

**HONGKONG & SHANGHAI BANKING CORPORATION,
PLAINTIFF-APPELLANT, VS. RALPH PAULI AND SPOUSES SALLY P.
GARGANERA AND MATEO GARGANERA, DEFENDANTS-APPELLEES.**

G.R. No. L-38303. May 30, 1988

Ponente: GRIÑO-AQUINO, J.

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GRIÑO-AQUINO, J.:

This appealed case was preceded by three (3) other cases between the parties, to wit:

1) Civil Case No. 32799 Court of First Instance Manila

On June 14, 1957, the Hongkong & Shanghai Banking Corporation filed a complaint against the defendant Ralph Pauli, to collect the sum of P258,964.15. It was docketed as Civil Case No. 32799 in the Court of First Instance of Manila.

After the trial, judgment was rendered in favor of the Bank on June 2, 1959, the dispositive portion of which provided as follows:

"WHEREFORE, judgment is hereby rendered ordering defendant to pay to plaintiff the sum of P219,236.20, with legal interest thereon from June 14, 1957, until fully paid, and the costs."

On appeal by the defendant debtor, the decision was upheld by the Supreme Court on March 31, 1962 in case G. R. No. L-15713.

The decision having become final, the Bank endeavored to execute it but the writs of execution were returned unsatisfied because no leviable assets of Pauli could be located by the sheriffs.

Unknown to the Hongkong & Shanghai Bank, Pauli had on January 8, 1957 purchased from the Philippine National Bank (PNB) a sugar cane plantation known as Hacienda Riverside (Lot No. 693 of Saravia Cadastre, Negros Occidental). To avoid discovery of the transaction by his creditors, he did not register the deed of sale. Six years later, on March 1, 1963, he fraudulently sold the hacienda to his daughter, defendant-appellee Sally Garganera, and her husband Mateo Garganera. The sale was registered on March 5, 1963. Transfer Certificate of Title No. 34425 was issued to the Garganeras.

2) Civil Case No. 262 Court of First Instance Negros Occidental

At the instance of Warner Barnes & Co., another creditor of Pauli, the sale to the Garganera spouses was declared fictitious for being in fraud of creditors by the Court of First Instance of Negros Occidental, Silay City, Branch VII, in its decision dated October 15, 1968 in Civil Case No. 262, entitled "Warner Barnes & Co., Ltd. vs. Ralph Pauli and Spouses Mateo and Sally Garganera".

The defendants appealed the decision to the Court of Appeals where it was docketed as CA-G.R. No. 43163-R. On December 18, 1969, the defendants entered into a compromise agreement with the Warner Barnes & Co., Ltd.,

by paying its judgment credit of P28,962.11. On the same date, December 18, 1969, they filed in the Court of Appeals a "Joint Motion to Dismiss" praying that the appealed case be dismissed with prejudice and that the decision of the Court of First Instance of Negros Occidental in Civil Case No. 262 be set aside." The Court of Appeals approved the compromise and dismissed the case, CA-G.R. No. 43163-R, on January 6, 1970 (p. 78, Records).

3) Civil Case No. 75319 Court of First Instance Manila

Having discovered that the sugar plantation belonged to Pauli, the Hongkong and Shanghai Bank filed on January 13, 1969 in the Court of First Instance of Manila, a complaint for revival of the 1962 judgment in its favor in Civil Case No. 32799. The case was docketed as Civil Case No. 75319. A writ of preliminary attachment was issued against Pauli's rights, interests and participation in Lot No. 693 of Cad. Survey of Saravia, covered by the Garganera's TCT No. T-34425. Pauli prayed for the dismissal of the complaint and the lifting of the order of attachment on Lot No. 693.

Under the pretext of amicably settling Civil Case No. 75319, defendant Ralph Pauli repeatedly postponed hearings of the case, to enable defendants-spouses, Sally P. Garganera and Mateo Garganera, to intervene in Civil Case No. 75319, which they did on October 21, 1969.

On January 23, 1971, the Court rendered judgment in Civil Case No. 75319, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered:

"1. Decreeing the revival of the judgment rendered on June 2, 1959 in Civil Case No. 32799 of the Court of First Instance of Manila, entitled 'Hongkong and Shanghai Banking Corporation, plaintiff, versus Ralph Pauli, defendant,' as affirmed by the Supreme Court in its decision promulgated on March 31, 1962 in Civil Case No. G.R. L-15713, entitled 'Hongkong and Shanghai Banking Corporation, plaintiff-appellee, versus Ralph Pauli, defendant-appellant';

"2. Ordering defendant to pay to plaintiff the sum of P219,276.20 with legal interest thereon from June 14, 1957 until fully paid, and the costs;

"3. Ordering the discharge of the attachment levied upon and annotated on Transfer Certificate of Title No. T-34425 of the land records of the Province of Negros Occidental in virtue of the writ issued in the above-entitled case on February 21, 1969; and

"4. Dismissing all the claims for damages respectively interposed by the litigants therein."

No appeal was taken by Pauli from this decision.

Civil Case No. 465 Court of First Instance Negros Occidental

On February 17, 1971, the Bank filed a new complaint against Pauli and the Garganeras which was docketed as Civil Case No. 465 in the Court of First Instance of Negros Occidental, Branch I, praying for annulment of the Conditional Sale as well as the Deed of Sale, of Hacienda Riverside to the Garganeras and also for annulment of Garganera's Certificate of Title No. T-34425.

Pauli filed a Motion to Dismiss on the grounds of res judicata, prescription, waiver and abandonment of claim.

The Garganeras filed a similar Motion to Dismiss dated March 17, 1971.

On June 15, 1971, the Court granted the motions to dismiss on the grounds of prescription of the action and res judicata.

The plaintiff appealed to the Court of Appeals. The defendants-appellees, the spouses Mateo and Sally Garganera, with the conformity of the plaintiff-appellant, filed a motion to certify the appeal to this Court as only questions of law - res judicata and prescription of the action - are involved. The Court of Appeals granted the motion.

Has the action for annulment of the sale of Lot 693 to the Garganeras prescribed? Did prescription of the action commence to run from the registration of the sale, or from the discovery of the transaction by the Bank?

When a transaction involves registered land, the four-year period fixed in Article 1391 within which to bring an action for annulment of the deed, shall be computed from the registration of the conveyance (March 5, 1963) on the familiar theory that the registration of the document is constructive notice of the conveyance to the whole world (*Armentia vs. Patriarca*, 18 SCRA 1253; *Avecilla vs. Yatco*, 103 Phil. 666).

Plaintiff's submission that the four-year period commenced to run from the date when the Bank obtained actual knowledge of the fraudulent sale of Pauli's land to the Garganeras (sometime in 1969) and that hence the four-year period for bringing an action to annul the sale had not yet expired when it filed the action for annulment on February 17, 1971, is unacceptable. That theory would diminish public faith in the integrity of torrens titles and impair commercial transactions involving registered lands for it would render uncertain the computation of the period for the prescription of such actions.

Civil Case No. 465, the action for annulment of the sale, is not barred by res judicata, specifically, the prior judgment in Civil Case No. 75319, for revival of the judgment in the collection suit, Civil Case No. 32799, for the subject matter and causes of action in the two cases are different. The three (3) identities required for the application of the bar by prior judgment: identity of parties, of subject matter and causes of action, are lacking.

Nevertheless, as the plaintiff's right of action in Civil Case No. 465 had already prescribed, the trial court did not err in dismissing the case.

WHEREFORE, finding no reversible error in the order dated June 15, 1971 of the trial court dismissing Civil Case No. 465, the same is hereby affirmed.

SO ORDERED.

Narvasa, Cruz, Gancayco, and Medialdea, JJ., concur.

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