

**MIGUEL FLORENTINO, ROSARIO ENCARNACION DE FLORENTINO,
MANUEL ARCE, JOSE FLORENTINO, VICTORINO FLORENTINO,
ANTONIO FLORENTINO, REMEDIOS ENCARNACION AND SEVERINA
ENCARNACION, PETI...**

G.R. No. L-27696. September 30, 1977

Ponente: GUERRERO, J.

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GUERRERO, J.:

Appeal from the decision of the Court of First Instance of Ilocos Sur, acting as a land registration court, in Land Registration Case No. N-310.

On May 22, 1964, the petitioners-appellants Miguel Florentino, Rosario Encarnacion de Florentino, Manuel Arce, Jose Florentino, Victorino Florentino, Antonio Florentino, Remedios Encarnacion and Severina Encarnacion, and the petitioners-appellees Salvador Encarnacion, Sr., Salvador Encarnacion, Jr. and Angel Encarnacion filed with the Court of First Instance of Ilocos Sur an application for the registration under Act 496 of a parcel of agricultural land located at Barrio Lubong, Dacquel, Cabugao, Ilocos Sur.

The application alleged among other things that the applicants are the common and pro-indiviso owners in fee simple of the said land with the improvements existing thereon; that to the best of their knowledge and belief, there is no mortgage, lien or encumbrance of any kind whatsoever affecting said land, nor any other person having any estate or interest thereon, legal or equitable, remainder, reservation or in expectancy; that said applicants had acquired the aforesaid land thru and by Inheritance from their predecessors in interest, lately from their aunt, Dona Encarnacion Florentino who died in Vigan, Ilocos

Sur in 1941, and for which the said land was adjudicated to them by virtue of the deed of extrajudicial partition dated August 24, 1947; that applicants Salvador Encarnacion, Jr. and Angel Encarnacion acquired their respective shares of the land thru purchase from the original heirs, Jesus, Caridad, Lourdes and Dolores, all surnamed Singson, on one hand and from Asuncion Florentino on the other.

After due notice and publication, the Court set the application for hearing. No opposition whatsoever was filed except that of the Director of Lands which was later withdrawn, thereby leaving the application unopposed. Thereupon, an order of general default was issued against the whole world. Upon application of the applicants, the Clerk of Court was commissioned and authorized to receive the evidence of the applicants and ordered to submit the same for the Court's proper resolution.

The crucial point in controversy in this registration case is centered in the stipulation marked Exhibit O-I embodied in the deed of extrajudicial partition (Exhibit 0) dated August 24, 1947 which states:

"Los productos de esta parcela de terreno situada en el Barrio Lubong, Dacquel, Cabugao, Ilocos Sur, se destinan para costear los gastos de procesion de la Tercera Caida, celebracion v sermon de Siete Palabras, Seis Estaciones de Cuaresma, procesion del Nino Jesus, reparation y conservation de los mismos, construction de

un camarin en donde se depositan los carros, mesas y otras cosas que sirven para la celebration de Siete Palabras y otras cosas mas. Lo que sobra de dichos productos despues de descontados todos los gastos, se repartira entre nosotros los herederos. "

In his testimony during the trial, applicant Miguel Florentino asked the court to include the said stipulation (Exhibit O-I) as an encumbrance on the land sought to be registered, and cause the entry of the same on the face of the title that will finally be issued. Opposing its entry on the title as an encumbrance, petitioners-appellees Salvador Encarnacion, Sr., Salvador Encarnacion, Jr. and Angel Encarnacion filed on October 3, 1966 a manifestation seeking to withdraw their application on their respective shares of the land sought to be registered. The withdrawal was opposed by the petitioners-appellants.

The Court after hearing the motion for withdrawal and the opposition thereto issued on November 17, 1966 an order and for the purpose of ascertaining and implifying the issues therein stated that all the applicants admit the truth of the following:

- (1) That just after the death of Dona Encarnacion Florentino in 1941 up to last year, and as had always been the case since time immemorial, the products of the land made subject matter of this land registration case had been used in answering for the payment of expenses for the religious functions specified in the Deed of Extrajudicial Partition, dated August 24, 1947;
- (2) That this arrangement about the products answering for the payment of expenses for religious functions as mentioned above was not registered in the office of the Register of Deeds under Act No. 3344, Act 496 or any other system of registration;
- (3) That all the herein applicants know of the existence of this arrangement as specified in the Deed of Extrajudicial Partition of August 24, 1947;
- (4) That the Deed of Extrajudicial Partition of August 24, 1947 was not signed by Angel Encarnacion or Salvador Encarnacion, Jr.

The court denied the petitioners-appellees' motion to withdraw for lack of merit, and rendered a decision under date of November 29, 1966 confirming the title of the property in favor of the following applicants with their respective shares as follows:

Spouses Miguel Florentino and Rosario Encarnacion de Florentino, both of legal age, Filipinos, and residents of Vigan, Ilocos Sur, consisting of an undivided 31/297 and 8.25/297 portions, respectively;

Manuel Arce, of legal age, Filipino, married to Remedios Pichay and resident of Vigan, Ilocos Sur, consisting of an undivided 66/297 portion;

Salvador Encarnacion, Jr., of legal age, Filipino, married to Angelila Nagar, and resident of Vigan, Ilocos Sur, consisting of an undivided 66/297;

Jose Florentino, of legal age, Filipino, married to Salvacion Florendo and resident of 16 South Ninth Diliman, Quezon City, consisting of an undivided 33/297 portion;

Angel Encarnacion, of legal age, Filipino, single and resident of 1514 Milagros St., Sta. Cruz, Manila, consisting of an undivided 33/297 portion;

Victorino Florentino, of legal age, Filipino, married to Mercedes L. Encarnacion and resident of Vigan, Ilocos Sur, consisting of an undivided 17.5/297 portion;

Antonio Florentino, of legal age, Filipino, single and resident of Vigan, Ilocos Sur, consisting of an undivided 17.5/297;

Salvador Encarnacion, Sr., of legal age, Filipino, married to Dolores Singson, consisting of an undivided 8.25/297;

Remedios Encarnacion, of legal age, Filipino, single and resident of Vigan, Ilocos Sur, consisting of an undivided 8.25/297 portion; and

Severina Encarnacion, of legal age, Filipino, single and resident of Vigan, Ilocos Sur, consisting of 8.25/297 undivided portion.

The court, after ruling "that the contention of the proponents of the encumbrance is without merit because, taking the self-imposed arrangement in favor of the Church as a pure and simple donation, the same is void for the reason that the done here has not accepted the donation (Art. 745. Civil Code) and for the further reason that, in the case of Salvador Encarnacion, Jr. and Angel Encarnacion, they had made no oral or written grant at all (Art. 748) as in fact they are even opposed to it,"[1] held in the dispositive portion, as follows;

"In view of all these, therefore, and insofar as the question of encumbrance is concerned, let the religious expenses as herein specified be made and entered on the undivided shares, interests and participations of all the applicants in this case, except that of Salvador Encarnacion. Sr., Salvador Encarnacion, Jr. and Angel Encarnacion."

On January 3, 1967, petitioners-appellants filed their Reply to the Opposition reiterating their previous arguments, and also attacking the jurisdiction of the registration court to pass upon the validity or invalidity of the agreement Exhibit O-I, alleging that such is litigable only in an ordinary action and not proper in a land registration proceeding.

The Motion for Reconsideration and of New Trial was denied on January 14, 1967 for lack of merit, but the court modified its earlier decision of November 29, 1966, to wit:

"This Court believes, and so holds, that the contention of the movants (proponents of the encumbrance) is without merit because the arrangement, stipulation or grant as embodied in Exhibit O (Escritura de Particion Extrajudicial), by whatever name it may be called, whether donation, usufruct or ellemosynary gift, can be revoked, as in fact the oppositors Salvador Encarnacion, Sr., who is the only one of the three oppositors who is a party to said Exhibit O (the two others, Salvador Encarnacion, Jr. and Angel Encarnacion were no parties to it) did revoke it as shown by acts accompanying his refusal to have the same appear as an encumbrance on the title to be issued. In fact, legally, the same can also be ignored or disregarded by all the three oppositors. The reasons are: First, if the said stipulation as embodied in Exhibit O-I is to be viewed as a stipulation pour antrui the same cannot now be enforced because the Church in whose favor it was made has not communicated its acceptance to the oppositors before the latter revoked it. Says the 2nd par. of Art. 1311 of the New Civil Code:

"If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person." No evidence has ever been submitted by the Church to show its clear acceptance of the grant before its revocation by the oppositor Salvador Encarnacion, Sr. (or of the two other oppositors, Salvador Encarnacion, Jr. and Angel Encarnacion, who didn't even make any grant, in the first place), and so not even the movants who have officiously taken into themselves the right to enforce the grant cannot now maintain any action to compel compliance with it. (Bank of the P.I. v. Concepcion y Hijos, Inc, 53 Phil. 806). Second, the Church in whose favor the stipulation or grant had apparently been made ought to be the proper party to compel the herein three oppositors to abide with the stipulation. But it has not made any appearance nor registered its opposition to the application even before Oct. 18, 1965 when an order of general default was issued. Third, the movants are not, in the contemplation of Section 2, Rule 3 of the Rules of Court, the real party in interest to raise the present issue; and Fourth, the movants having once alleged in their application for

registration that the land is without encumbrance (par. 3 thereof), cannot now be allowed by the rules of pleading to contradict said allegation of theirs. (McDaniel v. Apacible, AA Phil. 248)"

SO ORDERED."[2]

After Motions for Reconsideration were denied by the court, the petitioners-appellants appealed directly to this Court pursuant to Rule 41, Rules of Court, raising the following assignment of errors:

- The lower court erred in concluding that the stipulation embodied in Exhibit O on religious expenses is just an arrangement, stipulation, or grant revocable at the unilateral option of the co-owners.
- The lower court erred in finding and concluding that the encumbrance or religious expenses embodied in Exhibit O, the extrajudicial partition between the co-heirs, is binding only on the applicants Miguel Florentino, Rosario Encarnacion de Florentino, Manuel Arce, Jose Florentino, Antonio Florentino, Victorino Florentino, Remedios Encarnacion and Severina Encarnacion.
- The lower court as a registration court erred in passing upon the merits of the encumbrance (Exhibit O-1) as the same was never put to issue and as the question involved is an adjudication of rights of the parties.

We find the first and second assignments of error impressed with merit and, therefore, tenable. The stipulation embodied in Exhibit O-1 on religious expenses is not revocable at the unilateral option of the co-owners and neither is it binding only on the petitioners-appellants Miguel Florentino, Rosario Encarnacion de Florentino, Manuel Arce, Jose Florentino, Victorino Florentino, Antonio Florentino, Remedios Encarnacion and Severina

Encarnacion. It is also binding on the oppositors-appellees Angel Encarnacion, Salvador Encarnacion, Sr. and Salvador Encarnacion, Jr.

The stipulation (Exhibit O-1) is part of an extrajudicial partition (Exh. O) duly agreed and signed by the parties, hence the same must bind the contracting parties thereto and its validity or compliance cannot be left to the will of one of them (Art. 1308, N.C.C.). Under Art. 1311 of the

New Civil Code, this stipulation takes effect between the parties, their assigns and heirs. This article provides:

"Art. 1311. — Contracts take effect only between the parties, their assigns and heirs, except in cases where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

If a contract should contain a stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person."

The second paragraph of Article 1311 above-quoted states the law on stipulations pour autrui. Considering the nature and purpose of the stipulation (Exh. O-1), We hold that said stipulation is a stipulation pour autrui. A stipulation pour autrui is a stipulation in favor of a third person conferring a clear and deliberate favor upon him, and which stipulation is merely a part of a contract entered into by the parties, neither of whom acted as agent of the third person, and such third person may demand its fulfillment provided that he communicates his acceptance to the obligor before it is revoked.[3] The requisites are: (1) that the stipulation in favor of a third person should be a part, not the whole, of the contract; (2) that the favorable stipulation should not be conditioned or compensated by any kind of obligation whatever; and (3) neither of the contracting parties bears the legal representation or authorization of third party.

To constitute a valid stipulation pour autrui, it must be the purpose and intent of the stipulating parties to benefit the third person, and it is not sufficient that the third person may be incidentally benefited by the stipulation. The

fairest test to determine whether the interest of third person in a contract is a stipulation pour autrui or merely an incidental interest, is to rely upon the intention of the parties as disclosed by their contract. In applying this test, it matters not whether the stipulation is in the nature of a gift or whether there is an obligation owing from the promisee to the third person. That no such obligation exists may in some degree assist in determining whether the parties intended to benefit a third person.[4]

In the case at bar, the determining point is whether the co-owners intended to benefit the Church when in their extrajudicial partition of several parcels of land inherited by them from Dona Encarnacion Florentino they agreed that with respect to the land situated in Barrio Lubong, Dacquel, Cabugao, Ilocos Sur, the fruits thereof shall serve to defray the religious expenses specified in Exhibit O-1. The evidence on record shows that the true intent of the parties is to confer a direct and material benefit upon the Church. The fruits of the aforesaid land were used thenceforth to defray the expenses of the Church in the preparation and celebration of the Holy Week, an annual Church function. Suffice it to say that were it not for Exhibit O-1, the Church would have necessarily expended for this religious occasion, the annual religious procession during the Holy Week and also for the repair and preservation of all the statues, tables, carriages and all other things necessary for the celebration of the Seven Last Words.

We find that the trial court erred in holding that the stipulation, arrangement or grant (Exhibit O-1) is revocable at the option of the co-owners. While a stipulation in favor of a third person has no binding effect in itself before its acceptance by the party favored, the law does not provide when the third person must make his acceptance. As a rule, there is no time limit; such third person has all the time until the stipulation is revoked. Here, We find that the Church accepted the stipulation in its favor before it is sought to be revoked by some of the co-owners, namely the petitioners-appellees herein. It is not disputed that from the time of the death of Dona Encarnacion Florentino in 1941, as had always been the case since time immemorial, up to a year before the filing of their application in May 1964, the Church had been enjoying the benefits of the stipulation. The enjoyment of benefits flowing therefrom for almost seventeen years without question from any quarters can only be construed as an implied acceptance by the Church of the stipulation pour autrui before its revocation.

"The acceptance does not have to be in any particular form, even when the stipulation is for the third person an act of liberality or generosity on the part of the promisor or promisee."[5]

"It need not be made expressly and formally. Notification of acceptance, other than such as is involved in the making of demand, is unnecessary."[6]

"A trust constituted between two contracting parties for the benefit of a third person is not subject to the rules governing donation of real property. The beneficiary of a trust may demand performance of the obligation without having formally accepted the benefit of the trust in a public document, upon mere acquiescence in the formation of the trust and acceptance under the second paragraph of Art. 1257 of the Civil Code."[7]

Hence, the stipulation (Exhibit 0-1) cannot now be revoked by any of the stipulators at their own option. This must be so because of Article 1257, Civil Code and the cardinal rule of contracts that it has the force of law between the parties.[8] Thus, this Court ruled in *Garcia v. Rita Legarda, Inc.*,[9] "Article 1309 is a virtual reproduction of Article 1256 of the Civil Code, so phrased to emphasize that the contract must bind both parties, based on the principles (1) that obligation arising from contracts have the force of law between the contracting parties; and (2) that there must be mutuality between the parties based on their essential equality, to which is repugnant to have one party bound by the contract leaving the other free therefrom."

Consequently, Salvador Encarnacion, Sr. must bear with Exhibit 0-1, being a signatory to the Deed of Extrajudicial Partition embodying such beneficial stipulation. Likewise, with regards to Salvador, Jr. and Angel

Encarnacion, they too are bound to the agreement. Being subsequent purchasers, they are privies or successors in interest; it is axiomatic that contracts are enforceable against the parties and their privies.[10] Furthermore, they are shown to have given their conformity to such agreement when they kept their peace in 1962 and 1963, having already bought their respective shares of the subject land but did not question the enforcement of the agreement as against them. They are also shown to have knowledge of Exhibit O-1 as they had admitted in a Deed of Real Mortgage executed by them on March 8, 1962 involving their shares of the subject land, that, "This parcel of land is encumbered as evidenced by the document No. 420, page 94, Book I, series 1947, executed by the heirs of the late Encarnacion Florentino, on August 26, 1947, before M. Francisco Ante, Notary Public of Vigan, Ilocos Sur, in its page 10 of the said document of partition, and also by other documents."

The annotation of Exhibit O-1 on the face of the title to be issued in this case is merely a guarantee of the continued enforcement and fulfillment of the beneficial stipulation. It is error for the lower court to rule that the petitioners-appellants are not the real parties in interest, but the Church. That one of the parties to a contract pour autrui is entitled to bring an action for its enforcement or to prevent its breach is too clear to need any extensive discussion. Upon the other hand, that the contract involved contained a stipulation pour autrui amplifies this settled rule only in the sense that the third person for whose benefit the contract was entered into may also demand its fulfillment provided he had communicated his acceptance thereof to the obligor before the stipulation in his favor is revoked." [11]

Petitioners-appellants' third assignment of error is not well-taken. Firstly, the otherwise rigid rule that the jurisdiction of the Land Registration Court, being special and limited in character and proceedings thereon summary in nature, does not extend to cases involving issues properly litigable in other independent suits or ordinary civil actions, has time and again been relaxed in special and exceptional circumstances. (See *Government of the Phil. Islands v. Serafica*, 61 Phil. 93 (1934); *Caoibes v. Sison*, 102 Phil. 19 (1957); *Luna v. Santos*, 102 Phil. 588 (1957); *Cruz v. Tan*, 93 Phil. 348 (1953); *Gurbax Singh Pabla & Co. v. Reyes*, 92 Phil. 177 (1952). From these cases, it may be gleaned and gathered that the peculiarity of the exceptions is based not alone on the fact that Land Registration Courts are likewise the same Courts of First Instance, but also the following premises: (1) Mutual consent of the parties or their acquiescence in submitting the aforesaid issues for determination by the court in the registration proceedings; (2) Full opportunity given to the parties in the presentation of their respective sides of the issues and of the evidence in support thereto; (3) Consideration by the court that the evidence already of record is sufficient and adequate for rendering a decision upon these issues.[12] In the case at bar, the records clearly show that the second and third premises enumerated above are fully met. With regards to the first premise, the petitioners-appellants cannot claim that the issues anent Exhibit O-1 were not put in issue because this is contradictory to their stand before the lower court where they took the initial step in praying for the court's determination of the merits of Exhibit O-1 as an encumbrance to be annotated on the title to be issued by such court. On the other hand, the petitioners-appellees who had the right to invoke the limited jurisdiction of the registration court failed to do so but met the issues head-on.

Secondly, for this very special reason, We will uphold the actuation of the lower court in determining the conflicting interests of the parties in the registration proceedings before it. This case has been languishing in our courts for thirteen long years. To require that it be remanded to the lower court for another proceeding under its general jurisdiction is not in consonance with our avowed policy of speedy justice. It would not be amiss to note that if this case be remanded to the lower court, and should appeal again be made, the same issues will once more be raised before Us; hence, Our decision to resolve at once the issues in the instant petition.

IN VIEW OF THE FOREGOING, the decision of the Court of First Instance of Ilocos Sur in Land Registration Case No. N-310 is affirmed but modified to allow the annotation of Exhibit O-1 as an encumbrance on the face of

the title to be finally issued in favor of all the applicants (herein appellants and herein appellees) in the registration proceedings below.

No pronouncement as to costs.

SO ORDERED.

Teehankee (Chairman), Makasiar, Munoz Palma, Martin and Fernandez, J.J., concur.

[1] Decision, pp, 73-74. Record on Appeal.

[2] Record on Appeal, pp. 98-101

[3] Northern Motors, Inc. v. Prince Line, et al., L-13884. February 29, 1960.

[4] Uy Tam v. Leonardo, 30 Phil. 471. 481-486; Bank of P. I. v. Concepcion, 53 Phil. 806; Bonifacio Bros., Inc., et al. v. Mora, et al., 20 SCRA 261.

[5] Tolentino, Civil Code of the Philippines, Vol. IV (1973). p. 410. citing 6 Planiol & Ripert 500.

[6] In Poblete v. Lo Singco, 44 Phil. 369 (1923); Kauffman v. Phil. National Bank, 42 Phil. 182.

[7] In Cristobal v. Gomez. 50 Phil. 810 (1927).

[8] Lazo v. Republic Surety A Insurance Co., Inc., 31 SCRA 329.

[9] 21 SCRA 555.

[10] Article 1257 (par. 1). Spanish Civil Code, restated in Art. 1311.par. 1, New Civil Code.

[11] Constantino v. Espiritu, 39 SCRA 206.

[12] Aglipay v. De los Reyes. L-12776. March 23. 1960.

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