutual Bad Faith in Construction:** When both the builder and the landowner act in bad faith, the builder is treated as in good faith, implicating the right to reimbursement (Art. 448, Civil Code).

- **Validity Requirements for Donations:** An oral donation not constituted in a public instrument is invalid (Art. 749, Civil Code).

- **Delivery in Sale:** Ownership is transferred by tradition or delivery when a sale is made with consideration (Art. 712, Civil Code).

Class Notes:

- **Ownership Transfer:** Legal forms are critical for valid transfers of property—oral donations must have a public instrument; inheritances must be transmitted via wills with proper formalities.

- **Good Faith Builder:** A builder in bad faith is aware of a defect in the title, yet mutual bad faith can result in the builder being treated as good faith under specific conditions (Art. 526, 448, Civil Code).

- **Conjugal Property Acquisition:** Property acquired during the marriage with monetary consideration, without clear evidence of it being separate property, is presumed conjugal

(Art. 116, Civil Code).

****Historical Background:****

- ****Land Registration:**** This case reflects the complexities in the Torrens system and cadastral proceedings in the Philippines, emphasizing how formalities and good faith in property transactions can significantly impact ownership disputes and property rights.
- ****Civil Code Application:**** The case illustrates the practical application of the Civil Code of the Philippines' provisions on property, donations, and the implications of marital property arrangements.