

**SPOUSES WILLIAM PE SY AND EVANGELINE B. PIO DE RODA-SY,
PLAINTIFFS-APPELLANTS, VS. CATALINA ESTANOL, MA. CORAZON
K. IMPERIAL, FRANCISCO M. SANTIAGO, LUZ MIRASOL AND HON.
OFELIA ...**

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MACALINO, J:

This is an Appeal under Rule 41 of the Rules of Court assailing the 17 October 2011 Decision[2] (“assailed Decision”) of the Regional Trial Court of Paranaque City, Branch 195 in Civil Case No. CV-00-0205 entitled “Spouses William Pe Sy and Evangeline B. Pio De Roda-Sy v. Catalina Estanol, Ma. Corazon K. Imperial, Francisco M. Santiago, Luz Mirasol and Honorable Ofelia E. Abueg-Sta. Maria, Register of Deeds of Paranaque City” involving an action for cancellation of certificate of title with damages. The dispositive portion of the assailed Decision reads:

“WHEREFORE, the foregoing premises considered, defendants Santiago and Mirasol are ordered to pay plaintiffs jointly and severally, the following:

1. Five Hundred Thousand Pesos (P500,000.00) as moral damages;
2. Two Hundred Thousand Pesos (P200,000.00) as exemplary damages;
3. Fifty Thousand Pesos (P50,000.00) as Attorney's fees and
4. costs of suit.

As regards defendants Imperial and Estanol, the instant complaint is hereby ordered DISMISSED. Plaintiffs are ordered to pay them litigation expenses and attorney's fees in the total amount of Fifty Thousand Pesos (P50,000.00) each.

SO ORDERED.”[3]

The Facts of the Case[4]

Records reveal that the subject property located in Brgy. San Dionisio, Paranaque City covered by Transfer Certificate of Title (TCT) No. 104165[5] of the Registry of Deeds of Pasay City containing an area of 257 square meters, was sold twice to different persons by the same sellers, herein Defendants Francisco Santiago and Luz Mirasol (“Defendants Santiago and Mirasol”). Records also reveal that after the subject property was sold twice, it was also conveyed by Defendants Santiago and Mirasol to another person through a Deed of Quitclaim and Waiver of Rights.

In March 1995, Plaintiffs-Appellants Spouses William Pe Sy and Evangeline B. Pio De Roda-Sy (“Plaintiffs-Appellants”) acquired the subject property through a Deed of Sale[6] executed by Atty. Samuel B. Marquez (“Atty. Marquez”). Said Deed of Sale was however not notarized. It appears that Atty. Marquez bought the same from Defendants Santiago and Mirasol on 10 June 1994.[7]

Plaintiffs-Appellants alleged that they were regularly visiting the subject property until on 21 April 2000, they were surprised by a signboard with inscription “PROPERTY FOR SALE Contact No. 2518276”. The next day,

Plaintiffs-Appellants went to the Registry of Deeds of Pasay City and inquired about the status of the subject property. Further inquiry with the Registry of Deeds of Paranaque City revealed that the subject property was conveyed through a Deed of Quitclaim and Waiver of Rights[8] dated 30 November 1998 executed by Defendants Santiago and Mirasol in favor of Defendant-Appellee Catalina Estanol (“Defendant-Appellee Estanol”). This resulted in the cancellation of TCT No. 104165 and the issuance of a new title in favor of Defendant-Appellee Estanol under TCT No. 139834.[9] Plaintiffs-Appellants also discovered that Defendant-Appellee Ma. Corazon Imperial (“Defendant-Appellee Imperial”) was also claiming ownership over the subject property by virtue of a Deed of Sale[10] dated 14 April 1997 executed by Defendants Santiago and Mirasol in her favor. Aggrieved by the turn of events, Plaintiffs-Appellants filed a Complaint[11] for cancellation of TCT No. 139834 with damages before the Regional Trial Court of Paranaque City.

In her Answer,[12] Defendant-Appellee Imperial alleged that sometime in January 1997, a certain Vicky Lazatin introduced Defendants Santiago and Mirasol to her and her counsel, Atty. Oscar Inocentes (“Atty. Inocentes”) at the latter's residence in Quezon City. Thereafter, Defendants Santiago and Mirasol offered to sell the subject property to her. After visiting and conducting an ocular inspection of the subject property together with her counsel and Defendants Santiago and Mirasol, she decided to buy the same and authorized Atty. Inocentes to transact with the latter. Subsequently, a Deed of Sale[13] dated 14 April 1997 was entered into between her and Defendants Santiago and Mirasol at the residence of Atty. Inocentes. The consideration for the sale was PhP150,000.00. On the same day, Defendant Mirasol gave her the owner's duplicate copy of the title covering the subject property. Defendant Santiago promised to give her the owner's duplicate copy but failed to do so. Efforts were exerted to locate Defendant Santiago but the same were in vain until she had forgotten about it. Two years thereafter, she discovered that the title to the subject property had already been transferred to Defendant-Appellee Estanol by way of a Deed of Quitclaim and Waiver of Rights.[14] Defendant-Appellee Imperial then sent a letter[15] to the Register of Deeds about the anomalous transaction made by Defendants Santiago and Mirasol. Defendant-Appellee Imperial also sent a letter[16] to Defendants Santiago and Mirasol demanding that they rectify their fraudulent acts.

Defendant-Appellee Estanol, on the other hand, contended that the Deed of Sale between Defendants Santiago and Mirasol and Plaintiffs-Appellants cannot be the basis of the action filed by the latter as the same was not notarized. She is the true owner of the subject property as the same was assigned to her by Defendants Santiago and Mirasol in payment of the latter's debt to her daughter. Her daughter inspected the subject property and found out that it was an empty lot without any sign of occupancy. When she asked Defendants Santiago and Mirasol for the owner's duplicate copy of the title, the latter told her that they lost their respective copies. Before transacting with Defendants Santiago and Mirasol, her daughter required them to file a Petition for the replacement of the lost title. Thus, Defendant Mirasol filed a Petition[17] and in behalf of Defendant Santiago which was granted by the Regional Trial Court of Paranaque City in a Decision[18] dated 25 November 1998. Because Defendants Santiago and Mirasol could no longer pay their debt, they executed a Deed of Quitclaim and Waiver of Rights[19] in her favor on 30 November 1998. With the registration of the said Deed before the Registry of Deeds of Paranaque City, TCT No. 104165 was cancelled and TCT No. 139834 was issued in her name on 14 January 1999.[20]

After trial on the merits, the trial court rendered the assailed Decision dismissing the Complaint filed by Plaintiffs-Appellants as Defendant-Appellee Estanol is the true owner of the subject property.

In ruling that Defendant-Appellee Estanol is the owner of the subject property, the trial court said:

“xxx xxx xxx

In the instant case, it was not disputed that at the time defendant Estanol accepted the subject property in payment of defendant Mirasol's loan to her by way of the deed of quitclaim and waiver of rights, she was not

aware of any previous transactions that were entered into by defendants Santiago and Mirasol with other persons. Admittedly, the sale of the subject property by defendants Santiago and Mirasol in favor of Atty. Marquez; the sale of the same property by Atty. Marquez in favor of plaintiffs; as well as the sale thereof in favor of defendant Imperial were not duly registered with the Register of Deeds. On the other hand, it was not also disputed that the quitclaim and waiver of rights over the subject property that was executed by defendants Santiago and Mirasol in favor of defendant Estanol was duly registered at the back of the former's title with the Register of Deeds of Paranaque City. Said document was, in fact, made the basis of canceling the title in the name of defendants Santiago and Mirasol and in issuing the new title in defendant Estanol's name.

Applying the ruling of the Supreme Court in the afore mentioned (sic) cases in the instant case, considering that when defendant Estanol acquired the subject property by way of a deed of quitclaim and waiver of rights, there was no notice of any previous sale, this court opines that she could not be faulted in believing that the subject property was free from all liens and encumbrances and had no reason not to rely on the title that was kept at the Register of Deeds. Neither was it shown that defendant Estanol was aware of defendants Santiago and Mirasol's other transactions. Accordingly, this court finds no reason not to consider defendant Estanol as an innocent purchaser for value and in good faith. Without doubt, therefore, defendant Estanol had acquired a better title to the subject property as against plaintiffs and defendant Imperial.

xxx xxx xxx.”

Aggrieved, Plaintiffs-Appellants filed the instant Appeal.[21]

On 16 January 2013, Plaintiffs-Appellants filed their Brief.[22] On 8 March 2013, Defendant-Appellee Imperial filed her Brief[23] while Defendant-Appellee Estanol failed to file her Brief.[24] Also, Plaintiffs-Appellants failed to file their Reply Brief.[25]

Hence, the instant case was deemed submitted for decision without the same.

The Issues

In support of the instant Appeal, Plaintiffs-Appellants assign the following errors allegedly committed by the trial court for our consideration:

THE TRIAL COURT COMMITTED REVERSIBLE ERROR IN NOT CANCELING TRANSFER CERTIFICATE OF TITLE NO. 139824 REGISTERED IN THE NAME OF RESPONDENT-APPELLEE (sic) CATALINA ESTANOL.

THE TRIAL COURT COMMITTED REVERSIBLE ERROR IN RULING IN FAVOR OF RESPONDENT-APPELLEE (sic) CATALINA ESTANOL AND DECLARING TO HAVE A BETTER RIGHT THAN THAT OF PLAINTIFFS-APPELLANTS.

THE TRIAL COURT COMMITTED REVERSIBLE ERROR IN GRANTING ATTORNEY'S FEES AND EXPENSES OF LITIGATION TO RESPONDENTS-APPELLEES (sic) CATALINA ESTANOL AND MA. CORAZON IMPERIAL.[26]

The Court's Ruling

It appears that Defendants Santiago and Mirasol first sold the subject property to Atty. Marquez on 10 June 1994, who in turn, sold the same to herein Plaintiffs-Appellants on 14 April 1995. However, it also appears that the Deed of Sale executed by and between Atty. Marquez and Plaintiffs-Appellants was not notarized. Two years thereafter or on 14 April 1997, Defendants Santiago and Mirasol sold again the subject property to Defendant-Appellee Imperial who was not also able to register the same since Defendant Santiago failed to surrender his owner's duplicate copy of the title. Then, on 30 November 1998, inasmuch as Defendants Santiago

and Mirasol were not able to pay their loan obligation to Defendant-Appellee Estanol, the former executed a Deed of Quitclaim and Waiver of Rights covering the subject property in favor of the latter. By virtue of the Deed of Quitclaim and Waiver of Rights, TCT No. 104165 was cancelled and TCT No. 139834 was issued under Defendant-Appellee Estanol's name on 14 January 1999.

Although Plaintiffs-Appellants were the first to buy the subject property among those claiming ownership over the same, their Deed of Sale cannot prejudice third persons as it was unnotarized. It is well settled that while a sale of a piece of land appearing in a private deed is binding between the parties, it cannot be considered binding on third persons, if it is not embodied in a public instrument and recorded in the Registry of Property.[27] The second buyer, Defendant-Appellee Imperial was not also able to register the sale of the subject property to her by Defendants Santiago and Mirasol. It was only Defendant-Appellee Estanol who was able to register the Deed of Quitclaim and Waiver of Rights at the back of TCT No. 104165.

Between two transactions concerning the same parcel of land, the registered transaction prevails over the earlier unregistered right.[28] The act of registration operates to convey and affect the registered land so that a bonafide purchaser of such land acquires good title as against a prior transferee, if such prior transfer was unrecorded.[29]

Sections 51 and 52 of P.D. No. 1529, otherwise known as the Property Registration Decree, are pertinent:

Sec. 51. Conveyance and other dealings by registered owner. — An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, lease or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make Registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

Sec. 52. Constructive notice upon registration. — Every conveyance, mortgage, lease, lien attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

It is clear from the foregoing that the registration of the deed is the effectual act which binds the land insofar as third persons are concerned. Considering that the prior sale of the subject property to Plaintiffs-Appellants and Defendant-Appellee Imperial was not registered and that Defendant-Appellee Estanol was able to register the Deed of Quitclaim and Waiver of Rights at the back of TCT No. 104165, the registration was binding on Plaintiffs-Appellants and Defendant-Appellee Imperial.

The rule on prior registration is subject only to one exception, that is, when a party has knowledge of a prior existing interest which is unregistered at the time he acquires a right to the same land, his knowledge of that prior unregistered interest has the effect of registration as to him.[30]

An innocent purchaser for value is one who buys the property of another without notice that some other person has a right to or interest in such property and pays a full and fair price for the same at the time of such purchase or before he has notice of the claim of another person.[31] As a general rule, where the certificate of title is in the name of the vendor when the land is sold, the vendee for value has the right to rely on what appears on the face of the title and is not obligated to look beyond what appears on the face of the certificate of title of the vendor. As an exception, the vendee is required to make the necessary inquiries if there is anything in the certificate of title

which raises any cloud or vice in the ownership of the property.[32] Otherwise, his mere refusal to believe that such defect exists, or his willful disregard of the possibility of the existence of a defect in his vendor's title will not make him an innocent purchaser for value if it afterwards develops that the title is in fact defective, and it appears that he had such notice of the defect as would have led to its discovery had he acted with that measure of precaution which may reasonably be required of a prudent man in a like situation.[33]

In the instant case, Defendant-Appellee Estanol is an innocent purchaser for value who has a right to rely on what appears on the face of TCT No. 104165. It bears stressing that there is nothing on the face of the title that would require Defendant-Appellee Estanol to look beyond the same as the prior sale of the subject property to Plaintiffs-Appellants and Defendant-Appellee Imperial was never recorded. The title presented by Defendants Santiago and Mirasol, the registered owners of the subject property, was clean. Further, there was also no sign of occupancy of the subject property when the same was inspected by Defendant-Appellee Estanol as the lot was vacant.

Where innocent third persons rely on the lack of defect of a certificate of title and acquire rights over the property, the Court cannot disregard such rights. Otherwise, public confidence in the certificate of title and ultimately, in the entire Torrens system will be impaired, for every one dealing with registered property will have to inquire at every instance whether the title has been regularly or irregularly issued.[34]

With respect to the award of moral damages in favor of Plaintiffs-Appellants in the amount of PhP500,000.00, we modify the same for being excessive. True, Plaintiffs-Appellants suffered sleepless nights, anxiety, mental anguish due to the fraudulent acts of Defendants Santiago and Mirasol in conveying the subject property to other persons although the same was already sold. However, moral damages must be reasonable. Moral damages are not punitive in nature, but are designed to compensate and alleviate in some way the physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury unjustly caused a person. Although incapable of pecuniary computation, moral damages must nevertheless be somehow proportional to and in approximation of the suffering inflicted.[35] Hence, we modify the amount to PhP50,000.00.

With respect to the award of exemplary damages to Plaintiffs-Appellants in the amount of PhP200,000.00, we also modify the same to PhP25,000.00 as exemplary damages are not meant to enrich one party or to impoverish another, but to serve as a deterrent against or as a negative incentive to curb socially deleterious action.[36] The award of PhP50,000.00 to Plaintiffs-Appellants as attorney's fees is affirmed. Due to the fraudulent acts of Defendants Santiago and Mirasol, Plaintiffs-Appellants were compelled to litigate in order to protect their rights and interests over the subject property.[37]

However, the award of litigation expenses and attorney's fees of PhP50,000.00 each to Defendants- Appellees Imperial and Estanol on the ground that they were compelled to litigate against Plaintiffs-Appellants, is deleted. There is no evidence that Plaintiffs-Appellants filed the Complaint against them in bad faith. It is not sound public policy to set a premium upon the right to litigate where such right is exercised in good faith,[38] as in the instant case.

WHEREFORE, premises considered, the 17 October 2011 of the Regional Trial Court of Paranaque City, Branch 195 in Civil Case No. CV-00-0205 is AFFIRMED with MODIFICATION. Defendants Francisco Santiago and Luz Mirasol are ordered to jointly and severally pay Plaintiffs-Appellants moral damages in the modified amount of PhP50,000.00; exemplary damages in the amount of PhP25,000.00 and attorney's fees in the amount of PhP50,000.00. The award of litigation expenses and attorney's fees in the amount of PhP50,000.00 each to Defendants-Appellees Ma. Corazon Imperial and Catalina Estanol is deleted.

SO ORDERED.

Villon (Chairperson) and Corales, JJ., concur.

[1] Should not have been impleaded as party under Rule 41 of the Rules of Court.

[2] Rollo, pp. 5-13.

[3] Id. at p. 13.

[4] As culled from the records.

[5] Original Records, p. 9.

[6] Id. at pp. 10-11.

[7] Id. at pp. 11-12.

[8] Id. at p. 33.

[9] Id. at p. 822.

[10] Id. at pp. 55-57.

[11] Id. at pp. 2-8.

[12] Id. at pp. 43-54.

[13] Supra note 10.

[14] Supra note 8.

[15] Original Records, pp. 59-61.

[16] Id. at pp. 64-65.

[17] Docketed as LRC Case No. 98-085; Id. at pp. 23-26.

[18] Original Records, pp. 27-28.

[19] Supra note 8.

[20] Original Records, pp. 117-122.

[21] Original Records, pp. 1298.

[22] Rollo, pp. 46-86.

[23] Id. at pp. 95-109.

[24] Id. at p. 49.

[25] Id.

[26] Id. at pp. 48-49.

[27] See Santos v. Manalili, G.R. No. 157812, November 22, 2005 citing Secuya v. Vda. De Selma, G.R. No. 136021, February 22, 2000.

- [28] Spouses Macadangdang v. Spouses Martinez, G.R. No. 158682, January 31, 2005 citing Tuazon v. Raymundo, 28 Phil. 635 (1914).
- [29] Spouses Macadangdang v. Spouses Martinez, supra citing Noblejas, Registration of Land Titles and Deeds, 1992 Revised Edition, p. 499.
- [30] Spouses Macadangdang v. Spouses Martinez, supra note 28 citing Gustillo v. Maravilla, 48 Phil. 442 (1925).
- [31] Spouses Macadangdang v. Spouses Martinez, supra note 28 citing Hemedes v. Court of Appeals, 374 Phil. 692 (1999) citing Legarda v. Court of Appeals, et al., 345 Phil. 889 (1997).
- [32] Spouses Macadangdang v. Spouses Martinez, supra note 28 citing Heirs of Leopoldo Vencilao, Sr. v. Court of Appeals, 351 Phil. 823 (1998), citing Pino v. Court of Appeals, G.R. No. 94114, June 19, 1991, 198 SCRA 434 citing Centeno v. Court of Appeals, No. L-40105, November 11, 1985, 139 SCRA 545.
- [33] Spouses Macadangdang v. Spouses Martinez, supra note 28 citing Leung Yee v. Strong Machinery, Co., 37 Phil. 644 (1918).
- [34] Spouses Macadangdang v. Spouses Martinez, supra note 28 citing Hemedes v. Court of Appeals, 374 Phil. 692 (1999).
- [35] PNR v. Brunty, G.R. No. 169891, November 2, 2006 citing Macalinao v. Ong, G.R. No. 146635, December 14, 2005, 477 SCRA 740, 759.; Victory Liner, Inc. v. Heirs of Andres Malecdan, 442 Phil. 784 (2002); Equitable Leasing Corporation v. Suyom, 437 Phil. 244, 257-258 (2002) and Metro Manila Transit Corporation v. Court of Appeals, 359 Phil. 18, 36 (1998).
- [36] In-N-Out Burger, Inc. v. Sehwan, Inc., G.R. No. 179127, December 24, 2008 citing Lamis v. Ong, G.R. No. 148923, August 11, 2005, 466 SCRA 510, 519-520 and Cebu Country Club, Inc. v. Elizagaque, G.R. No. 160273, January 18, 2008, 542 SCRA 65, 75-76.
- [37] Article 2208(2) of the Civil Code.
- [38] See Heirs of Moreno v. Mactan-Cebu International Airport Authority, G.R. No. 156273, October 15, 2003.

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