SPOUSES JOSE MILAGRINO S. DUPAYA AND CHERRY C. DUPAYA, PLAINTIFFS-APPELLANTS, VS. DOROTHY D. CORPUZ, MA. DOLORES DUPAYA AND MILA M. DUPAYA, DEFENDANTS-APPELLEES.

Ponente: DICDICAN, J.

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DICDICAN, J.:

Before us is an appeal from the Decision[1] rendered by Presiding Judge Neljoe A. Cortes of Branch 6 of the Regional Trial Court of the Second Judicial Region in Aparri, Cagayan ("trial court") on August 2, 2013 in Civil Case No. II-4203 which, inter alia, declared that herein plaintiffs-appellants spouses Jose Milagrino S. Dupaya and Cherry C. Dupaya ("plaintiffs-appellants") have no rights of ownership or possession over two of the parcels of land involved in this suit, particularly covered by O.C.T. No. P-41395 and O.C.T. No. 42650.

The material and relevant facts of the case, as culled from the record, are as follows:

The case filed with the court a quo involved four (4) parcels of land described as follows:

> "1. A parcel of land located at Catugan Norte, Lal-lo, Cagayan, with an area of 16,530 square meters, more or less, registered in the name of Pura Dupaya under OCT No. P-41395 ('Lot 1');
>
> "2. A parcel of land located at Catugan Norte, Lal-lo, Cagayan, with an area of 16,531 square meters, more or less, registered in the name of Macario Malana, under OCT No. P-42650 ('Lot 2');
>
> "3. A parcel of land located at Catayuan, Lal-lo, Cagayan, with an area of 1,192 square meters, more or less, registered in the name of Pura Dupaya, under OCT No. P-41396 ('Lot 3');
>
> "4. A residential lot located at Catayuan, Lal-lo, Cagayan, with an area of 866 square meters, more or less, registered in the name of Pura Dupaya under OCT No. P-62996 ('Lot 4')."

Only the disposition of the trial court with respect to Lots 1 and 2 is covered by the instant appeal.

On November 29, 2005, the plaintiffs-appellants spouses Jose Milagrino S. Dupaya and Cherry C. Dupaya filed a Complaint for Quieting of Title and Surrender of Certificates of Title[2] with the trial court which was docketed as Civil Case No. II-4203.

In the said complaint, the plaintiffs-appellants alleged that they are the absolute and lawful owners of the aforementioned parcels of land as they have been in open, public, adverse, peaceful and continuous possession, in good faith and with just title, for no less than thirty years, personally or through their predecessors-in-interests, of the subject parcels of land.

To be specific, the plaintiffs-appellants alleged that they acquired Lots 1 and 2 upon purchase of the same from Pura Dupaya ("Pura") and her husband, Macario Malana, as evidenced by an Affidavit of Self-Adjudication and Sale[3] executed by the latter in their favor which was dated June 14, 2005.

They further alleged that the herein defendants-appellees Dorothy D. Corpuz a.k.a. Ma. Dolores Dupaya

("Dolores") and Mila M. Dupaya ("Mila"), hereinafter referred as defendants-appellees, had been claiming ownership over the subject properties by virtue of a purported deed of sale which was allegedly executed in their favor by Pura, the former registered owner of the parcels of land.

More particularly, the plaintiffs-appellants contended that Pura never sold Lot 1 which is covered by Original Certificate of Title ("OCT") No. P-41395 to Dolores on March 30, 2001. Neither was Lot 2 covered by OCT No. P-42650 conveyed by Pura to Mila on even date. To support such claim, the plaintiffs-appellants asserted that an Affidavit[4] was executed by Pura on June 14, 2005 which denied that she had knowledge of the foregoing conveyances. In the said affidavit, Pura likewise denied having received any amount from defendants-appellees or having executed any document with respect to the sale of Lots 1 and 2.

On account of the defendants-appellees' alleged ownership over the properties involved herein, the plaintiffs-appellants averred that adverse claims were caused to be annotated by defendants-appellees Dolores and Mila on the certificates of titles of Lots 1 and 2 on August 19, 2004[5].

Despite several demands for the cancellation of the aforementioned adverse claims, the defendants-appellees refused to do so. In the same manner, the defendants-appellees likewise refused to surrender to herein plaintiffs-appellants the owner's duplicate copies of the certificates of title of Lots 1 and 2.

In view of the foregoing, the plaintiffs-appellants asserted in their complaint that they be declared as absolute owners of the subject parcels of land. Furthermore, they likewise prayed that they be awarded moral and exemplary damages and attorney's fees.

On February 10, 2006, defendants-appellees filed their Answer[6] which denied the allegations of herein plaintiffs-appellants with respect to their ownership over the parcels of land.

Defendant-appellee Dolores averred that she is in possession of the owner's copy of OCT No. P-41395 registered in the name of Pura by virtue of a sale of the property covered by such title in her favor for and in consideration of the amount of P50,000.00, as evidenced by a Deed of Sale of a Registered Land[7] executed by Pura in favor of Dolores dated March 30, 2001.

With respect to OCT No. P-42650 registered in the name of Pura, the same is likewise in the custody of defendant-appellee Mila by virtue of the sale of the property covered by said title to her for the same amount, as supported by a Deed of Sale of a Registered Land[8] executed by Pura in favor of Mila dated March 30, 2001.

The defendants-appellees countered that the deeds of sale executed by Pura in their favor are valid, genuine and authentic documents as they were duly executed by Pura together with her husband, Macario Malana, during their lifetime, aside from the fact that the documents were duly notarized.

Pre-trial was conducted after the issued had been joined and trial on the merits thereafter proceeded. Both parties to the case adduced their respective evidence.

On August 2, 2013, the trial court rendered the assailed Decision, the dispositive portion of which read as follows:

> "WHEREFORE, in view of the foregoing considerations, judgment is rendered:
>
> "1. Declaring and holding the plaintiff spouses Jose Milagrino Dupaya and Cherry Dupaya as the exclusive and absolute owners of the parcels of land covered by O.C.T. No. P-62996 and O.C.T. No. P-41396;
>
> "2. Declaring and holding that defendant Dorothy Corpuz (a.k.a. Maria Dolores Dupaya) and Milagros Dupaya are the exclusive and absolute owners of the parcels of land covered by O.C.T. No. P-42650, respectively;
>
> "3. Finding and decreeing that the plaintiffs have no rights of ownership or possession to the parcels of land

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covered by O.C.T. No. P-41395 and O.C.T. No. 42650, and their derivatives certificates, if any, in derogation of or adverse to the rights and interest of the defendants;

"4. Finding and decreeing that the defendants have no rights of ownership or possession to the parcels of land covered by O.C.T. No. P-62996 and O.C.T. No. P-41396 in derogation of or adverse to the rights and interests of the plaintiff spouses;

"5. Ordering defendant Dorothy Corpuz to surrender the owner's duplicate copies of O.C.T. No. P-62996 and O.C.T. No. P-41396 to the plaintiffs; and

"6. Dismissing the counterclaim of the defendants for lack of merit.

"SO ORDERED."

According to the court a quo, it had been established that the subject parcels of land, particularly Lots 1 and 2, were sold by Pura and her husband, Macario Malana, to both the plaintiffs-appellants and defendants-appellees, as evidenced by the instruments all duly acknowledged before a notary public.

For the trial court, the attempt of herein plaintiffs-appellants to discredit the sale of the subject properties between the defendants-appellees and Pura proved futile since the affidavit of Pura alone, without the affiant taking the witness stand, cannot stand in court under the rules on hearsay evidence.

From the foregoing, the trial court applied the rules on double sale finding that the defendants-appellees had preferential rights over Lots 1 and 2 as it was proven that they had acquired the subject properties first by their act of registering their adverse claims and having it annotated at the dorsal side of the properties' certificates of titles thereto long before the plaintiffs-appellants bought the same from Pura and her husband.

The trial court further opined that the defendants-appellees were first in possession of the two lots in question on the basis of Article 498 of the New Civil Code that possession is deemed delivered upon the execution of the deed of sale since the rules on double sale do not distinguish the kind of possession that a buyer must acquire.

Lastly, the trial court discussed that the defendants-appellees were purchasers in good faith and for value as supported by the instruments' dates of execution and notarization, contrary to the plaintiffs-appellants' assertion that they were the first purchasers of the subject properties as early as the year 2000, since they bought the same on installment basis but payment was only completed in the year 2005, and that the defendants-appellees had knowledge of such prior sale. The trial court ruled that the plaintiffs-appellants were guilty of bad faith in purchasing the subject properties despite the existence of the annotation of adverse claim on the certificates of titles to the lands and the failure of Pura to produce the certificates of titles to them upon execution of the instrument of sale.

Aggrieved, the plaintiffs-appellants filed this instant appeal raising the following errors purportedly committed by the trial court, to wit:

I.
THE COURT A QUO ERRED IN DECLARING THAT THE HEREIN DEFENDANTS-APPELLEES WERE FIRST IN POSSESSION OF THE TWO LOTS IN QUESTION.

II.
THE COURT A QUO ERRED IN DECLARING THAT THE DEFENDANTS-APPELLEES ARE BUYERS IN GOOD FAITH AND FOR VALUE.

III.
THE COURT A QUO ERRED IN DECLARING THAT THE PLAINTIFFS-APPELLANTS ARE BUYERS

IN BAD FAITH.

IV.
THE COURT A QUO ERRED IN DECLARING THAT THE AFFIDAVIT DATED JUNE 14, 2005 EXECUTED BY PURA DUPAYA HAS NO PROBATIVE VALUE.

The foregoing may be summed up into one main issue, and that is, whether the plaintiffs-appellants had the preferential rights of ownership over the disputed parcels of land.

After a careful and judicious scrutiny of the whole matter, together with the applicable laws and jurisprudence in the premises, we find the instant appeal to bereft of merit.

Since the plaintiffs-appellants were contesting the existence of the sale between Pura and the defendants-appellees, the fundamental question for resolution is whether there is a perfected contract of sale between the latter parties.

To prove their preferential rights of ownership over Lots 1 and 2, the plaintiffs-appellants' main evidence to prove that the deeds of sale between the defendants-appellees and Pura were a nullity was the affidavit allegedly executed by the latter wherein she denied any knowledge or participation in the execution and notarization of any instrument of sale involving the subject properties or having received any consideration from such sale. The plaintiffs-appellants asseverated that the affiant is already deceased, thus invoking the rule that a notarial document is evidence of the facts expressed therein in a clear, unequivocal manner and that it has in its favor the presumption of regularity applies. To support the same, the plaintiffs-appellants averred that the notary public who notarized the instrument even testified with respect to the actual execution of the said document by Pura.

There is no issue on the admissibility of the subject sworn statement. However, the admissibility of evidence should not be equated with weight of evidence[9]. The admissibility of evidence depends on its relevance and competence while the weight of evidence pertains to evidence already admitted and its tendency to convince and persuade[10]. Thus, a particular item of evidence may be admissible, but its evidentiary weight depends on judicial evaluation within the guidelines provided by the rules of evidence[11].

It is settled that affidavits are classified as hearsay evidence since they are not generally prepared by the affiant but by another who uses his own language in writing the affiant’s statements, which may thus be either omitted or misunderstood by the one writing them[12]. Moreover, the adverse party is deprived of the opportunity to cross-examine the affiant[13]. For this reason, affidavits are generally rejected for being hearsay, unless the affiants themselves are placed on the witness stand to testify thereon[14].

Since Pura was unable to take the witness stand as she is already dead, it was proper for the RTC to refuse to give probative value to Pura's sworn statement for purposes of proving that she never executed nor caused to be notarized any contract of sale between her and the defendants-appellees.

Thus, the fact remains that the plaintiffs-appellants failed to prove by clear, strong and convincing evidence beyond mere preponderance of evidence that there was never a contract of sale between Pura and the defendants-appellees. The legal presumption is in favor of the validity of contracts and the party who impugns its regularity has the burden of proving its simulation[15]. Since plaintiffs-appellants failed to discharge the burden of proving their allegation that no contracts of sale existed between Pura and the defendants-appellees, the presumption of regularity and validity of the March 30, 2001 Deeds of Absolute Sale stands.

After having been convinced that the conveyances between the defendants-appellees and Pura were valid, we now dwell on the alleged preferential rights of herein plaintiffs-appellants as second buyers in good faith and for value.

The plaintiffs-appellants asserted that, contrary to the findings of the trial court, they first acquired possession of the properties in good faith as they had exercised actual and physical possession thereof. They likewise insinuated that neither of them had caused the registration of titles to the subject parcels of land after their respective purchases thereof.

The ownership of immovable property sold to two different persons at different times is governed by Article 1544 of the New Civil Code which provides:

> "Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property."
>
> "Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.
>
> "Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith."

The juridical relationship between the parties in a double sale is primarily governed by Article 1544 of the New Civil Code which lays down the rules of preference between the two purchasers of the same property.

The principle of primus tempore, potior jure (first in time, stronger in right) gains greater significance in case of double sale of immovable property. When the thing sold twice is an immovable, the one who acquires it and first records it in the Registry of Property, both made in good faith, shall be deemed the owner[16]. Verily, the act of registration must be coupled with good faith, that is, the registrant must have no knowledge of the defect or lack of title of his vendor or must not have been aware of facts which should have put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor[17].

Thus, in case of a double sale of immovables, ownership shall belong to (1) the first registrant in good faith; (2) then, the first possessor in good faith; and (3) finally, the buyer who in good faith presents the oldest title[18]. However, mere registration is not enough to confer ownership. The law requires that the second buyer must have acquired and registered the immovable property in good faith. In order for the second buyer to displace the first buyer, the following must be shown: (1) the second buyer must show that he acted in good faith (i.e., in ignorance of the first sale and of the first buyer's rights) from the time of acquisition until title is transferred to him by registration or failing registration, by delivery of possession; and (2) the second buyer must show continuing good faith and innocence or lack of knowledge of the first sale until his contract ripens into full ownership through prior registration as provided by law[19].

In the case at bench, the plaintiffs-appellants would want to convince us that neither them nor the defendants-appellees had registered the sale of Lots 1 and 2 in good faith, therefore, preferential rights of ownership over the subject properties could not be awarded to the first registrant in good faith.

We are not persuaded. A careful perusal of the records of the case would reveal that the defendants-appellees had caused the annotation of their Affidavits of adverse claims on the certificates of titles of Lots 1 and 2 on August 19, 2004 as can be seen on the dorsal portions of the certificates of titles covering the said lots.

The purpose of annotating the adverse claim on the title of the disputed land is to apprise third persons that there is a controversy over the ownership of the land and to preserve and protect the right of the adverse claimant during the pendency of the controversy. It is a notice to third persons that any transaction regarding the disputed land is subject to the outcome of the dispute[20].

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Clearly, at the time of the sale of the subject properties to the herein plaintiffs-appellants on June 14, 2005, an adverse claim had already been annotated on the certificates of titles to said lands which accordingly notified them of the status of the properties. Considering that there was no indication that the adverse claim had been cancelled, the same still stands and any party who enters into any transaction involving the subject properties is bound by the same.

It is a well-settled rule that a purchaser cannot close his eyes to facts which should put a reasonable man upon his guard and then claim that he acted in good faith under the belief that there was no defect in the title of the vendor. His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in the vendor's title, will not make him an innocent purchaser for value if it afterwards develops that the title was in fact defective and it appears that he had such notice of the defects as would have led to its discovery had he acted with the measure of precaution which may be required of a prudent man in a like situation[21].

Assuming arguendo that the plaintiffs-appellants were the first who acquired possession over the subject properties which could possibly warrant that they were the first possessors of the disputed properties in good faith, it is well-established that ownership and possession are two entirely different legal concepts[22]. Just as possession is not a definite proof of ownership, neither is non-possession inconsistent with ownership[23].

The first paragraph of Article 1498 of the New Civil Code states that, when the sale is made through a public instrument, the execution thereof shall be equivalent to the delivery of the thing which is the object of the contract if, from the deed, the contrary does not appear or cannot clearly be inferred. Possession, along with ownership, is transferred to the vendee by virtue of the notarized deed of conveyance[24]. Thus, in light of the circumstances of the present case, it is of no legal consequence that the defendants-appellees did not take actual possession or occupation of the disputed property after the execution of the deed of sale in their favor because they were already able to perfect and complete their ownership of and title to the subject properties.

On a final note, one is considered a purchaser in good faith if he buys the property without notice that some other person has a right to or interest in such property and pays its fair price before he has notice of the adverse claims and interest of another person in the same property[25]. Well-settled is the rule that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property[26]. However, this rule shall not apply when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation[27].

Taking into account that the petitioners-appellants had purchased Lots 1 and 2 despite the existence of an adverse claim annotated on the certificates of titles to the lands, they cannot be considered purchasers in good faith who are entitled to the preferential rights of ownership under the rules on double sale. Therefore, we are in conformity with the findings of the trial court in awarding the preferential rights of ownership over Lots 1 and 2 in favor of herein defendants-appellees Dolores and Mila, respectively.

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us DENYING the instant appeal. The Decision dated August 2, 2013 of Branch 6 of the Regional Trial Court in Aparri, Cagayan in Civil Case No. II-4203 is hereby AFFIRMED.

SO ORDERED.

[*]Paredes, and [**]Corales, JJ., concur.

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[*] Acting Senior Member per Office Order No. 461-14-ABR dated November 3, 2014.

[**] Acting Junior Member vice J. Elbinias per Office Order No. 461-14-ABR dated November 3, 2014.

[1] Record, Civil Case No. II-4203, pp. 380-401.

[2] Ibid, Complaint, pp. 1-7.

[3] Ibid, pp. 168-169.

[4] Ibid, pp. 170-171.

[5] Ibid, pp. 11-12; 172-173; and 176-177.

[6] Ibid, pp. 24-31.

[7] Ibid, p. 280.

[8] Ibid, p. 276.

[9] Ayala Land, Inc. v. Tagle, G.R. No. 153667, August 11, 2005, 466 SCRA 521, 532.

[10] Ibid.

[11] Heirs of Lourdes Sabanpan v. Comorposa, 456 Phil. 161, 172 (2003).

[12] Lim v. Court of Appeals, 380 Phil. 60, 78 (2000) citing People's Bank and Trust Company v. Leonidas, G.R. No. 47815, March 11, 1992, 207 SCRA 164; D.M. Consunji, Inc. v. Court of Appeals, G.R. No. 137873, April 20, 2001, 357 SCRA 249, 260-261.

[13] Ibid, D.M. Consunji, Inc. v. Court of Appeals.

[14] Ibid.

[15] People's Aircargo and Warehousing Co., Inc. v. Court of Appeals, 357 Phil. 850, 869-870 (1998); Ramos v. Heirs of Honorio Ramos, Sr., 431 Phil. 337, 345 (2002).

[16] Nuguid v. Court of Appeals, G.R. No. 77423, 13 March 1989, 171 SCRA 213; Bautista v. Court of Appeals, G.R. No. 106042, 28 February 1994, 230 SCRA 446.

[17] Balatbat v. Court of Appeals, 329 Phil. 858 (1996).

[18] Spouses Abrigo v. De Vera, 476 Phil. 641, 650 (2004).

[19] Cheng v. Genato, 360 Phil. 891, 910 (1998).

[20] Arrazola v. Bernas, 175 Phil. 452, 456-457 (1978).

[21] Crisostomo v. Court of Appeals, 274 Phil. 1134, 1142-1143 (1991).

[22] Spouses Sabio v. The International Corporate Bank, Inc., 416 Phil. 785, 820 (2001).

[23] Ibid.

[24] Ibid.

[25] Hemedes v. Court of Appeals, 374 Phil. 692, 719-720 (1999).

[26] Ibid.

[27] Sigaya v. Mayuga, 504 Phil. 600, 614 (2005).

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