

SIMEON HIDALGO, PLAINTIFF AND APPELLEE, VS. LA TONDEÑA, INC., ET AL., DEFENDANTS, LA TONDEÑA, INC., DEFENDANT AND APPELLANT.*G.R. No. L-21752. April 25, 1966*

Ponente: BAUTISTA ANGELO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/996b3f227f29/>**BAUTISTA ANGELO, J.:**

The property herein involved originally belonged pro-indiviso to Manuel Valenciano and Purita Valenciano who, on December 12, 1952, mortgaged it, together with another property, to La Tondeña, Inc. to secure the payment of a debt contracted by Manuel Valenciano. The deed of mortgage was registered on August 14, 1954 with the Register of Deeds of Naga City under Act No. 3344.

On the other hand, one Celedonio Benipayo obtained a judgment in his favor in a civil case pending before the Court of First Instance of Manila to enforce which he caused to be levied in execution the interest of Manuel Valenciano in the property in question which levy was registered with the same register of deeds under the same Act on July 23, 1954. Pursuant to said levy in execution the sheriff sold at public auction the interest of Manuel Valenciano to the highest bidder thereat who happened to be the same creditor Celedonio Benipayo, the deed of sale having been registered on August 20, 1954. Before the expiration of the year prescribed by law for the redemption of the property Benipayo sold his interest in the land to one Simeon Hidalgo in whose favor was later executed a definite deed of sale in view of the owner's failure to redeem the property within the period abovementioned. The definite deed of sale was likewise registered in the office of the register of deeds.

On December 13, 1954, La Tondeña, Inc. started foreclosure proceedings against the mortgagors because of their failure to pay their obligation as agreed upon, wherein the court rendered on October 27, 1955 a judgment in its favor for the payment of the obligation. And said judgment having become final the sheriff sold at public auction the mortgaged property to the highest bidder who, in this case, was the creditor itself, or the La Tondeña, Inc. The sale was confirmed by the court, and the definite deed of sale was registered in accordance with Act No. 3344 on December 6, 1956.

La Tondeña, Inc. took possession of the property bought by it in the foreclosure sale, including the property in question, and has been in possession thereof ever since paying the taxes thereon and receiving the rentals that had accrued from the different tenants of the property.

Whereupon, claiming to be the owner of the property in question originally belonging to Manuel Valenciano and Purita Valenciano, Simeon Hidalgo commenced the present action on July 30, 1959 to recover not only said property but the sum of P70.00 a month from July, 1956 until its possession is actually delivered to him, and, incidentally, to have said property divided between him and defendant share and share alike, and in the event that defendant La Tondeña, Inc. be declared the owner of the disputed property that the vendors be held answerable to him for eviction in accordance with law.

On the strength of the stipulation of facts submitted by the parties, the court a quo rendered decision ordering the

partition of the land in question share and share alike between Simeon Hidalgo and La Tondeña, Inc., as well as ordering the latter to pay the former the sum of P892.50, minus the sum of P112.44, plus the costs of action.

Defendant La Tondeña, Inc. interposed the present appeal.

Inasmuch as the land in dispute is not registered under Act 496 nor under the Spanish Mortgage Law, the statutory provision governing the issue herein involved is Section 194 of the Revised Administrative Code which in part provides:

"No instrument or deed establishing, transmitting, acknowledging, modifying or extinguishing rights with respect to real estate not registered under the provisions of Act Numbered Four hundred and ninety-six, entitled 'The Land Registration Act,' and its amendments, or under the Spanish Mortgage Law, shall be valid, except as between the parties thereto, until such instrument or deed has been registered, in the manner hereinafter prescribed, in the Office of the Register of Deeds for the province or city where the real estate lies.

"Any registration made under this section shall be understood to be without prejudice to a third party with a better right."

It cannot be disputed that pursuant to the above-quoted provision the mortgage executed on December 12, 1952 on the controversial land in favor of La Tondeña, Inc., though not registered, was valid between the parties. This is true not only in view of the abovequoted provision but also of the several rulings of our Supreme Court. Thus, in *Estate of Mota vs. Concepcion*, 56 Phil., 713, 715, this Court said:

"The trial court erred in holding that the mortgage was null and void. It is true that the contract does not contain some of the data mentioned in section 194 of the Administrative Code, but the mortgage was actually recorded in the registry of deeds by the registrar, and we are of the opinion that it is valid between the contracting parties, as it would be even if it had not been recorded. From among the decisions of this court cases may be cited wherein it is held that a mortgage upon unregistered real property is void under the Spanish Mortgage Law, but the rule upon this point has been modified by section 194 of the Administrative Code, as amended, which clearly recognizes the validity of such a contract between the contracting parties."

In *Guintu, et al. vs. Ortiz, et al.*, G. R. No. L-9332, November 28, 1956, this Court likewise held that a deed of mortgage executed on an unregistered land, although not registered, is valid and effective between the parties. And to the same effect is the provision of Article 2125 of the Civil Code.

Bearing in mind that the mortgage executed in favor of La Tondeña, Inc. by Manuel Valenciano and Purita Valenciano on December 12, 1952 is valid between the parties even though not registered under the Registration Law nor under the Spanish Mortgage Law, but was only recorded under Act 3344, what is the effect of said mortgage upon the levy in execution issued in favor of plaintiff's predecessor-in-interest, as well as the sale made in his favor at public auction of the same property on August 16, 1954?

The answer must be that the mortgage of La Tondeña, Inc. is preferred over the interest acquired by plaintiff for the simple reason that said mortgage was created much ahead in point of time than the interest of plaintiff's predecessor-in-interest. The very section 194 of the Revised Administrative Code which applies to this case provides that "Any registration made under this section shall be understood to be without prejudice to a third party with a better right," while under the ruling in *Fabian, et al. vs. Smith, Bell & Co.*, 8 Phil., 496, the levy of an execution against a judgment debtor does not take precedence over an unrecorded deed of the same property made by the judgment debtor prior to the levy.[1]

Even assuming that plaintiff's predecessor-in-interest had no notice of any lien when he bought the property in question at the public auction sale conducted by the sheriff, still he is in duty bound by the prior interest created in favor of La Tondeña, Inc. under the principle of caveat emptor, as may be gleaned from the following ruling of

this Court:

"Being a purchaser in good faith does not give the applicant-appellee a better right either, because having made the purchase at a public auction in an ordinary execution, not only is he not a third party, but he acquires no more than the rights of the judgment debtor to the property sold at the time of the sale, and it was his duty to ascertain what those rights were, in order to safeguard his own interests. Upon this point, the court has repeatedly held that the doctrine of caveat emptor applies to judicial sales. (Pabico vs. Ong Pauco, 43 Phil., 572; 23 Corpus Juris, 746; Lim Liin Uan vs. Laag and Laag, 51 Phil., 930.)" (Lacsamana vs. Carlos, 57 Phil., 722, 732-733)

Wherefore, the decision appealed from is reversed, Plaintiff's complaint is dismissed, without pronouncement as to costs.

Regala, Dizon, Makalintal, Bengzon, J.P., Zaldivar, and Sanchez, JJ., concur.

[1] See *Mediante vs. Garcia*, 73 Phil., 694; *Standard Oil Co. vs. Castro*, 54 Phil., 716.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.