

J.M. TUASON & CO., INC., petitioner, vs. ESTRELLA VDA. DE LUMANLAN, and THE COURT OF APPEALS (FIFTH DIVISION), respondents.

G.R. No. L-23497. April 26, 1968

Ponente: REYES, J.B.L., Acting C.J.

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REYES, J.B.L., Acting C.J.:

J.M. Tuason & Co., Inc. petitioned for a review by certiorari of the decision issued by the Court of Appeals (Fifth Division) in its case CA-G.R. No. 27259-R, reversing the judgment rendered by the Court of First Instance of Rizal (Civil Case No. Q-4243) that ordered defendant (now respondent) Estrella Vda. de Lumanlan to vacate the lot occupied by her in Sta. Mesa Heights Subdivision, barrio Tatalon, Quezon City, and to remove therefrom the house and other structures constructed thereon, paying P240.00 a month until restoration of the premises to plaintiff.

The facts are stated in the decision of the Court of Appeals (accepted by both parties) in this wise:

“... That in the complaint filed in this case by plaintiff, J.M. Tuason & Co., Inc., hereinafter called Tuason, on 30 April, 1959, the basis is that it being the registered owner of the property known as Santa Mesa Heights Subdivision, situated at barrio North Tatalon, Quezon City, herein defendant sometime in April, 1949 unlawfully entered into possession of 800 square meters, and therein constructed his house so that plaintiff prayed for ejectment and damages for the occupancy; and defendant in her answer set forth affirmative defense that on 12 March, 1949, she had bought the property she was occupying from one Pedro Deudor, and that in a compromise agreement between Pedro and Tuason on 10 March 1953, approved by the Court of First Instance of Quezon City, she was one of the buyers therein recognized, so that she asked that her rights be recognized and the complaint dismissed; but on the basis of the evidence presented by both parties in the trial, Lower Court sustained plaintiff, holding that Tuason being the registered owner, and the question being purely one of possession, therefore, defendant's said evidence was 'completely immaterial' . . .” (Page 2 of Decision, Annex ‘A’ of Petition.)

Upon the facts thus stated, the Fifth Division of the Court of Appeals held that, pursuant to this Supreme Court’s ruling in *Evangelista vs. Deudor*, L-12826, September 10, 1959, the Compromise Agreement (Exh. 2) between the petitioner Tuason & Co. and the Deudors constituted a valid defense against the possessory action filed by Tuason & Co.; that under paragraph 7 of said Compromise Agreement, petitioner bound and committed itself to sell to respondent Lumanlan the lot occupied by her at a reasonable price; that said respondent had a right to compel petitioner to accept payment for the lot in question; and that the compromise agreement legalized the possession of respondent.

These pronouncements are assailed by the petitioner in this appeal as legally incorrect and contrary to the decisions of this Court.

The terms of the compromise agreement between the heirs of Telesforo Deudor and J.M. Tuason & Co. have been taken cognizance of in many decisions of this Court (*Evangelista vs. Deudor*, yam. cit; *Deudor vs. J.M. Tuason &*

Co., L-13768, May 30, 1961, and L-20805, Oct. 31, 1963; J.M. Tuason vs. Jaramillo, et al., L-18932-34, Sept. 30, 1963; J.M. Tuason vs. Macalindong, L-15398, Dec. 29, 1962 and others). The Deudors had therein recognized the registered site of Tuason & Co. over the lands claimed by them, and received payment of certain sums of money; but as the Deudors had, prior to the compromise, sold their possessory rights to various persons, paragraph seventh of the compromise agreement (Case Q-135 of the court of origin) provided:

“That the sales of the possessory rights claimed by the DEUDORS, are described in the lists submitted by them to the OWNERS which are attached hereto marked Annexes ‘B’ and ‘C’ and made part hereof. Whatever amounts may have been collected by the DEUDORS on account thereof, shall be deducted from the total sum of P1,201,063.00 to be paid to them. It shall be the joint and solidary obligation of the DEUDORS to make the buyer of the lots purportedly sold by them to recognize the title of the OWNERS over the property purportedly bought by them, and to make them sign, whenever possible, new contracts of purchase for said property at the current prices and terms specified by the OWNERS in their sales of lots in their subdivision known at ‘Sta. Mesa Heights Subdivision.’ The DEUDORS HEREBY advise of the OWNERS that the buyer listed in Annex ‘B’ herein with the annotation ‘continue’ shall buy the lots respectively occupied by them and shall sign contracts, but the sums already paid by them to the DEUDORS amounting to P134,922.84 (subject to verification by the Court) shall be credited to the buyers and shall be deducted from the sums to be paid to the DEUDORS by the OWNERS. The DEUDORS also advise the OWNERS that, the buyers listed in Annex ‘C’ herein with the annotation ‘Refund’ have decided not to continue with their former contracts or purchases with the DEUDORS and the sums already paid by them to the DEUDORS TOTALLING P101,182.42 (subject to verification by the Court) shall be refunded to them by the OWNERS and deducted from the sums that may be due to the DEUDORS from the OWNERS J.M. Tuason & Co., Inc. vs. Jaramillo, L-18932, Sept. 30, 1963);”

Careful analysis of this paragraph of the compromise agreement will show that while the same created “a sort of contractual relation” between the J.M. Tuason & Co., Inc., and the Deudor vendees (as ruled by this Court in *Evangelista vs. Dendor*, ante), the same in no way obligated Tuason & Co. to sell to those buyers the lots occupied by them at the price stipulated with the Deudors, but at “the current prices and terms specified by the OWNERS (Tuason) in their sales of lots in their subdivision known as ‘Sta. Mesa Heights Subdivision’.” This is what is expressly provided. Further, paragraph plainly imports that these buyers of the Deudors must “recognize the title of the OWNERS (Tuason) over the property purportedly bought by them” from the Deudors, and “sign, whenever possible, new contracts of purchase for said property”; and, if and when they do so, “the sums paid by them to the Deudors shall be credited to the buyers.” All that Tuason & Co. agreed to, therefore, was to grant the Deudor buyers preferential right to purchase “at current prices and terms” the lots occupied by them, upon their recognizing the title of Tuason & Co., Inc., and signing new contracts therefor; and to credit them for the amounts they had paid to the Deudors.

Nowhere in her answer did the respondent Estrella Vda. de Lumanlan claim that she had signed a new contract with J. M. Tuason & Co., Inc. for the purchase of the lot occupied. What is worse, instead of recognizing the title of the owners (Tuason & Co.) as required by the oftmentioned compromise agreement, she charged in paragraph 6 of her special defense (Rec. on Appeal, p. 10) that “Pedro Deudor and his co-owners and the plaintiff herein . . . conspired together and helped each other. . . by entering into a supposed Compromise” whereby “Pedro Deudor and his co-owners renounced, ceded, waived and quitclaimed all their rights, title and interest in the property including the land sold to herein defendant, in favor of the plaintiff J. M. Tuason & Co., Inc., in consideration of the sum of P1,201,063.00, without the knowledge and consent, and much less the intervention of the herein defendant.” In other words, the respondent Lumanlan in her answer repudiated and assailed the compromise between the Deudors and J.M. Tuason & Co. How then can she now claim to take advantage and derive rights from that compromise?

Without the compromise agreement, Lumanlan must justify her possession on the basis of a pretended superiority of the Deudors' old Spanish information posesoria over Tuason's Certificate of Title No. 1267, traceable back to the original Certificate of Title No. 735 of Rizal, issued under the Registration Act No. 496. But, as ruled by this Court in previous cases, Lumanlan is by now barred from assailing the decree of registration in favor of Tuason & Co., Inc.'s predecessors twenty years after its issuance (*Tiburcio vs. PHHC*, L-13429, Oct. 31, 1959; *Tuason & Co. vs. Bolaños*, 95 Phil. 107; *Tuason & Co. vs. Santiago*, 99 Phil. 622-623; *Tuason & Co. vs. Macalindon*, supra: *Tuason & Co. vs. Jaramillo*, L-16827, Jan. 31, 1963).

It is thus apparent that no legal basis exists for the pronouncement in the appealed decision that Tuason & Co. had committed itself to sell to Lumanlan the lot occupied by her at a reasonable price, or that the compromise agreement legalized the possession of the respondent, since the latter does not rely on the compromise but, on the contrary, she assails it.

The Court of Appeals ruled that the price to be paid by Lumanlan to Tuason & Co., Inc., is governed by Article 1474 of the new Civil Code of the Philippines, which provides that:

“Where the price cannot be determined in accordance with the preceding articles, or in any other manner, the contract is inefficacious. However, if the thing or any part thereof has been delivered to and appropriated by the buyer, he must pay a reasonable price therefore. What is a reasonable price is a question of fact dependent on the circumstances of each particular case.”

Since there has been no contract between petitioner Tuason & Co., and respondent Lumanlan for the sale of the lot occupied by the latter, and by paragraph 7 of the Compromise Agreement (assuming that respondent-appellee still has the right to invoke the same, and seek refuge thereunder), Tuason & Co. did not consider itself bound by the sales made by the Deudors, but demanded that the Deudor buyers should sign new contracts with it at current prices specified for the sales of lots in “Sta. Mesa Heights Subdivision” (ante) the aforequoted Article 1474 can have no bearing on the case, Lumanlan not being a buyer from Tuason & Co.

As to Lumanlan's allegation in her counterclaim that she should be deemed a builder in good faith, a similar contention has been rejected in *Tuason & Co. vs. Macalindong*, L-15398, December 29, 1962, where We ruled that there being a presumptive knowledge of the Torrens titles issued to Tuason & Co. and its predecessors in interest since 1914, the buyer from Deudors (or from their transferees) cannot, in good conscience, say now that she believed her vendor had rights of ownership over the lot purchased. The reason given by the Court is that —

“Had he investigated before buying and before building his house on the questioned lot, he would have been informed that the land is registered under the Torrens system in the name of J.M. Tuason & Co., Inc. If he failed to make the necessary inquiry, appellant is now bound conclusively by appellee's Torrens title (Sec. 51, Act 496; *Emas vs. Zuzuarregui*, 35 Phil. 144)” (*Tuason & Co, Inc. vs. Macalindong*, ante).

Lumanlan had chosen to ignore the Torrens title of Tuason & Co., Inc. and relied instead upon the Deudors' claim of ownership perhaps because such course appeared to her as more advantageous; hence, she has only herself to blame for the consequences now that the Deudors' claim has been abandoned by the Deudors themselves, and cannot pretend good faith. The Court of First Instance, therefore, did not err in holding that she was not a rightful possessor and sentencing her to vacate.

Respondent could have asked that she recover or be credited with the amounts paid by her to the Deudors, but as no claim to such credit was ever advanced by her in the trial Court, no pronouncement can be made thereon in this appeal. Equity demands, however, that her right to claim such return, or to have the amount offset against the sums she was sentenced to pay, should be, as it is, reserved.

WHEREFORE, the decision of the Court of Appeals is reversed and that of the Court of First Instance reinstated.

Costs against respondent, Estrella Vda. de Lumanlan.

Dizon, Makalintal, Bengzon, J.P., Zaldivar, Sanchez, Ruiz Castro and Fernando, JJ., concur.

Judgment reversed.

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