

MANOTOK REALTY, INC., PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND APOLONIO SIOJO, RESPONDENTS.

G.R. No. L-35367. April 09, 1987

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is an appeal by way of certiorari seeking to set aside the decision of the Court of Appeals which reversed the decision of the trial court and upheld the sale of the disputed lot in favor of the private respondent.

Wayback on November 21, 1951, the Court of First Instance of Manila, acting as a probate court in the special proceedings of the testate estate of Clara Tambunting de Legarda, authorized Vicente Legarda, as special co-administrator, to sell the Legarda Tambunting Subdivision. The order of the probate court partly states:

X X X X X X X X

"The co-administrators herein are hereby authorized to sell the 'Legarda Tambunting Subdivision' covered by Transfer Certificate of Title Nos. 62042, 45149, 29578, 40957, and 59585, with a total area of 80,238.90 square meters, more or less, at a price of P50.00 per square meter, executing the necessary document or documents and submitting the same to this Court for approval."

X X X X X X X X

On December 10, 1952, Vicente Legarda as co-administrator allegedly sold an area of about 280 square meters of the subdivision denominated as Lot 6, Block 4 situated at Dinalupihan, Tondo, Manila at P30.00 per square meter to Abelardo Lucero. The sale was on an installment basis and Lucero paid an initial amount of P200.00 by virtue of which a receipt was issued by Legarda. On the same day, Lucero took possession of the lot.

In 1953, Lucero leased the lot to six persons, one of whom is herein private respondent. Like the other tenants, respondent constructed a house on an area of 73 square meters of the lot now denominated as Lot III, Block 2, and paid P15.00 as monthly rentals.

On July 31, 1956, the probate court issued another order authorizing the Philippine Trust Company as administrator, to sell the subdivision at the earliest possible time at the best obtainable price.

Sometime in 1957, the lessees of Lucero, including the private respondent, defaulted in their payment of rentals. Separate actions for ejectment were filed against them. However, a compromise agreement was concluded and the tenants resumed the payment of rentals. Up until 1966, the private respondent continued paying monthly rentals to Lucero.

In the meantime, Lucero accordingly awaited the sending by Legarda of the formal contract but as none came, he could not make further payments. In 1957-58, he, therefore, went to the Philippine Trust Company to make further payments, showing it the receipt evidencing the down payment but the latter refused either to receive payment or to issue a formal contract because the Legarda-Tambunting Subdivision was involved in litigation.

The petitioner was subsequently awarded the sale of the entire subdivision. On March 13, 1959, the deed of sale was executed by and between petitioner and Philippine Trust Company and the same was approved by the probate court. The petitioner obtained Transfer Certificate of Title Numbers 62042, 45149, 29578, 40957 and 59585 which covered the whole Legarda-Tambunting estate including the lot sold to Lucero.

On January 1966, the petitioner caused to be published in the Manila Times and Taliba notices addressed to "all squatter-occupants" of the subdivision advising them to surrender the material and actual possession of the portions occupied by them otherwise judicial action would be taken. On March 4, 1966, the petitioner filed the complaint below for ejectment against the private respondent. On March 11, 1966, summons was served on the latter. These circumstances, notwithstanding, on May 23, 1966, Lucero executed a deed of assignment of the lot in question in favor of his lessees, including the private respondent.

After hearing, the trial court rendered judgment in favor of the petitioner, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered declaring the plaintiff (petitioner) to be the owner and entitled to the possession of the land described as Lot III, Block 2, located at 1286 Dinalupihan, Tondo, Manila, and defendant (private respondent) is hereby ordered to deliver the possession thereof to the plaintiff, to pay a monthly rental at the rate of P.50 centavos a square meter per month from March 20, 1959 until the land is delivered to the plaintiff, and to pay the cost." (pp. 44-47, Rec. on Appeal).

On appeal, the Court of Appeals reversed the decision of the trial court and held that the sale made by Legarda to Lucero was valid because the former acted within his authority as special co-administrator and that there was no need for the approval of the probate court of such sale. According to the appellate court, where the co-administrator sold the estate pursuant to an authority granted him by the probate court, and where, the administrator acted in obedience to the court's directive and within the scope of his authority, the sale could well be considered the act of the probate court itself. Therefore, the approval of the probate court, if wanting, cannot affect the validity of the administrator's act.

The appellate court also ruled that there was a consummated sale between Legarda and Lucero because they had agreed on the subject matter and the purchase price and that the latter paid part of the purchase price while the former delivered the land.

In this petition, the petitioner contends the appellate court committed an error of law when: a) it upheld the validity of the contract of sale between Legarda and Lucero; and b) it ruled that the approval of the probate court was not necessary for the validity of the said sale.

The petitioner argues that the receipt evidencing the alleged sale by Legarda to Lucero does not conform to the legal requirements of contracts of sale and that when the law requires that a contract be in a public document in order that it may be valid or enforceable, such as contracts which have for their object the creation or transmission of real rights over immovable property, that requirement is absolute and indispensable. Therefore, the questioned sale cannot be enforced against third persons such as petitioner by the private respondent who only derived his right to the property from Lucero. Furthermore, the alleged sale was on an installment basis and thus, necessitated court approval because the same was patently not in accordance with the express terms and conditions specified in the authorization to sell by the probate court.

We find merit in the petition.

The alleged sale made by Legarda to Lucero should have been embodied in a public instrument in accordance with Article 1358 of the Civil Code and should have been duly registered with the Register of Deeds to make it binding against third persons. The authority given by the probate court to Legarda specifically required the

execution of necessary documents. Lucero not only failed to obtain a deed of sale from Legarda but also failed to secure any kind of writing evidencing the contract of sale other than the receipt issued by Legarda acknowledging the amount of P200.00. No explanation was offered by the private respondent as to why there was no effort on the part of Lucero to pay the balance of the purchase price during the time that Legarda was the special co-administrator. The private respondent merely alleged that Lucero awaited the sending of the formal contract by Legarda but as none came, he could not make further payments. It was only after about five years that Lucero allegedly went to the administrator and offered to pay the balance. By this time, Philippine Trust Company was already the administrator of the Legarda-Tambunting estate and it refused to accept further payments from Lucero who had only the receipt in the amount of P200.00 and nothing more as proof that more than five years earlier a piece of real property was sold to him by a special administrator acting under court orders.

We, therefore, rule that the alleged sale made by Legarda to Lucero did not bind the Legarda-Tambunting estate, much less, the petitioner who acquired the property in dispute with the approval of the probate court and in a sole reliance on the clean title of the said property. As correctly ruled by the trial court:

"The plaintiff (petitioner), as the registered owner of the property, is entitled to the possession thereof, unless the defendant (private respondent) could show that he is entitled to its possession or to purchase the same. The property was advertised for sale, but neither Abelardo Lucero nor the defendant herein appeared in the testate proceedings of Clara Tambunting de Legarda to claim their right to the particular lot in question. The records of the testate proceedings of Clara Tambunting de Legarda did not show that any claim was made by Dr. Abelardo Lucero or by the defendant herein. The alleged sale made by Vicente Legarda in favor of Dr. Lucero did not bind the estate, for aside from the fact that no formal deed of sale was executed by Vicente Legarda specifying the terms thereof, it was never approved by the Court. Sales of immovable properties by the administrators did not bind the estate and have no validity unless they are approved by the Court. Moreover, the alleged receipt issued by Vicente Legarda does not constitute even a memorandum of sale, because it did not specify the price of the land and the manner of payment x x x."

We also find that the appellate court committed an error of law when it held that the sale of the lot in question did not need the approval of the probate court.

Although the Rules of Court do not specifically state that the sale of an immovable property belonging to an estate of a decedent, in a special proceeding, should be made with the approval of the court, this authority is necessarily included in its capacity as a probate court.

An administrator under the circumstances of this case cannot enjoy blanket authority to dispose of real estate as he pleases, especially where he ignores specific directives to execute proper documents and get court approval for the sale's validity.

In the case of *Estate of Olave v. Reyes* (123 SCRA 767, 772), we ruled:

"Section 1, Rule 73 of the Rules of Court, expressly provides that 'the court first taking cognizance of the settlement of the estate of a decedent, shall exercise jurisdiction to the exclusion of all other courts.' (Italics supplied). The law is clear that where the estate of the deceased person is already the subject of a testate or intestate proceeding, the administrator cannot enter into any transaction involving it without prior approval of the probate court."

Also, in *Vda. de Gil v. Cancio* (14 SCRA 796, 800), we ruled:

x x x x x x x x

"x x x And bearing in mind this situation of the two heirs which happened during the Japanese occupation, the probate court did not hesitate in approving the agreement thereby giving to the administratrix the necessary

authority to execute the deed of sale covering the two properties of the deceased in favor of Agustin Cancio provided that the deed of sale be submitted to the court for its approval. And this matter is sanctioned by Section 4, Rule 89 of the Rules of Court, which provides:

“When it appears that the sale of the whole or a part of the real or personal estate will be beneficial to the heirs, devisees, legatees, and other interested persons, the court may, upon application of the executor or administrator and on written notice to the heirs, devisees, and legatees who are interested in the estate to be sold, authorize the executor or administrator to sell the whole or a part of said estate, although not necessary to pay debts, legacies, or expenses of administration; x x x.”

Moreover the authority granted by the probate court in the case at bar specifically ordered Legarda to submit the document of sale for its approval.

Thus, as stated earlier, the sale made by Legarda to Lucero, having been done without the approval of the probate court and without the execution of the necessary documents did not bind the Legarda-Tambunting estate and could not have affected the rights of the petitioner over the disputed lot. Furthermore, the private respondent is only a transferee of Lucero. At the time of the transfer of rights, the private respondent already had notice of the petitioner's ownership because he was served with a summons in the ejectment case filed against him by the petitioner. More importantly, the private respondent is deemed to have constructive notice of such ownership from the time the petitioner was able to secure a title over the said property in 1959. The controversies and litigations over the estate, the problems with numerous squatters, and other aspects of the acquisition of the property attracted wide public attention and anybody in the subdivision could not have avoided being involved or aware. Therefore, the private respondent cannot even be considered a possessor and builder in good faith.

Again, as correctly held by the trial court:

"After this case had been filed on March 4, 1966, Dr. Abelardo Lucero, on May 23, 1966, executed a deed of sale of the lot in question in favor of his lessees, including the defendant. This deed of sale did not confer upon the defendant the character of a builder in good faith. He built his house at the time when he was a mere lessee of Dr. Abelardo Lucero. The fact that he subsequently bought the rights of Dr. Lucero did not change the character of his possession to a possessor in good faith. Moreover, it is apparent that the deed of sale was executed in bad faith with the intention of giving the defendant the character of a possessor in good faith. The records show that the defendant was served with summons on March 11, 1966. At the time of the execution of the deed of sale (Exh. C) on March 26, 1966, defendant already knew, or had been informed, that the plaintiff claims to be the owner of the land in question, and that plaintiff's ownership is evidenced by Transfer Certificate of Title Nos. 62042, 45149, 29578, 40957 and 59585. The alleged sale made by Vicente Legarda to Abelardo Lucero was not annotated in the certificate of title of the plaintiff, and therefore, was not binding upon it. When Dr. Abelardo Lucero executed the deed of sale in favor of the defendant, he already knew of the plaintiff's claim of ownership."

WHEREFORE, IN VIEW OF THE FOREGOING, the questioned decision of the Court of Appeals is REVERSED and SET ASIDE. The decision of the then Court of First Instance of Manila in Civil Case No. 64559 is REINSTATED.

SO ORDERED.

Fernan, (Chairman), Padilla, Bidin, and Cortes, JJ., concur.

Paras, J., in the result.

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