

**LEON C. SANTOS, PETITIONER AND APPELLANT, VS.
REHABILITATION FINANCE CORPORATION, ET AL., OPPOSITORS
AND APPELLEES.***G. R. No. L-9796. July 31, 1957*

Ponente: MONTEMAYOR, J.

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In and prior to the year 1947, Lot No. 12-f, Block 2255, of the San Lazaro Estate, located at 450 Malabon Street corner Felix Huertas Street, Manila, with an area of 131 square meters, together with the building and other improvements thereon, had been declared for taxation purposes under Assessment No. 1784 of the Office of the Manila City Assessor, in the names of Juana de la Cruz, Francisco de la Cruz, and Eustaquia B. Vda. de la Cruz, in the amount of P12,770.00. "The same property was covered by Transfer Certificate of Title No. 12185 of the land records of Manila, in the names only of Juana de la Cruz and Francisco de la Cruz. On September 26, 1948, the same property was mortgaged to the Rehabilitation Finance Corporation (R. F. C), for P16,500.00 the mortgage contract being annotated on the back of Transfer Certificate of Title No. 12185. For delinquency in the real estate taxes for the years 1948 and 1949, the said property was advertised for sale at public auction in the name of Eustaquia B. Vda. De la Cruz, the advertisement having been duly published in the Philippines Herald of September 28, October 5 and 12, 1949, and copies of the notice of sale posted at the City Hall of Manila.

Pursuant to the notice of sale, the property was sold at public auction by the City Treasurer on October 29, 1949 and was awarded to petitioner Leon C. Santos as the highest bidder, for the sum of P509.20. On September 9, 1950, the City Treasurer issued a certificate of sale in favor of Santos, which certificate, however, was never presented for registration at the Office of the Manila Register of Deeds, neither has any memorandum thereof been made on the back of Transfer Certificate of Title No. 12185. On August 26, 1950, the City Treasurer addressed a notice to Juana and Francisco that the property covered by Transfer Certificate of Title No. 12185 had been sold at public auction on October 29, 1949, and that they had one year from said date within which to redeem the property, the last day being October 29, 1950. On June 20, 1951, Juana and Francisco deposited the sum of P1,014.65 with the City Treasurer "for payment of real estate taxes for the years 1948 to 1951 on the property described in and covered by Transfer Certificate of Title No. 12185."

On November 12, 1951, the City Treasurer executed and issued a deed of sale on the same property in favor of Santos. Said deed was registered and annotated on the back of Transfer Certificate of Title No. 12185 on February 15, 1952. In the meantime, the mortgage debt of P16,500.00 to the R.F.C. remained unpaid and appeared as outstanding in the books of said R.F.C. at P16,925.58 as of October 29, 1949. However, Juana and Francisco would appear to have made payments on account, reducing the same indebtedness to P9,822.18 as of February 8, 1955.

The present action had its origin in the petition filed by Santos in the Court of First Instance of Manila on October 16, 1954, asking the court to direct the Register of Deeds to cancel Transfer Certificate of Title No. 12185 and to

issue in lieu thereof a new certificate in his (Santos) name. The petition was opposed not only by Juana and Francisco but also by the R. F. C. The parties filed a stipulation of facts and after a short hearing wherein some evidence was submitted, the trial court by its order of June 13, 1955, denied the petition. Santos is now appealing said order of denial, attributing to the trial court the following errors:

"ASSIGNMENT OF ERRORS

"(1) The lower court erred in concluding that the decision, in the case of Metropolitan Water District vs. Aurelio Reyes, 74 Phil. 143, is decisive of the case at bar.

"(2) The lower court erred in declaring that the deposit of P1,014.65 made by oppositors Juana de la Cruz and Francisco de la Cruz on June 20, 1951, constitute legal exercise, of their rights of redemption.

"(3) The lower court erred in declaring that the cases of Mercedes Valbuena, et al., vs. Aurelio Reyes, et al., G. R. No. 48177, September 30, 1949, and Lourdes T. Paguio vs. Maria Rosado de Ruiz, O. R. No. L-5301, May 10, 1953, are not applicable to the case at bar.

"(4) The lower court finally erred in denying the petition."

The trial court citing the case of Metropolitan Water District vs. Aurelio Reyes, 74 Phil. 143, based its denial of the petition mainly on the ground that petitioner Santos failed to register in the Office of the Register of Deeds the certificate of sale issued to him, dated September 9, 1950; that consequently, the running of the period of one year for purposes of redemption did not and could not start from the date of the sale; that said period of redemption should start either from the date when the registered owners of the property were actually notified of the sale, on August 26, 1950, or on February 15, 1952, when the final deed of sale was registered, and that in either case the registered owners should be regarded as having made the redemption within the period of one year, because they had deposited in the Office of the City Treasurer on June 20, 1951 the sum of P1,014.65. We reproduce the pertinent portion of the decision, as follows:

"After a careful study of the issue involved and the pleadings of all the parties, this court has come to the conclusion that the decision of the Supreme Court in the case of Metropolitan Water District vs. Aurelio Reyes, 74 Phil. 143, is decisive of the case at bar. In that decision it was held that:

"It is not necessary to register a tax lien because it is automatically registered, once the tax accrues, by virtue of Section 39 of Act No. 496. But there is no provision of law to the effect that the sale of registered land to foreclose a tax lien need not be registered. On the contrary, section 77 of said Act specifically provides (in so far as it is pertinent here) that whenever registered land is sold for taxes or for any assessment, any officer's return or any deed, demand, certificate, or affidavit or any other instrument made in the course of proceedings to enforce such liens shall be filed with the register of deeds for the province where the land lies and registered in the registration book, and a memorandum made upon the proper certificate, in each case, as an adverse claim or encumbrance. Section 50 also expressly provides that the act of registration shall be the operative act to convey and affect the land. Hence, the tax sale made by the City Treasurer to respondent on May 4, 1937, did not bind the land and did not affect petitioner until it was registered on November 3, 1938."

"According to the above transcribed doctrine, the period of one year in the case at bar, did not run against the oppositors for it appears in the stipulation of facts that the certificate of sale has never been registered in the office of the Register of Deeds. Granting that the oppositors had knowledge of the sale in question, which is tantamount to registration by reason of the notice made by the Assistant Treasurer of the City of Manila to them on August 26, 1950, Exhibit "N", Guatilo vs. Marayilla, 48 Phil. 442 or granting that the one year period should be counted from the date of the registration of the deed of sale, Exhibit "G", on February 15, 1952, in either case the oppositors had one year within which to exercise their rights to redemption or to pay the delinquent taxes from the date of such knowledge or from the date of the registration of the deed of sale. Since the oppositors had made deposit in the present case in the Office of the Treasurer of the City of Manila on June 20, 1951 or before the expiration of one year in said either case, for realty tax due 450 Malabon, corner Felix Huertas, Lot 12 of Block 2255—of 1926 San Lazaro for the sum of P1,014.66, Exhibit "F", it is evident that

such deposit constituted legal exercise of their rights of redemption or legal tender of payment of the delinquent taxes.

"The mere fact that said amount was accounted as deposit and trust fund under official receipt No. 694376-V is not, in the opinion of this Court a" sufficient valid reason to deprive the oppositors of their ownership over the property herein involved, especially so if they had not been notified of such classification of trust fund."

Petitioner-appellant contends that the Metropolitan Water District case as well as the case of Marina V. Tolentino vs. Romariego Agcaoili, G. R. No. L—4349-51, cited by the trial court, are not applicable; that what are controlling are those of Mercedes Valbuena, et al. vs. Aurelio Reyes, et al.[1], [2] G. E. No. L-5301, May 10, 1953. We disagree. In the two cases of Valbuena and Paguio, the only question involved therein was the validity of the tax sale made by the City Treasurer of Manila for tax delinquency. There we held that it was not necessary for the City Treasurer to give personal notice of the tax sale and that publication of the notice of the sale was sufficient. The question of the period of redemption and when it should begin to run was not discussed. On the other hand, we agree with the trial court that the case of Metropolitan Water District and Tolentino are applicable. In the Tolentino case, which also involved the non-registration of the certificate of sale, this Court went further and extended the doctrine laid down in the Metropolitan Water District case by saying, after citing Section 77 of Act No. 496, the following:

"From the above quoted provision it appears that whenever a registered land is sold on execution, or taken or sold for taxes, or for any assessment to enforce a lien of any character, it is required that the officer's return, or the certificate, or affidavit, or other instrument made in the course of the proceedings which are required by law to be recorded, be filed with the register of deeds for the province where the land lies, be registered in the registry book and a ' memorandum thereof be made upon the proper certificate of title. This provision does not require that the document to be registrable, be notarized. In fact it expressly permits an officer's return, or a certificate, or other instrument made in the course of the proceedings to be filed for registration. Of course, in effecting' the registration the register a£ deeds does not have to issue a new certificate of title to the purchaser; it is enough that he makes a memorandum entry on the corresponding certificate of title to afford constructive notice to all the world. This is necessary in order that the registered owner may be apprised of the annotation of the encumbrance and may take the necessary steps to protect his interest. He may choose either to abandon his property or redeem it within the period provided for by law, This requirement is fundamental because it is one of the safeguards that the law establishes in order that owners of land who may have failed to take note of the sale of their properties for delinquency in the payment of taxes may be notified of the action taken in connection with their properties. The failure of petitioner to take this step vitiates fundamentally her petition."

In those two cases, specially in the Tolentino case, we held that the period of redemption of one year should start from the date of the registration of the certificate of sale or the final deed of sale in favor of the purchaser, so that the delinquent registered owners or third parties interested in the redemption may know that the delinquent property had been sold, and that they had one year from said constructive notice of the sale by means of registration within which to redeem the property, if they wished to do so.

In further support of this doctrine of the necessity of registering auction sales, we have the case of Philippine Executive Commission vs. Abadilla, 74 Phil. 68, wherein this Court held that as regards registered land sold at public auction in execution of a judgment, the registered owners may redeem the land so sold within one year, not from the date of the auction sale of which they had no notice, but from the date the sale was registered.

Petitioner, however, cites Section 70 of Republic Act 409, which is the revised Charter of the City of Manila, which expressly provides that the redemption period of one year should start from the date of sale, as follows:

"Sec. 70. Redemption of real estate.—Within one year from the date of sale the delinquent taxpayer, or anyone for him, shall have the right of paying to the city assessor and collector the amount' of the public taxes,

penalties, and costs together with interest on the purchase price at the rate of fifteen per centum, per annum from the date of purchase of the date of the redemption;" * * *

and contends that to apply Sections 50 and 77 of Act 496 in the sense that the period of redemption should start from the registration of the tax sale, would render Section 70 of the Revised Charter of Manila nugatory or meaningless. But as the E. F. C. suggests, the two apparently conflicting laws must be harmonized and that the phrase "the period of redemption shall be within one year from the date of sale" provided therein should be interpreted to refer to the date that the sale is actually registered. We favor the suggestion. It should be remembered that the real properties in the City of Manila are all registered under the Torrens System, and that all transactions and conveyances and liens, whether voluntary or otherwise, involving said properties must be recorded in the Office of the Register of Deeds and annotated in the corresponding certificate of title, this for the information not only of the registered owners, but also of third parties; and Section 50 of the Land Registration Act expressly provides that the act of registration is the operative act. Accordingly, an auction sale to satisfy a tax lien should be registered so that the delinquent registered owner who does not wish to lose his property for mere tax delinquency, specially if the amount of the tax is out of all proportion to the value of the property, or a third person holding a lien on said delinquent property and not wishing that the registered owner lose the said property, would be duly informed, at least constructively, by means of registration of the tax sale, so that they can decide whether or not to make redemption.

This is a sound rule and will tend to counteract an allegedly anomalous practice which has been called to our attention. We quote from Professor Narciso Peña's book entitled *Land Titles and Deeds*, 1955 Eev. ed., Sec. 25, p. 278:

"25. When on a year period for redemption begins to run.—In cases of tax sales as well as those of other auction sales by virtue of attachments, the statutes generally provide for a period of one year for purposes of redemption. When sale involves registered land; the problem that may confront us is: When does that period commence to run? Is it from the actual date of the auction sale or from the date of registration of said sale?

"Upon the assumption that in the case of a tax sale the period commences from the actual date set for the auction, it has been the common practice among purchasers, from whom the property may be redeemed, to withhold the registration of the deed or certificate of sale until after the lapse of one year, when the sale, becomes final thinking that if registration were to be done earlier the owner or holder of the title would be awakened in time, for incidentally he would be advised by the Register of Deeds to surrender the title for annotation of the sale, preparatory to its consolidation in the vendee after the lapse of one year. On the other hand, if registration takes place after the lapse of the statutory period, the owner would no longer have any more opportunity to exercise his legal right of redemption."

We agree with the trial court that the deposit made by the registered owners Juana and Francisco of the sum of P1,014.65 in the Office of the City Treasurer should and could be used for purposes of redemption. It may be that the treasurer in receiving said deposit had considered it as a trust fund, but his opinion cannot stand in the way of redemption. Not knowing whether the redemption was valid under the law, he probably wanted to play safe and instead of accepting the amount for purposes of redemption, he classified it as trust funds.

We deem it unnecessary to discuss the other points raised in the appeal. In view of the foregoing, the appealed order of June 13, 1965, is hereby affirmed. No costs.

Paras, C. J., Bengzon, Bautista Angelo, Labrador, Concepcion, Endencia and Felix, JJ., concur.

[1] 84 Phil., 676.

[2] 93 Phil., 306.

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