

ROBERTO BARRETO, PLAINTIFF AND APPELLANT, VS. TOMASA AREVALO, ET AL., DEFENDANTS AND APPELLEES.*G.R. No. L-7748. August 27, 1956*

Ponente: LABRADOR, J.

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This is an action instituted by plaintiff to annul title to property issued in the name of defendants Nicanor Padilla and Ambrosio Padilla and to have one issued in his own name, with damages representing rentals of said property, or, in case the above cannot be granted, to recover the sum of P49,000 from the defendants, which amount represents the value of said property, and in either case for attorney's fees and expenses.

The principal allegations of the complaint are: That on January 10, 1945 plaintiff bought the property (a residential lot in Sampaloc, Manila) from defendant Arevalo, paying a price of P12,000 therefor, but assuming a mortgage thereon in favor of Pedro Reyes in the amount of P30,000, and on the same date the property was leased to Arevalo for P420 a month; that an option was granted in the contract of lease for the vendor to repurchase the property for the same price; that Arevalo also secured a loan from plaintiff in the amount of P4,000 payable on or before December 31, 1946; and that the contracts of sale and lease were registered in the office of the register of deeds of Manila on January 11, 1945; that on July 22f 1946 defendant Arevalo sold the same property to her co-defendants Nicanor Padilla and Ambrosio Padilla for P25,000, notwithstanding the fact that the latter knew of the previous sale of the property to the plaintiff; that on April 11, 1947 Arevalo brought an action against plaintiff for a judicial declaration that the transaction between them, above set forth, is an equitable mortgage and not one of sale with repurchase, but the Supreme Court decided that the contract was a sale with right to repurchase, and that if Arevalo wanted to redeem the property, she could do so, only for P16,000; that defendants Padilla caused the deed of sale in their favor to be registered, notwithstanding the fact that they knew of the pendency of the action instituted by plaintiff against defendant Arevalo; and that defendant Arevalo has not repurchased the property in accordance with the decision of the Supreme Court, and so plaintiff's title thereto has become consolidated.

Defendants Padilla filed a motion to dismiss the action, but the trial judge refused to consider it until after trial, so they filed their answer to the complaint, denying the supposed registration of the sale in favor of plaintiff; denying knowledge of said sale, or of the decision of the Supreme Court in relation thereto; denying the alleged registration of the sale in their (Padillas) favor during the pendency of the Supreme Court suit and alleging that said registration took place on July 24, 1946; and denying the alleged consolidation of plaintiff's ownership in the property. By way of special defenses they alleged that at the time of the sale in their favor the property was registered in the name of Arevalo and the only encumbrance or lien thereon was the mortgage in favor of Pedro Reyes; that when the sale was agreed upon between Arevalo and themselves, they paid off the mortgage thereon and secured the certificate of title of the property and Arevalo executed an affidavit that the property was free from liens of any kind; that they purchased the property in good faith, for value and without notice, and the sale in their favor was registered, and a transfer certificate of title was issued in their name; and that the transaction

between plaintiff and Arevalo was not validly registered, because the certificate of title was not surrendered or delivered for the registration thereon of the alleged sale in favor of plaintiff; etc. By way of counterclaim, they aver that the allegation that they bought the property with actual notice of the sale in plaintiff's favor is a malicious and defamatory imputation, without basis in fact and they have suffered and will suffer as a consequence thereof moral damages estimated at P100,000. On the issues above set forth the parties went to trial and thereafter the court rendered judgment finding that the defendants Padilla did not have any knowledge of the sale by Arevalo in favor of plaintiff, and holding that the attempted registration of said sale cannot prevail over that in favor of defendants Padilla; and further finding that the bringing of the action was malicious. It therefore sentenced plaintiff to pay to defendants Padilla the sum of P100,000 as moral damages. The suit was further dismissed with costs against plaintiff. Hence the appeal.

The first error assigned is the refusal of the trial court to admit in evidence Exhibit "A", the deed of sale in favor of plaintiff, Exhibit "B", the contract of lease executed by and between him and Arevalo, Exhibit "C", the promissory note executed in his favor by Arevalo, Exhibit "D", the decision of this Court in the case between plaintiff and Arevalo, and Exhibit "G", motion of Arevalo that she is not in a position to repurchase the property for P16,000. The above documents were objected to on the ground that they cannot affect the Padillas as they had no previous knowledge thereof. The trial court sustained the objection on the ground that the Padillas were not parties to the execution of the documents. The above ruling is clearly erroneous. The deeds were executed by Arevalo prior to the sale by her in favor of the Padillas. As the latter succeeded to the rights and interests of Arevalo, they are bound by the acts of Arevalo prior to the sale in their favor (Sec. 13, Rule 123, Rules of Court). The Padillas are privies in so far as Arevalo is concerned, as they obtained their title from the latter; hence what is admissible against Arevalo before the sale in their favor is admissible against them. The documents prove the alleged purchase made by plaintiff from Arevalo; they are therefore material and relevant to the issues raised in plaintiff's complaint and denied in defendants' answer. The fact that in point of law they may not be of any avail against the Padillas, who are alleged to be purchasers in good faith, for value and without notice does not in any way affect or destroy their materiality or relevancy or admissibility. The claim that the Padillas are purchasers in good faith is a special defense; the mere fact that this is a valid defense which may destroy plaintiff's right or title does not make the documents indicative or probative of said title or right immaterial or irrelevant and inadmissible.

The second error relates to the refusal of the trial court to admit evidence offered of the value of the property subject of the action on the ground that the same is immaterial. Again the trial court committed the error. It is to be noted that the action is against the Padillas and against Arevalo also. The complaint asks for an alternative relief, just in case the original prayer for annulment of the Padilla certificate of title can not be granted, which relief is for the payment of the value of the property and of which value plaintiff would be deprived if his main action is to fail. Evidence of the actual market value was therefore material and relevant to plaintiff's claim to be paid the value of the property if his main case for annulment cannot be sustained. Again the fact that the Padillas have a supervening special defense does not make the evidence of the value less relevant or less material. The trial court should, therefore, have admitted the proffered evidence.

The third error imputed to the trial court is the finding by it that no sufficient evidence was introduced that the Padillas had no knowledge in fact of the sale and conveyance of the property in plaintiff's favor. We have carefully read the evidence. The evidence submitted to support knowledge on the part of the Padillas of the conveyance in plaintiff's favor is the testimony of a witness who supposedly heard a statement made by Arevalo to Ambrosio Padilla that she (Arevalo) had previously sold the property to plaintiff. The making of the statement is improbable; why should Arevalo tell the prospective buyer that the land she is selling had already been sold by her to another? No buyer will court trouble, buying property already sold to another. This supposed statement is

furthermore belied by Arevalo's own affidavit that the property is free from liens of any kind. And the mere fact that the witness who testified thereto could not point out the specific occasion and date thereof when the statement was supposedly made, and the further fact that she spoke, of it voluntarily without being asked about the matter point convincingly to its falsity and the probability of its having been fabricated. On top of all these circumstances, credible evidence was submitted that at the time of the supposed meeting where the statement was supposedly made, Ambrosio Padilla had not yet occupied the room where the meeting was had, and further that it was not Ambrosio Padilla who arranged and concluded the sale with Arevalo, but his brother Dr. Nicanor Padilla. The finding of the trial court is correct; the evidence for plaintiff is insufficient and is completely overcome by the much more credible evidence presented by defendants.

The fourth assignment of error has reference to the holding of the trial court that the registration of plaintiff's deed of sale is incomplete and cannot prevail over the rights of defendants who had secured registration of the deed of sale in their favor and the issuance of a certificate of title in their name. The above conclusion is also correct. In the first place, the act of registration is the operative act to convey and affect the land, an unregistered deed only operating as a contract between the parties and as evidence of authority to the register of deeds to make registration (Sec. 50, Land Registration Act.) The registration of defendants Padillas' deed affected the land conveying title thereto to them, as in fact a new certificate of title was issued in their favor.

As to plaintiff's deed of sale, as to which registration is voluntary, not involuntary, its presentation and entry in the day book without surrender of the title, did not operate to convey and affect the land sold or conveyed (*Villasor vs. Camon, et al.*, CA. G. R. No. 8551, pronu June 29, 1951.)

Plaintiff appellant seeks excuse for his failure to complete registration in the troubled condition of the city at the time of the presentation of his deed. It is not true that said failure was attributable to the lack of order in the city. If he could secure the entry, he could also have secured complete registration. The real reason for said failure may be found in the fact that he did not surrender the title, which was then in the hands of the mortgagee Pedro Reyes and in the further fact that he did not make any effort to obtain its possession. Perhaps he knew that his right was subject to the, vendor's equity of repurchase and he did not care to have the registration completed. In any case as the title was not surrendered thru neglect or oversight on his own part, he can not invoke rights secured by registration, which defendants have secured in their favor.

Another error assigned on the appeal is the dismissal of the case as against Tomasa Arevalo, who does not appear to have answered the complaint and should have been declared in default. The reason given by the trial court is the supposed, failure of plaintiff-appellant to prove bad faith. We must note that Arevalo was merely a formal party defendant to the action. As a matter of fact, according to the record on appeal, plaintiff-appellant did not even care to have her declared in default. The principal purpose of the suit was to cancel the Padilla transfer certificate of title, not recover damages from Arevalo. As the principal parties defendants were absolved, so should the defaulting party Tomasa Arevalo. Besides, an[^] claim by plaintiff against Tomasa Arevalo relating to the land subject matter of the action could not have been raised in the action, because said claim was barred by the decision in the previous suit between plaintiff and Arevalo,.

The last error is the award of moral damages of P100,000. Moral damages have been defined as follows:

"ART. 2217. Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission." (Civil Code.)

The grant of moral damages is not subject to the whims and caprices of judges or court. The court's discretion in

granting or refusing it is governed by reason and justice. In order that a person may be made liable to the payment of moral damages, the law requires that his act be wrongful. The adverse result of an action does not per se make the act wrongful and subject the actor to the payment of moral damages. The law could not have meant to impose a penalty on the right to litigate; such right is so precious that moral damages may not be charged on those who may exercise it erroneously. For these the law taxes costs.

The question to be decided, therefore, is, Was the action "wrongful?" It must be remembered that Barreto had a valid deed of sale in his favor. This was entered in the day book of the register of deeds office. The sale of the property in favor of the Padillas was subsequent to that in favor of Barreto, and subsequent also to the entry of Barreto's deed. Granting that the Padilla deed was registered, the same would not avail against Barreto's if the Padillas had knowledge of the previous sale in favor of Barreto. Barreto was under no obligation to presume that the Padillas did not have knowledge of the sale; here was a mere presumption only that good faith existed. As against such presumption Barreto had the right to introduce evidence to the contrary. He had the right to have that matter of knowledge investigated in a judicial proceeding; he had the right to litigate such fact. And no right to damages can accrue if it happens that the litigation is decided adversely against him. No injury can accrue by the exercise of a right.

On the other hand, the Padillas have no right to claim that Barreto should have known that they were purchasers in good faith. Knowledge by the Padillas of Barreto's prior sale may have been fabricated. Supposing it was so, the party introducing the evidence, if innocent of the wrong, can not be held liable for moral damages. The witness may be held to account for perjury, but this does not create the presumption that the party who introduced the witness was aware thereof. Proof of knowledge or of complicity in the perjury must be introduced to make the plaintiff's action wrongful and entitle the adverse party prejudiced thereby to moral damages. In the case at bar, no such proof existed. In the same manner that good faith is presumed on the part of the Padilla, so should it be in favor of Barreto. The results of litigation, especially on issues of law, are indeed very uncertain; facts and circumstances are elicited in the course of trial which are never expected. The fact that the result of the trial were adverse to Barreto did not alone make his act in bringing the action wrongful. If we held thus, all actions would be wrongful because in most cases one party will lose; we would be imposing an unjust condition or limitation on the right to litigate. We hold that the award of moral damages in the case at bar is not justified by the facts and circumstances as well as the law. The judgment appealed from is affirmed insofar as it dismisses the action of plaintiff-appellant, but it is reversed insofar as it awards moral damages to defendants Padilla. Costs against plaintiff-appellant.

Paras, C. J., Bengzon, Montemayor, Bautista Angela Reyes, J. B. L., Endencia and Felix, JJ., concur.

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