

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC., PETITIONER, VS. FIRST BAPTIST CHURCH AND COURT OF APPEALS, RESPONDENTS.

G.R. No. L-32621. July 29, 1987

Ponente: PADILLA, J.

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PADILLA, J.:

Review on certiorari of the Resolution* of the respondent Court of Appeals, dated 17 August 1970, issued in G.R. No. 37022-R, entitled: "Association of Baptists for World Evangelism, Inc., petitioner-appellee versus First Baptist Church, respondent-appellant", which dismissed petitioner's application for cancellation of a notice of adverse claim.

The facts of the case which led to the filing of this petition are as follows:

On 30 September 1963, the parties entered into an agreement, denominated "Contract of Purchase and Sale" wherein the petitioner agreed to sell to the respondent a parcel of land, together with the building and improvement thereon, with an area of 735 Sq. meters, located at the corner of Leon Guinto and Padre Faura Streets, Manila, and covered by TCT No. 62203 of the Register of Deeds of Manila, for the amount of P293,506.25, payable in three (3) installments, as follows:

"1. The First Installment shall be paid by the VENDEE to the VENDOR on or before September 30, 1963 amounting to P29,350.62,

"2. The Second Installment which shall be the sum of P66,038.90, shall be paid by the VENDEE to the VENDOR on or before September 30, 1964.

"3. The last and final installment which shall be the sum of P198,116.72, less the P25,-000.00 deduction allowed by the VENDOR, shall be paid by the VENDEE to the VENDOR on or before September 30, 1965."

The parties further agreed that:

"All the foregoing payments shall be made by the VENDEE to the VENDOR'S duly authorized Resident Agent and attorney-in-fact in Manila, Philippines.

"It is hereby expressly understood and agreed that immediately upon the execution of this document and thereafter for a period of five (5) consecutive years so long as this agreement is in force and effect, the VENDEE shall have the right to occupy and use the property for church purposes but for no other purpose whatsoever.

"Should the VENDEE fail to pay any or all the installments when due, this agreement shall automatically be considered as rescinded and without force and effect and the VENDEE shall, without further demand from the VENDOR peace-fully return possession of the property to the VENDOR; provided, however, that any installment which the VENDEE may have already paid to the VENDOR shall be returned by the VENDOR to the VENDEE.

"Upon final and complete payment of the stipulated purchase price the VENDOR shall immediately execute and deliver to the VENDEE a final and absolute Deed of Sale of the Property free and clear of all liens and encumbrances."[1]

The first installment of the purchase price was duly paid and the respondent took possession of the property. However, when the second installment became due on 30 September 1964, the petitioner, upon request of the respondent, extended the period of its payment to 30 October 1964. For this purpose, the parties executed a document entitled: "Supplement to the Contract of Purchase and Sale of September 30, 1963" with the stipulation that "all the provisions of the original contract of purchase and sale of 30 September 1963 shall remain in full force and effect, except as modified and supplemented."[2] The respondent, however, failed to pay the second installment when it became due. Neither did it return the possession of the property to the petitioner.

But, on 8 March 1965, the respondent caused to be recorded in the Office of the Register of Deeds of Manila a Notice of Adverse Claim on TCT No. 62203.[3] Upon learning of the burden constituted on its certificate of title, the petitioner, on 6 June 1965, filed a petition with the Court of First Instance of Manila for the cancellation of the said notice of adverse claim, on the ground that when said notice of adverse claim was filed, the respondent had already lost its right to or interest in the property, in view of the automatic rescission of the contract caused by the respondent's failure to pay the second installment of the purchase price on 30 October 1964, as agreed upon, so that the notice of adverse claim is invalid and should be cancelled.[4]

The respondent filed its opposition to the petition for cancellation of notice of adverse claim[5] and the case was then set for hearing. At the hearing on 14 August 1965, the petitioner presented its evidence consisting of the Contract of Purchase and Sale, the Supplement thereto, and the Notice of Adverse Claim. The respondent, upon the other hand, did not submit any evidence. The court then declared the case "submitted". However, in an Order issued on the same day, the court suspended the resolution of the petition to cancel the notice of adverse claim "until after fifteen (15) days from today, during which time counsel for respondent should file civil action in order to thresh out the question involved in ordinary suit. If after the lapse of said period no civil action is filed, this Court will be constrained to act on same."[6]

The respondent failed to initiate the civil suit, as ordered, so that the petitioner, on 8 September 1965, filed a motion to give due course to its petition to cancel notice of adverse claim.[7] The motion was set for hearing on 11 September 1965 and, on said date, the respondent manifested in court that it was the prevailing opinion among its members that to file a suit against the petitioner would be "unscriptural" and that they intend to do so only as a last recourse when it becomes absolutely necessary that it be done.[8]

On 15 September 1965, the lower court issued an order directing the cancellation of the notice of adverse claim on TCT No. 62203 on the grounds that the basis of said notice of adverse claim was no longer in force and effect inasmuch as the same was automatically rescinded upon the failure of the respondent to pay the second installment when it became due, and for failure of the respondent to file the civil action, as required by the court.[9]

The respondent filed a motion for reconsideration of the Order claiming, for the first time, that the trial court had no jurisdiction in that, as a land registration court, it cannot pass upon the issue of whether or not the contract of purchase and sale has been rescinded or rendered without force and effect,[10] but the trial court denied said motion.[11]

Whereupon, the respondent appealed to the Court of Appeals. On 25 May 1970, the appellate court rendered judgment affirming the order of the lower court.[12] This decision, however, was set aside by the appellate court in its Resolution dated 17 August 1970 on the ground that the lower court, sitting as a land registration court, had

no jurisdiction to resolve the issues presented which should be litigated in a regular court. Accordingly, the respondent appellate court ordered the dismissal of the petition to cancel notice of adverse claim.[13] Hence, the present recourse.

The issue raised is whether the Court of First Instance, now the Regional Trial Court, acting as a land registration court, has jurisdiction to cancel an adverse claim based on a contract to sell or promise to sell which can no longer be enforced because of non-payment of the agreed purchase price.

This issue had been raised in view of the findings of the respondent Court of Appeals that the court a quo, sitting as a land registration court, has limited jurisdiction and has no authority to resolve controversial issues which should be litigated before a court of general jurisdiction. Under existing laws, however, this concept no longer holds. Regional Trial Courts now have exclusive jurisdiction, not only over applications for original registration of title to lands, including improvements and interests therein, but also over petitions filed after original registration of title, with power to hear and determine all questions arising upon such applications or petitions. Section 2 of PD 1529, otherwise known as the Property Registration Decree, provides, as follows:

"SEC. 2. Nature of registration proceedings: jurisdiction of courts. - Judicial proceedings for the registration of lands throughout the Philippines shall be in rem and shall be based on the generally accepted principles underlying the Torrens system.

Courts of First Instance shall have exclusive jurisdiction over all applications for original registration of title to lands, including improvements and interests therein, and over all petitions filed after original registration of title, with power to hear and determine all questions arising upon such applications or petitions. The court through its clerk of court shall furnish the Land Registration Commission with two certified copies of all pleadings, exhibits, orders, and decisions filed or issued in applications or petitions for land registration, with the exception of stenographic notes, within five days from the filing or issuance thereof."

But, even under Act 496, the Land Registration Act, the court of first instance, sitting as a land registration court, has the authority to conduct a hearing, receive evidence, and decide controversial matters with a view to determining whether or not the filed notice of adverse claim is valid. Section 110 of Act 496 provides:

"SEC. 110. Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, if no other provision is made in this Act for registering the same, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, and a reference to the volume and page of the certificate of title of the registered owner, and a description of the land in which the right or interest is claimed.

"The statement shall be signed and sworn to, and shall state the adverse claimant's residence, and designate a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim, and the court, upon a petition of any party in interest, shall grant a speedy hearing upon the question of the validity of such adverse claim and shall enter such decree therein as justice and equity may require. If the claim is adjudged to be invalid, the registration shall be cancelled. If in any case the court after notice and hearing shall find that a claim thus registered was frivolous or vexatious, it may tax the adverse claimant double or treble costs in its discretion."

At any rate, it appears that the disputed "Contract of Purchase and Sale" entered into by and between the parties on 30 September 1963 had already been rescinded so that there is no more basis for the continued annotation of the notice of adverse claim on the petitioner's TCT No. 62203. Records show that the herein petitioner had filed an action against the respondent for the rescission of said contract of purchase and sale on 1 August 1967 before the Court of First Instance of Manila, docketed therein as Civil Case no. 70298, and after trial, the said contract was ordered rescinded for reasons therein stated. On appeal to the Court of Appeals, docketed therein as CA-G.R.

No. 42467-R, the judgment was affirmed. The respondent then appealed to this Court, docketed as G.R. no. L-35008; again, its petition was denied on 15 May 1972, "for being factual (insufficient showing that the findings of fact are unsupported by substantial evidence) and for lack of merit." The judgment became final and executory on 14 August 1972.

WHEREFORE, the resolution of the respondent Court, dated 17 August 1970, is hereby set aside. The notice of adverse claim annotated on petitioner's TCT No. 62203 by virtue of the "Contract of Purchase and Sale" entered into by and between the parties on 30 September 1963 is hereby ordered cancelled. Without costs.

SO ORDERED.

Yap, (Chairman), Melencio-Herrera, Paras, and Sarmiento, JJ., concur.

* Penned by Justice Jesus Y. Perez with the concurrence of Justices Juan P. Enriquez and Jose M. Mendoza

[1] Record on Appeal, p. 9

[2] Id., p. 14

[3] Id., p. 19

[4] Id., p. 2

[5] Id., p. 23

[6] Rollo, p. 17, Decision of Court of Appeals, p. 6

[7] Record on Appeal, p. 37

[8] Id., p. 39

[9] Id., p. 41

[10] Id., p. 43

[11] Id., p. 51

[12] Rollo, p. 12

[13] Id., p. 30

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