

Title

Rosario Carbonell vs. Honorable Court of Appeals, Jose Poncio, Emma Infante, and Ramon Infante

Facts

Jose Poncio owned a parcel of land at 179 V. Agan St., San Juan, Rizal, mortgaged to Republic Savings Bank for ₱1500. His cousin, Rosario Carbonell, living adjacent to his lot, offered to buy Poncio's lot at ₱9.50 per square meter. Poncio agreed, subject to covering the mortgage arrears of ₱247.26, and delivering the said lot excluding his house.

On January 27, 1955, Carbonell and Poncio, in the presence of a witness, executed a document indicating the sale, giving Poncio a year's rent-free stay, renewable under agreed terms. Carbonell paid the arrears to Republic Savings Bank and took possession of the mortgage passbook.

Shortly after, Poncio told Carbonell he could not proceed with the sale because Emma Infante had made a higher offer. Indeed, Poncio sold the same lot to Infante, formalizing this sale on February 2, 1955; Infante paid the mortgage in full and took possession.

Carbonell, upon learning about the second sale, recorded her adverse claim with the Register of Deeds on February 8, 1955. Infante registered her sale on February 12, 1955, receiving a Transfer Certificate of Title with Carbonell's adverse claim annotated.

Litigation ensued, with Carbonell seeking ownership affirmation. The trial court dismissed her complaint, citing the Statute of Frauds. The Supreme Court ruled in Carbonell's favor, remanding the case. A retrial occurred, and the trial court reversed its decision, rejecting Carbonell's claim. Carbonell appealed to the Court of Appeals, which reaffirmed the trial court's dismissal in a final Special Division resolution of five justices. Carbonell then appealed to the Supreme Court.

Issues

1. Whether Carbonell or Infante has the superior claim to the property under Article 1544 of the Civil Code.
2. Whether the memorandum signed by Poncio and Carbonell constitutes a valid sale.
3. Whether Infante acted in bad faith in purchasing and registering the property.
4. Entitlement to the improvements made by Infante on the property.

Court's Decision

****1. Superior Claim Under Article 1544:****

The Supreme Court held that under Article 1544, ownership of an immovable property sold to different buyers in good faith belongs to the one who first registers the sale. Although Infante registered her sale first, Carbonell's adverse claim registered on February 8, 1955, four days before Infante's deed of sale, takes precedence as the prior registration in good faith.

****2. Validity of the Sale Memorandum:****

The Court recognized the memorandum executed between Poncio and Carbonell as a valid contract of sale. Despite being in the Batanes dialect and informal, the memorandum reflected a material part of the sale, corroborated by actions such as paying mortgage arrears and taking possession of the mortgage passbook.

****3. Infante's Bad Faith:****

The Court found that Infante acted in bad faith. By refusing to see Carbonell and failing to inquire about the mortgage passbook, already in Carbonell's possession, Infante acted in haste to secure the property. Infante's actions displayed knowledge of the prior sale to Carbonell, negating her claim of good faith.

****4. Improvements on the Property:****

Given her bad faith, Infante could remove the improvements she made unless Carbonell opted to reimburse their value. The Court ordered Carbonell to reimburse Infante ₱1500 for discharging the mortgage, allowing Infante three months to remove her additions, or Carbonell to pay ₱13,429 for the improvements made.

Doctrine

The doctrine of ****prior tempore, potior jure (first in time, stronger in right)**** governs the rights of multiple buyers of the same immovable property when considering the good faith and priority of the registrations. A memorandum of sale, even if informal, can substantiate a valid contract under specific circumstances, removing it from the Statute of Frauds and enforceable through oral evidence.

Class Notes

- ****Key Elements: Multiple Sales of Real Property****
- Article 1544 of the Civil Code stipulates that if the same immovable property is sold to different buyers, the first to register in good faith holds the superior title.
- ****Statute of Frauds:**** Applies only to executory contracts; part performance allows for

oral evidence to establish contractual terms.

- **Good Faith Registration:** Both from the perspective of the first and second purchasers. Good faith relates to both knowledge of prior sales and integrity during the registration process.

- **Consensual Contracts:** Real property sales are perfected by mutual consent over the subject and price.

Historical Background

This case arose in the 1950s, a period marked by intricate property disputes often involving multiple sales and claims to the same property. The decision reflects the judiciary's emphasis on the integrity of land records, good faith principles in transactions, and equitable distribution in property ownership disputes. It also underscores the importance of adhering to formal requirements in real estate transactions to avoid conflicts and ensure transparent land ownership systems.