

LEONARDO CARANTO, PLAINTIFF-APPELLANT, VS. ROBERTO SOLER, REGISTRY OF DEEDS OF PASAY, REGISTRAR OF DEEDS ROBERT GUILLERMO, DEFENDANTS-APPELLEES.

Ponente: ZALAMEDA, R.V., J.

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ZALAMEDA, R.V., J.:

This is an Appeal from the Order[1] dated 10 February 2012 and Order[2] dated 05 September 2012, both issued by Branch 114, Regional Trial Court of Pasay City,[3] in a case for Annulment of Documents and Damages, docketed as Civil Case No. R-PSY-11-0680CV, entitled “Leonardo Caranto, Plaintiff, vs. Roberto Soler, Registry of Deeds of Pasay and Registrar of Deeds Robert Guillermo, Defendants.”

The facts are as follows —

On 18 May 1991, plaintiff-appellant Leonardo Caranto[4] and his wife executed a Deed of Sale with Right to Repurchase[5] in favor of defendant-appellee Roberto Soler,[6] involving a property described as follows:

“X x x

‘A three doors one storey unit with GI Roofing 138.00 sq.m. floor area residential house covered by TD 007-21648.’ and ‘A two hundred twenty five sq.m. and Nine Deca meter (225.9) lot No. 3, Blk. 21 situated at St. Peter Street, Brgy. Maricaban, Pasay City, covered by TCT No. 37533 and Tax Declaration No. 007 24924 of the Pasay City Assessor Office.’

X x x”[7]

Under the terms of the contract, plaintiff-appellant had the right to repurchase the subject properties within seven (7) months from the date of execution thereof, otherwise, the sale becomes absolute. In the meantime, defendant-appellee took possession of the properties and exercised acts of ownership thereon.

Over time, plaintiff-appellant failed to repurchase the properties but defendant-appellee likewise did not consolidate his title thereto. Taking advantage of the situation, plaintiff-appellant had the subject properties subdivided sometime in 1996 and thus obtained Transfer Certificate of Title (TCT) No. 135870[8] and TCT No. 135871[9] in his name. Defendant-appellee, upon realizing plaintiff-appellant’s act, countered by filing an adverse claim which was annotated on both certificates of title.[10]

On 10 August 2010, the Register of Deeds of Pasay City, through defendant-appellee’s efforts, cancelled plaintiff-appellant’s TCT No. 135871 and replaced the same with TCT No. 151625,[11] this time in defendant-appellee’s name. This prompted plaintiff-appellant to file the Complaint[12] on 06 June 2011. Basically, plaintiff-appellant claimed that the issuance of a new certificate of title in the name of defendant-appellee was erroneous and had no basis, defendant-appellee not having yet obtained a judicial order for consolidation of title as required under Article 1607 of the New Civil Code.

Defendant-appellee, responding through his Answer with Compulsory Counterclaim,[13] argued in the main that

plaintiff-appellant's complaint failed to state a valid cause of action as he failed to repurchase his property within the period agreed upon by the parties. Defendant-appellee further asserted that no law required him to secure a judicial order of consolidation to consummate the pacto de retro sale. In addition, defendant-appellee maintained that plaintiff appellant's cause of action, if any, was already barred by prescription and/or laches, as plaintiff-appellant not only allowed the period to repurchase to pass without exercising his right but even took him more than twenty (20) years before finally lifting a finger and assert whatever right he had over the subject property.

Thereafter, plaintiff-appellant filed a Motion to Render Judgment on the Pleadings,[14] alleging that trial on the merits can be dispensed with since defendant-appellee had admitted the material allegations in the Complaint, particularly the fact that the latter did not secure a judicial order for the consolidation of title.

In due time, the court a quo issued the first assailed Order, the fallo of which reads —

“X x x

WHEREFORE, judgment is hereby rendered DISMISSING the instant Complaint for lack of cause of action against the defendants.

SO ORDERED.

X x x”[15]

Plaintiff-appellant subsequently filed a Motion for Reconsideration[16] but the court a quo denied the same through the second assailed Order. Accordingly, plaintiff-appellant filed a Notice of Appeal[17] dated 26 September 2012. As it was given due course by the court a quo through its Order[18] dated 20 November 2012, plaintiff-appellant is now before Us through the present recourse with the following errors allegedly committed by the court a quo, to wit—

(A)

THE TRIAL COURT ERRED IN APPRECIATING THE FACTS AND JURISPRUDENCE APPLICABLE IN THE ABOVE-ENTITLED CASE.

(B)

THE TRIAL COURT ERRED IN APPRECIATING FACTS AND EVIDENCE OF THE CASE.[19]

The records show that the court a quo dismissed plaintiff-appellant's Complaint for lack of cause of action as it categorically ruled that defendant-appellee had already obtained absolute ownership of the property covered by TCT No. 135871 (now TCT No. 151625) from the moment the period of repurchase lapsed without plaintiff-appellant exercising his right of repurchase. As the court a quo explained in the first assailed Order —

“X x x

To begin with, a cursory reading of plaintiff's Complaint clearly shows that the transaction between plaintiff and defendant Soler was a pacto de retro sale. And the essence of pacto de retro sale is that title and ownership of the property sold are immediately vested in the vendee a retro, subject to the resolutive condition of repurchase by the vendor a retro within the stipulated period. Failure of the vendor a retro to perform said resolutive condition vests upon the vendee by operation of law absolute title and ownership over the property sold and failure of the vendee a retro to consolidate his title under Article 1607 of the New Civil Code does not impair such title or ownership for the method described therein is merely for the purpose of registering the consolidated title. In the case at bar, absolute ownership of the land in question was vested on defendant Roberto Soler by virtue of the Pacto de Retro Sale of May 18, 1991 which apparently had become an absolute sale on December 18, 1991, upon failure of plaintiff Leonardo Caranto to repurchase said land. Further,

defendant Roberto Soler has been and continues to be in actual possession of the property and his Deed of Pacto de Retro Sale dates to May 18, 1991 and there is no showing that his possession thereof and his pact de retro sale were done in bad faith. Besides, it would be highly unjust for plaintiff Leonardo Caranto, who has received the price of the land sold, should still own said land and thus enrich himself at the expense and to the great prejudice of defendant Roberto Soler, the purchaser.

X x x”

As it is, though, despite plaintiff-appellant’s setback below, he is still adamant that compliance by defendant-appellee with Article 1607 of the New Civil Code is mandatory under the prevailing circumstances and the admission of defendant-appellee of his failure to observe said requirement proves plaintiff-appellant’s cause of action. In this vein, plaintiff-appellant tries to impress upon this Court that the court a quo committed reversible error in disregarding Article 1607 of the New Civil Code, which provides –

“X x x

Art. 1607. In case of real property, the consolidation of ownership in the vendee by virtue of the failure of the vendor to comply with the provisions of article 1616 shall not be recorded in the Registry of Property without a judicial order, after the vendor has been duly heard.

X x x” [Emphasis supplied]

and likewise the ruling in *Spouses Alexander Cruz and Adelaida Cruz vs. Eleuterio Leis, et al.*[20]

We agree with plaintiff-appellant.

Without a doubt, the issue here is not defendant-appellee’s title to the property because that much is settled since plaintiff-appellant does not deny the fact that he failed to exercise his right to repurchase. What plaintiff-appellant actually questions is defendant-appellee’s registration of title in his name without a judicial order therefor. The ruling in the Cruz case is apropos.

Indeed, from the facts of the Cruz case, although the Supreme Court was categorical in holding that the vendee-a-retro obtains absolute ownership and title over the property upon failure of the vendor-a-retro to repurchase the property within the stipulated period, the High Court nonetheless cancelled the certificate of title obtained by the vendee-a-retro for failure of the latter to comply with Article 1607, viz. —

“X x x

As gleaned from the foregoing discussion, despite the Court of Appeals’ finding and conclusion that Gertrudes as well as private respondents failed to repurchase the property within the period stipulated and has lost all their rights to it, it still ruled against petitioners by affirming the Regional Trial Court’s decision on the premise that there was no compliance with Article 1607 of the Civil Code requiring a judicial hearing before registration of the property in the name of petitioners. This provision states:

ART. 1607. In case of real property, the consolidation of ownership in the vendee by virtue of the failure of the vendor to comply with the provisions of article 1616 shall not be recorded in the Registry of Property without a judicial order, after the vendor has been duly heard.

The aforequoted article is intended to minimize the evils which the pacto de retro sale has caused in the hands of usurers. A judicial order is necessary in order to determine the true nature of the transaction and to prevent the interposition of buyers in good faith while the determination is being made.

It bears stressing that notwithstanding Article 1607, the recording in the Registry of Property of the consolidation of ownership of the vendee is not a condition sine qua non to the transfer of ownership. Petitioners are the owners

of the subject property since neither Gertrudes nor her co-owners redeemed the same within the one-year period stipulated in the 'Kasunduan.' The essence of a pacto de retro sale is that title and ownership of the property sold are immediately vested in the vendee a retro, subject to the resolutive condition of repurchase by the vendor a retro within the stipulated period. Failure thus of the vendor a retro to perform said resolutive condition vests upon the vendee by operation of law absolute title and ownership over the property sold. As title is already vested in the vendee a retro, his failure to consolidate his title under Article 1607 of the Civil Code does not impair such title or ownership for the method prescribed thereunder is merely for the purpose of registering the consolidated title.

WHEREFORE, the decision of the Court of Appeals is MODIFIED in that the petitioners are deemed owners of the property by reason of the failure of the vendor, Gertrudes Isidro, to repurchase the same within the period stipulated. However, Transfer Certificate of Title No. 130584, in the name of Alexander M. Cruz, which was issued without judicial order, is hereby ordered CANCELLED, and Transfer Certificate of Title No. 43100 in the name of Gertrudes Isidro is ordered REINSTATED, without prejudice to compliance by petitioners with the provisions of Article 1607 of the Civil Code. [Emphasis supplied]

SO ORDERED.

X x x”

We understand the court a quo's sentiment in this case, as expressed in the assailed Order. Although it may appear unfair to reinstate plaintiff-appellant's certificate of title, We cannot do otherwise without going against the pronouncement of the Supreme Court in the Cruz case. Either way, even if plaintiff-appellant's certificate of title is reinstated, ownership of the property is still vested with defendant-appellee as it is settled that certificate of title, by itself, does not vest ownership.[21] The issuance of the certificate of title to a particular person does not preclude the possibility that persons not named in the certificate may be co-owners of the real property therein described with the person named therein, or that the registered owner may be holding the property in trust for another person.[22]

Further, defendant-appellee himself is to be blamed for the failure to consolidate title in his favor. Apart from the non-compliance with Art. 1602 of the New Civil Code, he waited for eighteen (18) years to move to consolidate and register his title on the subject property. Defendant-appellee has slept on his rights either by negligence, folly or inaction. The present legal predicament confronting him is of his own doing.

On another matter, We do not subscribe to defendant-appellee's assertion that plaintiff-appellant is not a real party-in-interest in this case. Plaintiff-appellant has every right to question the cancellation of the certificate of title in his name and the issuance of a new one without the proper procedure required under Article 1607 of the New Civil Code. Although insignificant as it may seem as defendant-appellee is already the owner of the subject property, compliance with the legal requirement is still mandated.

Lastly, We hold that prescription and laches do not exist in this case. Be it recalled that plaintiff-appellee's cause of action is predicated on the propriety of the registration of defendant-appellee's title, thus it accrued only from the time the Register of Deeds of Pasay issued to defendant-appellee TCT No. 151625 on 10 August 2010. Plaintiff-appellant filed his Complaint on 06 June 2011, within a year therefrom.

WHEREFORE, the Order dated 10 February 2012 and Order dated 05 September 2012, both issued by Branch 114, Regional Trial Court of Pasay City are REVERSED AND SET ASIDE.

Accordingly, pursuant to the ruling in Alexander and Adelaida Cruz vs. Eleuterio Leis, et al., Transfer Certificate of Title No. 151625 issued in the name of defendant-appellee without judicial order, as required under Article

1607 of the New Civil Code, is hereby ordered CANCELLED, and Transfer Certificate of Title No. 135871 in the name of plaintiff-appellant is ordered REINSTATED, without prejudice to compliance by plaintiff-appellant with the provisions of Article 1607 of the Civil Code.

SO ORDERED.

Bato, Jr., R.M., (Chairperson) and Sempio Diy, M.E., JJ., concur.

[1] Records, pages 118 to 121. Penned by Judge Edwin B. Ramizo.

[2] Id. at 156.

[3] “Court a quo,” for brevity.

[4] “Plaintiff-appellant,” for brevity.

[5] Records, pages 07.

[6] “Defendant-appellee,” for brevity.

[7] Records, page 07.

[8] Records, pages 08 to 11.

[9] Id. at 12 to 15.

[10] Id. at 09 and page 13; See Memorandum of Encumbrances.

[11] Id. at 16 to 18.

[12] Id. at 03 to 06.

[13] Id. at 21 to 27.

[14] Id. at 75 to 76.

[15] Records, page 121.

[16] Id. at 122 to 124.

[17] Id. at 157.

[18] Records, page 161.

[19] Rollo, page 11.

[20] G.R. No. 125233, 09 March 2000.

[21] Rosalia N. Espino vs. Spouses Sharon Sampani Bulut and Celebi Bulut, G.R. No. 183811, 30 May 2011.

[22] Casimiro Development Corporation vs. Renato L. Mateo, G.R. No. 175485, 27 July 2011.

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