

ENCARNACION TEVES, PLAINTIFF-APPELLANT, VS. THE PEOPLE'S HOMESITE AND HOUSING CORPORATION, ET AL., DEFENDANTS-APPELLEES.

G.R. No. L-21498. June 27, 1968

Ponente: ZALDIVAR, J.

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ZALDIVAR, J.:

From the order of the Court of First Instance of Quezon City dismissing her complaint against defendants People's Homesite and Housing Corporation and spouses Melisenda L. Santos and Cesar L. Santos, in Civil Case No. Q-6904, plaintiff Encarnacion Teves interposed the present appeal.

The pertinent averments of the complaint in this case, filed on January 9, 1963, read as follows:

"2. That sometime in October, 1950, the herein plaintiff and her husband Celestino Teves who died in a plane crash with the late President Ramon Magsaysay x x x occupied a portion of land of the Diliman Estate Subdivision, known as the Quezon Memorial Grove, belonging to the defendant PHHC, said portion of land with an area of 252 square meters, more or less, is known and designated as Lot 9, Block K-70 of the Diliman Estate Subdivision located in Diliman, Quezon City.

"3. That since then (October, 1950) the herein plaintiff and her deceased husband have continuously occupied said portion of land and have constructed thereon their residential house with an assessed value of P3,250.00 and which still remains existing to the present time.

"4. That, because at the time that portion of the Diliman Estate Subdivision known as the Quezon Memorial Grove was not intended for subdivision and distribution the occupants thereof, including the herein plaintiff and her deceased husband, have joined themselves together and made repeated requests and insistent representations with the officials of the PHHC and, with the help and assistance of the Social Welfare Administration, the Board of Directors of the defendant PHHC acceded to the occupants' petition and by virtue of Resolution No. 21, Fiscal Year 1951-52, adopted on September 19, 1951, converted said estate into a subdivision for distribution and sale to the actual occupants thereof who are qualified to acquire residential lots under the rules and regulations of the defendant PHHC.

"5. That, after due investigation conducted sometime before August, 1951, the then Chief of the Sales Division of the defendant PHHC found the husband of the herein plaintiff to be the actual occupant of said Lot 9, Block K-70 of the Diliman Estate Subdivision and, having been found to be likewise qualified to acquire said lot by purchase it was recommended that same be awarded to him.

"6. That after the death of the plaintiff's husband on March 17, 1957, the herein plaintiff filed another application in her own name to purchase said Lot 9, Block K-70 of the Diliman Estate Subdivision and thereafter made repeated and insistent requests and representation with the officials and personnel of the Sales Division of the defendant PHHC to process and forward her application for approval by the Board of Directors of the said defendant corporation but said officials and personnel of the Sales Division of defendant corporation in flagrant disregard and violation of their duties and with evident bad faith prejudicial to the

rights of the plaintiff deliberately refused to act on the requests and insistent representation of the plaintiff.

"7. That on or about February 23, 1961, the defendant Melisenda L. Santos, through her attorney-in-fact Estela Leyva, filed with the Sales Division of the defendant PHHC her application to purchase said Lot 9, Block K-70 of the Diliman Estate Subdivision, and in spite of the fact that the officials and personnel of the said office have actual know-ledge that said lot has long been occupied and applied for by the herein plaintiff they deliberately concealed from the latter the filing of the application of the defendant Melisenda L. Santos, thus depriving said plain-tiff of her legal rights to oppose the ap-proval of said application and to bring to the higher authorities her preferential rights to acquire the said lot in question.

"8. That by reason of the negligent acts and deliberate refusal of the officials and personnel of the defendant PHHC to act accord-ingly on the plaintiff's application, x x x the defendant Melisenda L. Santos, with the help and assistance of an influential politician, was able to secure the approval of her application and the consequent execution in her favor of the deed of sale of the lot in question, x x x.

"9. That, upon registration of the deed of sale x x x with the Office of the Register of Deeds of Quezon City, said office, on January 23, 1962, issued the corresponding Transfer Certificate of Title No. 59796 in favor of the defendant Melisenda L. Santos.

"10. That the deed of sale x x x and Transfer Certificate of Title No. 59796 x x x in the name of the defendant Melisenda L. Santos are null, and void and of no ef-fect whatsoever by reason of the fact that the same were secured by means of acts and omissions amounting to fraud and misrep-resentations, and political influence, aside from the fact that said sale was made in violation of the established policy, rules and regulations of the defendant PHHC, particular-ly Resolution No. 21, fiscal year 1951-52 of the Board of Directors of the defendant corporation.

"11. That, as a consequence of the ano-malous and illegal transaction between the defendants with respect to the lot in question the herein plaintiff was unlawfully deprived of her rights to acquire the same thus causing her great mental anguish for which she is entitled for a judgment for moral and exemplary damages x x x actual damages x x x attorneys fees and x x x incidental expenses x x x."

The complaint prayed, among others, that judg-ment be rendered declaring the deed of sale in favor, and the transfer certificate of title issued in the name of defendant Melisenda L. Santos null and void, and directing defendant PHHC to execute in favor of plain-tiff the corresponding deed of sale over the lot in con-troversy on installment basis under the terms and con-ditions prescribed by the rules and regulations of said corporation.

On February 6 and 12, 1963, defendant PHHC and defendants Melisenda L. Santos and Cesar L. Santos, res-pectively, filed separate motions to dismiss, both motions based principally upon the ground that the com-plaint states no cause of action. On February 16, 1963, the lower court issued an order dismissing plaintiff's complaint. The order of dismissal stated that as plaintiff was not a party to the deed of sale executed between the PHHC and defendant Melisenda L. Santos, she cannot maintain an action to annul the same.

Plaintiff's motion for reconsideration of the order of February 16, 1963 having been denied, she brought the present appeal directly to this Court, on a question of law, contending that "the lower court erred in dismissing the plaintiff-appellant's com-plaint on the alleged ground of failure to state a cause of action against the defendants-appellees."

We find merit in plaintiff's appeal.

A cause of action is defined as "an act or omis-sion of one party in violation of the legal right or rights of the other; and its essential elements are legal right of the plaintiff, correlative obligation of the defendant, and act or omission of the defendant in violation of said legal right." [1] The rule is well-settled that when the motion to

dismiss a complaint is based upon the ground that it states no cause of action, the sufficiency of the cause of action can only be determined on the basis of the facts alleged in the complaint,[2] and admitting the facts as alleged, whether or not the court can render a valid judgment against the defendant based upon said facts as prayed for in the complaint. [3]

The paragraphs of the complaint, hereinbefore quoted, contain allegations of facts, which show that the plaintiff had acquired a right -- a preferential right to buy Lot 9, Block K-70 of the Diliman Estate Subdivision, that the defendants were aware of plaintiff's right, and that defendants had committed acts in violation of plaintiff's rights; and such being the case, the plaintiff is entitled to a relief as against the defendants.

The right asserted by the plaintiff, in her complaint, has for its basis the policy that was adopted by the PHHC, an instrumentality of the government, as embodied in its Resolution No. 21, Fiscal Year 1951-52, the resolatory part of which provides as follows:

"RESOLVED, that in the sale of lots in the former Quezon Memorial Grove site, the occupants therein be given the first chance in purchasing said lots; Provided, however, that no sale shall be made to any person, whether an occupant or an outsider unless previously investigated and cleared by the MIS; and Provided further, that nothing in this resolution shall be construed to affect nor encroach the rights and pre-rogatives of the corporation." [4]

The complaint alleges that since October, 1950 plaintiff and her husband had been occupying Lot 9, Block K-70 of the Diliman Estate Subdivision (formerly known as the Quezon Memorial Grove), and they had built thereon their residential house with an assessed value of P3,250.00; that upon due investigation conducted sometime before August, 1951 the Chief of the Sales Division of the PHHC found plaintiff's husband to be the actual occupant of said land and having been found to be qualified to acquire said land by purchase it was recommended that the lot be sold to plaintiff's husband; that plaintiff's husband died on March 17, 1957, before the lot was actually sold to him, and so plaintiff, as successor in interest of her husband, filed an application in her own name to purchase the lot in question; that thereafter plaintiff made repeated and insistent requests and representations with the officials and personnel of the Sales Division of the PHHC to process and forward her application to the Board of Directors of the PHHC for approval, but said officials and personnel ignored the requests and representations of the plaintiff; that instead of respecting plaintiff's preferential right, and in spite of the fact that the officials and personnel of the PHHC knew that plaintiff was the actual occupant of the lot, and without giving notice to the plaintiff that a party was applying to purchase the same lot, the PHHC sold the same Lot to defendant Melisenda L. Santos who applied for it only on February 23, 1961 through an agent; that on January 12, 1962, a deed of sale of the lot -- with the full price actually paid -- was executed, and shortly thereafter, or on January 23, 1962, Transfer Certificate of Title No. 95976 covering the lot was issued by the Register of Deeds of Quezon City in favor of said defendant. The complaint contains allegations that the plaintiff was fraudulently deprived of her preferential right to buy the lot in question, and that defendant Melisenda L. Santos was able to secure the approval of her application to purchase the lot and the execution of the deed of sale in her favor through the help of an influential politician.

A perusal of the complaint would elicit the position of the plaintiff in her case against the defendants, to wit: she had a right which she had acquired pursuant to the very policy promulgated by the defendant PHHC; she was deprived of the enjoyment of that right when defendant PHHC sold the lot in question to defendant Melisenda L. Santos who was never an occupant of the lot and who applied to purchase said lot through an agent much later; the sale of the lot to the defendant Melisenda L. Santos was made without her knowledge, much less with her consent, and was in violation of the policy of the PHHC, so that the sale should not be given effect; that she was deprived of her rights through fraud and/or bad faith, on the part of the officials and personnel of the PHHC and

of defendant Melisenda L. Santos; that defendant Melisenda L. Santos had taken advantage over her by availing of the help of an influential politician; and that she had suffered damages.

In contending that the complaint states no cause of action, the defendants urge that since plaintiff is not a party to the deed of sale which was executed between the PHHC and defendant Melisenda L. Santos, and neither was there in said deed any stipulation referring to plaintiff, the plaintiff cannot maintain an action to annul the deed of sale. The defendants cite the provision of Article 1397 of the Civil Code which states that "The action for the annulment of contract may be instituted by all who are thereby obliged principally or subsidiarily...", and point out that because in the deed of sale plaintiff was not: a party and she has no obligation under that deed, either principally or subsidiarily, she cannot maintain the action to annul said deed. The lower court sustained the contention of the defendants.

We note, however, in reading the complaint, that the plaintiff is seeking the declaration of the nullity of the deed of sale not as a party in the deed, or because she is obliged principally or subsidiarily under the deed, but because she has an interest that is affected by the deed. This Court has held that a person who is not a party obliged principally or subsidiarily in a contract may exercise an action for nullity of the contract if he is prejudiced in his rights with respect to one of the contracting parties, and can show the detriment which would positively result to him from the contract in which he had no intervention.^[5] Indeed, in the case now before Us, the complaint alleges facts which show that plaintiff suffered detriment as a result of the deed of sale entered into by and between defendant PHHC and defendant Melisenda L. Santos. We believe that the plaintiff should be given a chance to present evidence to establish that she suffered detriment and that she is entitled to relief.

We gather from the reading of the complaint that plaintiff seeks the declaration of the nullity of the deed of sale because it was executed contrary to public policy and that fraud was exercised by defendants PHHC and Melisenda L. Santos in its execution. The complaint, therefore, had posed before the trial court the question of whether that deed of sale was null and void because it was executed in violation of a public policy, and whether that contract was executed in fraud of a third person.

The ruling of this Court in the case of Huerta vs. Acosta, G.R. No. L-20497, promulgated on January 31, 1966, has relevance to the question of whether the plaintiff in the case now before Us has a cause of action based on the policy, in connection with the sale of re-sidential lands owned by the government, of giving preferential right to purchase the land to persons who are prior actual occupants of the Land. In this case it appears: that long before the Government acquired the Fabie Estate through expropriation proceedings under Republic Act 1162 for the purpose of subdividing the same and reselling the subdivided lots to the tenants or occupants or other persons qualified under the law to acquire said lots, Antonia Vda. de Huerta had occupied a portion of the aforementioned estate. In order to carry out the function of subdividing the Fabie Estate into small lots the Land Tenure Administration prepared a plan showing the subdivided lots and allotted the subdivided lots to the tenants or occupants. Antonia Vda. de Huerta filed an application to purchase Lot No. 14 and an agreement to sell covering said lot was entered into between her and the Land Tenure Administration. Dionisio H. Acosta filed an application to buy Lot No. 13, which adjoins Lot 14 that was sold to Huerta, and an outright sale was executed in Acosta's favor and Transfer Certificate of Title No. 50570 was issued in his name. Finding later that the septic tank of her house and other improvements previously put up by her are found in portion of Lot 13, Huerta requested the Land Tenure Administration to award to her Lot 13 in addition to Lot 14, or that: portion of Lot 13 where her septic tank is found be segregated and made part of Lot 14 inasmuch as said portion was never occupied by Acosta. Huerta's request was denied. Since Huerta continued occupying the disputed portion of Lot 13, Acosta filed an action before the Court of First Instance of Manila to recover possession and ownership of that portion of Lot 13 occupied by Huerta. Huerta, in her answer, set up the defense that she had a preferential

right to purchase the disputed portion because she was the bona fide tenant or occupant thereof. The trial court decided the case in favor of Huerta, and adjudicated to her the portion of Lot 13 where her septic tank was located, with an area of thirty square meters. The Court of Appeals reversed the decision of the trial court, but on appeal to this Court the decision of the Court of Appeals was reversed. This Court said:

"It is admitted that the disputed portion of Lot 13 containing 30 sq. m. had never been occupied by Dionisio Acosta, for even long before the Government acquired the Fabie Estate through expropriation proceedings said portion had been occupied by Antonia Vda. de Huerta on which she had constructed a house of strong materials and other permanent improvements including a septic tank, and that portion formed part of the lot which she was then leasing from the former owner of the Fabie Estate. Huerta, therefore, had the preferential right to purchase the disputed portion from the Government under the provisions of Republic Act No. 1162, as amended, particularly Section 3 which provides that the estate should be subdivided into small lots x x x and shall be sold at cost only to tenants or occupants" (Underscoring supplied)

It is our considered view that the complaint in the case at bar states a cause of action, because it contains allegations clearly showing violation of plaintiff's rights by the defendants. It can be said that at least, the complaint alleges facts which show violation of plaintiff's rights under the provisions of Chapter 2 of the Preliminary Title of the Civil Code, on the subject of human relations. It is alleged in the complaint that the defendants had not acted in good faith; that the employees of the defendant PHHC, in the performance of their duties, had not given the plaintiff her due; that the defendants had wilfully caused injury to the plaintiff in violation of a policy of the PHHC which is a government instrumentality; and that the plaintiff, in her dealings with defendant PHHC, found herself at a disadvantage because she was up against defendant Melisenda L. Santos who had availed of the help of an influential politician -- a circumstance which may justify a recourse to the court for the protection of her right.[6] If these allegations are supported by evidence, it is obvious that plaintiff is entitled to relief.

Accordingly, We hold that the complaint in the case at bar states a cause of action.

WHEREFORE, the order appealed from is set aside, and this case is remanded to the court a quo for further proceedings, with costs at this instance against defendants-appellees Melisenda L. Santos and Cesar Santos.

IT IS SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Sanchez, Castro, Angeles and Fernando, JJ., concur.

[1] Ma-ao Sugar Central Co., vs. Barrios, 79 Phil., 66.

[2] Dimayuga vs. Dimayuga, 96 Phil., 859; Mindanao Realty Corporation vs. Kintanar, et al., L-17152, November 30, 1962; Dalandan, et al., vs. Julio, et al., L-19107, February 29, 1964; World Wide Ins., & Surety Co., vs. Manual., 51 O.G., 6214.

[3] Amedo v. Rio y Olabarrieta, Inc., 92 Phil., 214; Blay v. Batangas Transportation Company, 80 Phil., 373.

[4] Page 33, Record on Appeal.

[5] Ibañez vs. Hongkong and Shanghai Bank, 22 Phil. 572, 584-585

[6] Articles 19, 21, 24, Civil Code

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