

**BACOLOD-MURCIA MILLING CO., INC., PLAINTIFF AND APPELLEE,
VS. EULALIO DE LEON AND CONCEPCION DE LA RAMA DE
VILLARUZ, DEFENDANTS. EULALIO DE LEON, APPELLANT.**

G. R. No. L-11587. September 17, 1958

Ponente: FELIX, J.

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FELIX, J.:

Lot No. 426 of the cadastral survey of Bacolod with an area of 14,272 square meters, was originally registered in the name of Maria Maning. On October 13, 1924, she sold a part of the said lot with an area of 7,544 square meters, designated as lot No. 426-A, to the Bacolod-Murcia Milling Co., Inc., for the sum of P2,000. As this sale was not reduced to writing, the vendor, upon receipt of the purchase price, promised to execute the corresponding deed of sale but she died without having done so. The ownership of lot No. 426 was transmitted by descent to her daughter, Concepcion de la Rama, who was able to secure a title therefor in her own name (Transfer Certificate of Title No. 170-R [T-1770]). The Bacolod-Murcia Milling Co., Inc., then made a demand on said heir to execute the deed of sale covering lot No. 426-A, but other than acknowledging the sale and promising to do what was required of her, she made no move towards its fulfillment. Instead, on January 20, 1949, she sold the entire lot No. 426 with right of repurchase to Jose Miraflores for the sum of P5,000.

On February 24, 1949, the Bacolod-Murcia Milling Co., Inc., filed a complaint with the Court of First Instance of Negros Occidental (Civil Case No. 1213) against Concepcion de la Rama-Villaruz and Jose Miraflores praying that defendant de la Rama be ordered to execute the necessary deed of sale over Lot No. 426-A of the Bacolod cadastre in its favor and to declare the pacto de retro sale made by said defendant in favor of her co-defendant Miraflores null and void in so far as it affected Lot No. 426-A. Therein defendants filed a "provisional answer" dated May 24, 1949, reserving their right to file an amended answer, but as the aforesaid amended answer was actually filed only on November 2, 1950, the Court, upon plaintiff's objection, denied admission thereof and a judgment on the pleadings was rendered on December 6, 1950, ordering defendant Concepcion de la Rama to execute a deed of sale of Lot No. 426-A in favor of plaintiff Bacolod-Murcia Milling Co., Inc. However, by reason of the absence of any allegation of bad faith in the complaint, Jose Miraflores was considered to be a purchaser in good faith and was absolved from any liability. On appeal to this Court, the decision of the lower court was upheld (90 Phil., 154).

In the meantime, or on August 1, 1950, Concepcion de la Rama, assisted by her husband Jesus Villaruz, filed a complaint with the Court of First Instance of Negros Occidental against Jose Miraflores (Civil Case No. 1699) alleging, among other things, that although she executed a public document dated January 22, 1949, purporting to be a pacto de retro sale of Lot No. 426 in favor of defendant, it was their understanding that upon payment of the sum of P1,000 or more, defendant would sign a document considering said sale as one of mortgage to secure the payment of the amount of P4,000 which was the sum she actually received; that on May 20, 1949, she made and was duly receipted payment of the sum of P1,300 by defendant; that despite said partial payment, defendant refused to execute the document considering the sale as one of mortgage as agreed upon; that defendant

encumbered the property to a relative; and as she failed to pay the balance of P3,700, defendant secured a certificate of title over said Lot No. 426 in his name (Transfer Certificate of Title T-1362). Thus, it was prayed that the pacto de retro sale be considered as a contract of mortgage; that the Register of Deeds of Bacolod be authorized to cancel the transfer certificate of title issued in the name of defendant, and that a new title be issued in her favor.

In his answer, Jose Miraflores disclaimed the existence of any such understanding and contended that in view of plaintiff's failure to exercise the right to repurchase the lot within one year, his title over the same became consolidated. With leave of court Eulalio de Leon intervened and filed an answer on December 4, 1950, alleging that on June 23, 1950, he purchased Lot No. 426 from Jose Miraflores for the sum of P7,500, that Transfer Certificate Title No. 1362 in the name of Miraflores contained no annotation of any lien or encumbrance affecting the aforesaid Lot No. 426 and had secured a title in his name Transfer Certificate of Title T-6280). Claiming that he was an innocent purchaser for value, intervenor prayed for the dismissal of the complaint with costs against the plaintiffs.

As the lower Court, in its decision of February 10, 1951, dismissed the complaint, plaintiffs brought the case on appeal to the Court of Appeals and was docketed as CA-G. R. No. 8149-R. On July 17, 1953, the appellate court rendered judgment holding that the established facts tend to show that the disputed contract did not reflect the true intention of the parties and that the intervenor might not be considered a purchaser in good faith. Thus, the record of the case was ordered remanded to the court a quo in order that the evidence for the defendant and the intervenor may be received. Notwithstanding the instructions of the Court of Appeals, neither defendant Jose Miraflores nor intervenor Eulalio de Leon presented evidence to rebut plaintiff's contentions and evidence. Instead, in a contract executed on September 17, 1954, Concepcion de la Rama-Villaluz sold, transferred, assigned and conveyed Junto Eulalio de Leon, his heirs, assigns, successors and administrators all her rights, interests, title and participation in Lot No. 426, in consideration of the sum of P29,000. Under the same instrument, Soledad de Leon de Miraflores, widow of the deceased defendant and administratrix of the latter's estate, declared and admitted that the estate of Jose Miraflores had no more interest, right and title over Lot No. 426 as it was already sold by her husband during the latter's lifetime to Eulalio de Leon (Exh. K). This document was duly registered and annotated at the back of Transfer Certificate Title T-6280 already issued in the name of Eulalio de Leon.

The Case.—On March 23, 1955, the Bacolod-Murcia Milling Co., Inc., instituted Civil Case No. 3374 of the Court of First Instance of Negros Occidental against Eulalio de Leon and Concepcion de la Rama-Villaruz to obtain from them the satisfaction of the obligation imposed by the decision in Civil Case No. 1213, wherein Concepcion de la Rama-Villaruz was sentenced to execute a deed of sale of Lot No. 426-A in favor of the Bacolod-Murcia Milling Co., Inc., that had been in possession of the property since its purchase from the former owner, Maria Maning. Defendant Eulalio de Leon answered claiming that the ownership of the entire Lot No. 426 had already been decided in Civil Case No. 1213 when his predecessor-in-interest, Jose Miraflores, was declared a purchaser in good faith, and contended that said decision constituted res judicata on the matter. As counterclaim, this defendant demanded from plaintiff rental for the use of Lot No. 426-A at the rate of P4.00 per square meter or a total of P30,176 annually starting February 24, 1949.

Defendant Concepcion de la Rama failed to file any answer and was consequently declared in default.

On March 27, 1956, the Court rendered judgment finding that although the legality and validity of the pacto de retro sale over Lot No. 426 was already passed upon and threshed in Civil Case No. 1213, yet in Civil Case No. 1699 involving the same issue, defendants failed to invoke the doctrine of res judicata and that their failure to raise this defense therein constituted a renunciation of their right to interpose the same. Furthermore, the trial

Judge observed that the obligation imposed upon Concepcion de la Rama in Civil Case No. 1213 was duly annotated at the memorandum of incumbrances for Transfer Certificate of Title No. T-6280 and defendant Eulalio de Leon should have been aware of the claims and liens on said property. Hence, the Court ordered defendants to execute the corresponding deed of sale of Lot No. 426-A in favor of plaintiff within 30 days from receipt of said decision. From this ruling, defendant Eulalio de Leon appealed to this Court assigning several errors allegedly committed by the lower Court.

It is noteworthy to mention that appellant's defense in this appeal rests upon the principle of *res judicata*, said defendant claiming right under his contract with Jose Miraflores. It is noticeable, therefore, that he minimized the importance of his contract with Concepcion de la Rama of September 17, 1954, and even admitted that there was actually no necessity for him to purchase the rights and interest of the latter as he was already the successor-in-interest of Jose Miraflores. Going on further, appellant states that what was purchased from De la Rama was all her rights and interests which were non-existing, and yet it must be remembered that for said "non-existing rights and interests", appellant paid the sum of P29,000.

Admitting *arguendo* that appellant is the successor-in-interest of Jose Miraflores, the decisive question in the case at bar devolves on whether or not the declaration of the lower Court in Civil Case No. 1213, as affirmed by the Supreme Court in G. R. No. 4256, constitutes also *res judicata* on the present action which is one to enforce the obligation imposed by the judgment in Civil Case No. 1213 upon Concepcion de la Rama. There is no question that although Jose Miraflores who purchased the whole Lot No. 426 was adjudged a purchaser in good faith, said decision in the same breath required Concepcion de la Rama to execute a deed of sale of Lot No. 426-A, which is a part of Lot No. 426. This pronouncement leads to the inevitable conclusion that while the right of Jose Miraflores was acknowledged, same was made subject to the right of the Bacolod-Murcia Milling Co., Inc., over Lot No. 426-A. But events still took another turn; Civil Case No. 1699 was instituted wherein the validity of the pacto de retro sale of Lot No. 426 was directly assailed by the vendor a retro, and on appeal, the Court of Appeals ruled that Eulalio de Leon, Miraflores' successor-in-interest, could not be considered as a purchaser in good faith. This must have prompted Eulalio de Leon to acquire by purchase from Concepcion de la Rama the latter's "rights, interests, title and participation in said Lot No. 426 with all the improvements existing thereon, free from all liens and encumbrances, except those noted on Transfer Certificate of Title No. T-6280" (Exh. K). And one of the encumbrances noted in said certificate of title (which was issued in the name of Eulalio de Leon) was:

"Entry No. 8751.—Decision.—In favor of Concepcion de la Rams, et al.—Decision rendered by the Court of First Instance of Negros Occidental in Civil Case No. 1213 entitled Bacolod-Murcia Milling Co., Inc. (Plaintiff) vs. Concepcion de la Rama de Villaruz and Jose Miraflores (defendants) absolving defendants, Jose Miraflores of the complaint and ordering Concepcion de la Rama to execute a deed of sale of a portion of the lot described in this title to be known as Lot No. 426-A in favor of the Bacolod-Murcia Milling Co., Inc." (Exh. F).

Under the foregoing circumstances, We are forced to conclude that De Leon merely acquired from Miraflores all the rights which the latter may have over Lot No. 426, subject to the right of the Bacolod-Murcia Milling Co., Inc., over Lot No. 426-A. He could not claim otherwise for appellant could not acquire more than what the vendor could convey. His subsequent action in effecting a purchase of all the rights of Concepcion de la Rama over the same property, which implies the uncertainty of his title over the same, does not in anyway affect the superior right of the Bacolod-Murcia Milling Co., Inc., which was already recognized in Civil Case No. 1213 and affirmed by this Court, specially if We further consider the fact that such right was respected by the very deed of sale executed by Concepcion de la Rama on September 17, 1954, when it provided that the encumbrances annotated on Transfer Certificate of Title No. 6280 shall not be included in said sale. Consequently, the judgment in favor of the Bacolod-Murcia Milling Co., Inc. in Civil Case No. 1213 should be executed by ordering appellant Eulalio de Leon to execute the deed of sale of Lot No. 426-A.

Wherefore, the decision appealed from is hereby affirmed, with costs against appellant Eulalio de Leon. It is so ordered.

Paras, C. J., Bengzon, Padilla, Montemayor, Reyes, A., Bautista Angelo, and Endencia, JJ., concur.

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