

FERMIN Z. CARAM, JR., PETITIONER, VS. CLARO L. LAURETA, RESPONDENT.

G.R. No. L-28740. February 24, 1981

Ponente: FERNANDEZ, J.

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FERNANDEZ, J.:

This is a petition for certiorari to review the decision of the Court of Appeals promulgated on January 29, 1968 in CA-G.R. NO. 35721-R entitled "Claro L. Laureta, plaintiff-appellee versus Marcos Mata, Codidi Mata and Fermin Caram Jr., defendants-appellant; Tampino (Mansaca), et al. Intervenors-appellants," affirming the decision of the Court of First Instance of Davao in Civil Case No. 3083.[1]

On June 25, 1959, Claro L. Laureta filed in the Court of First Instance of Davao an action for nullity, recovery of ownership and/or reconveyance with damages and attorney's fees against Marcos Mata, Codidi Mata, Fermin Z. Caram Jr. and the Register of Deeds of Davao City.[2]

On June 10, 1945, Marcos Mata conveyed a large tract of agricultural land covered by Original Certificate of Title No. 3019 in favor of Claro Laureta, plaintiff, the respondent herein. The deed of absolute sale in favor of the plaintiff was not registered because it was not acknowledged before a notary public or any other authorized officer. At the time the sale was executed, there was no authorized officer before whom the sale could be acknowledged inasmuch as the civil government in Tagum, Davao was not as yet organized. However, the defendant Marcos Mata delivered to Laureta the peaceful and lawful possession of the premises of the land together with the pertinent papers thereof such as the Owner's Duplicate Original Certificate of Title No. 3019, sketch plan, tax declaration, tax receipts and other papers related thereto.[3] Since June 10, 1945, the plaintiff Laureta had been and is still in continuous, adverse and notorious occupation of said land, without being molested, disturbed or stopped by any of the defendants or their representatives. In fact, Laureta had been paying realty taxes due thereon and had introduced improvements worth not less than P20,000.00 at the time of the filing of the complaint.[4]

On May 5 1947, the same land covered by Original Certificate of Title No. 3019 was sold by Marcos Mata to defendant Fermin Z. Caram Jr., petitioner herein. The deed of sale in favor of Caram was acknowledged before Atty. Abelardo Aportadera. On May 22, 1947, Marcos Mata, through Attys. Abelardo Aportadera and Gumercindo Arcilla, filed with the Court of First Instance of Davao a petition for the issuance of a new Owner's Duplicate of Original Certificate of Title No. 3019, alleging as ground therefor the loss of said title in the evacuation place of defendant Marcos Mata in Magugpo, Tagum, Davao. On June 5, 1947, the Court of First Instance of Davao issued an order directing the Register of Deeds of Davao to issue a new Owner's Duplicate Certificate of Title No. 3019 in favor of Marcos Mata and declaring the lost title as null and void. On December 9, 1947, the second sale between Marcos Mata and Fermin Caram Jr. was registered with the Register of Deeds. On the same date, Transfer Certificate of Title No. 140 was issued in favor of Fermin Caram Jr.[5]

On August 29, 1959, the defendants Marcos Mata and Codidi Mata filed their answer with counterclaim admitting

the existence of a private absolute deed of sale of his only property in favor of Claro L. Laureta but alleging that he signed the same as he was subjected to duress, threat and intimidation for the plaintiff was the commanding officer of the 10th division USFIP, operating in the unoccupied areas of Northern Davao with its headquarters at Project No. 7 (Km. 60, Davao-Agusan Highways), in the Municipality of Tagum, Province of Davao; that Laureta's words and requests were laws; that although the defendant Mata did not like to sell his property or sign the document without even understanding the same, he was ordered to accept P650.00 Mindanao Emergency notes; and that due to his fear of harm or danger that will happen to him or to his family, if he refused, he had no other alternative but to sign the document.[6]

The defendants Marcos Mata and Codidi Mata also admit the existence of a record in the Registry of Deeds regarding a document allegedly signed by him in favor of his co-defendant Fermin Caram Jr. but denies that he ever signed the document for he knew before hand that he had signed a deed of sale in favor of the plaintiff and that the plaintiff was in possession of the certificate of title; that if ever his thumb mark appeared in the document purportedly alienating the property to Fermin Caram Jr., his consent was obtained through fraud and misrepresentation for the defendant Mata is illiterate and ignorant and did not know what he was signing; and that he did not receive a consideration for the said sale.[7]

The defendant Fermin Caram Jr. filed his answer on October 23, 1959 alleging that he has no knowledge or information about the previous encumbrances, transactions, and alienations in favor of plaintiff until the filing of the complaints.[8]

The trial court rendered a decision dated February 29, 1964, the dispositive portion of which reads:[9]

"1. Declaring that the deed of sale, Exhibit A, executed by Marcos Mata in favor of Claro L. Laureta stands and prevails over the deed of sale, Exhibit F, in favor of Fermin Caram, Jr.;

"2. Declaring as null and void the deed of sale Exhibit F, in favor of Fermin Caram, Jr.;

"3. Directing Marcos Mata to acknowledge the deed of sale, Exhibit A, in favor of Claro L. Laureta;

"4. Directing Claro L. Laureta to secure the approval of the Secretary of Agriculture and Natural Resources on the deed, Exhibit A, after Marcos Mata shall have acknowledged the same before a notary public;

"5. Directing Claro L. Laureta to surrender to the Register of Deeds for the City and Province of Davao the Owner's Duplicate of Original Certificate of Title No. 3019 and the latter to cancel the same;

"6. Ordering the Register of Deeds for the City and Province of Davao to cancel Transfer Certificate of Title No. T-140 in the name of Fermin Caram, Jr.;

"7. Directing the Register of Deeds for the City and Province of Davao to issue a title in favor of Claro L. Laureta, Filipino, resident of Quezon City, upon presentation of the deed executed by Marcos Mata in his

favor, Exhibit A, duly acknowledged by him and approved by the Secretary of Agriculture and Natural Resources, and

"8. Dismissing the counterclaim and cross claim of Marcos Mata and Codidi Mata, the counterclaim of Caram, Jr., the answer in intervention, counterclaim and cross-claim of the Mansacas.

"The Court makes no pronouncement as to costs.

"SO ORDERED."

The defendants appealed from the judgment to the Court of Appeals.[10] The appeal was docketed as CA-G.R. NO. 35721-R.

The Court of Appeals promulgated its decision on January 29, 1968 affirming the judgment of the trial court.

In his brief, the petitioner assigns the following errors:[11]

"I

"THE RESPONDENT COURT OF APPEALS ERRED IN CONCLUDING THAT IRESPE AND APORTADERA WERE ATTORNEYS-IN-FACT OF PETITIONER CARAM FOR THE PURPOSE OF BUYING THE PROPERTY IN QUESTION.

"II

"THE RESPONDENT COURT OF APPEALS ERRED IN CONCLUDING THAT THE EVIDENCE ADDUCED IN THE TRIAL COURT CONSTITUTE LEGAL EVIDENCE OF FRAUD ON THE PART OF IRESPE AND APORTADERA ATTRIBUTABLE TO PETITIONER.

"III

"THE RESPONDENT COURT OF APPEALS COMMITTED GRAVE ERROR OF LAW IN HOLDING THAT KNOWLEDGE OF IRESPE AND APORTADERA OF A PRIOR UNREGISTERED SALE OF A TITLED PROPERTY ATTRIBUTABLE TO PETITIONER AND EQUIVALENT IN LAW OF REGISTRATION OF SAID SALE.

"IV

"THE RESPONDENT COURT OF APPEALS ERRED IN NOT HOLDING THAT AN ACTION FOR RECONVEYANCE ON THE GROUND OF FRAUD PRESCRIBES WITHIN FOUR (4) YEARS."

The petitioner assails the finding of the trial court that the second sale of the property was made through his representatives, Pedro Irespe and Atty. Abelardo Aportadera. He argues that Pedro Irespe was acting merely as a broker or intermediary with the specific task and duty to pay Marcos Mata the sum of P1,000.00 for the latter's property and to see to it that the requisite deed of sale covering the purchase was properly executed by Marcos Mata; that the identity of the property to be bought and the price of the purchase had already been agreed upon by the parties; and that the other alleged representative, Atty. Aportadera, merely acted as a notary public in the execution of the deed of sale.

The contention of the petitioner has no merit. The facts of record show that Mata, the vendor, and Caram, the second vendee had never met. During the trial, Marcos Mata testified that he knows Atty. Aportadera but did not know Caram.[12] Thus, the sale of the property could have only been through Caram's representatives, Irespe and Aportadera. The petitioner, in his answer, admitted that Atty. Aportadera acted as his notary public and attorney-in-fact at the same time in the purchase of the property.[13]

The petitioner contends that he cannot be considered to have acted in bad faith because there is no direct proof showing that Irespe and Aportadera, his alleged agents, had knowledge of the first sale to Laureta. This contention is also without merit.

The Court of Appeals, in affirming the decision of the trial court, said:[14]

"The trial court, in holding that appellant Caram, Jr. was not a purchaser in good faith, at the time he bought the same property from appellant Mata, on May 5, 1947, entirely discredited the testimony of Aportadera. Thus it stated in its decision:

"The testimony of Atty. Aportadera quoted elsewhere in this decision is hollow. There is every reason to believe that Irespe and he had known of the sale of the property in question to Laureta on the day Mata and Irespe, accompanied by Leoning Mansaca, went to the office of Atty. Aportadera for the sale of the same property to Caram, Jr., represented by Irespe as attorney-in-fact. Leoning Mansaca was with the two - Irespe and Mata - to engage the services of Atty. Aportadera in the annulment of the sale of his land to Laureta. When Leoning Mansaca narrated to Atty. Aportadera the circumstances under which his property had been sold to Laureta, he must have included in the narration the sale of the land of Mata, for the two properties had been sold on the same occasion and under the same circumstances. Even as early as immediately after liberation, Irespe, who was the witness in most of the cases filed by Atty. Aportadera in his capacity as Provincial Fiscal of Davao against Laureta, must have known of the purchases of lands made by Laureta when he was regimental commander, one of which was the sale made by Mata. It was not a mere coincidence that Irespe was made guardian ad litem of Leoning Mansaca, at the suggestion of Atty. Aportadera and attorney-in-fact of Caram, Jr.

'The Court cannot help being convinced that Irespe, attorney-in-fact of Caram, Jr. had knowledge of the prior existing transaction, Exhibit A, between Mata and Laureta over the land, subject matter of this liti-gation, when the deed, Exhibit F, was executed by Mata in favor of Caram, Jr. And this knowledge has the effect of registration as to Caram, Jr.' (R.A. pp. 123-124)

"We agree with His Honor's conclusion on this particular point, on two grounds - the first, the same concerns matters affecting the credibility of a witness of which the findings of the trial court command great weight, and second, the same is borne out by the testimony of Atty. Aportadera himself. (t.s.n., pp. 187-190, 213-215, Restauero)."

Even if Irespe and Aportadera did not have actual knowledge of the first sale, still, their actions have not satisfied the requirement of good faith. Bad faith is not based solely on the fact that a vendee had knowledge of the defect or lack of title of his vendor. In the case of *Leung Yee vs. F. L. Strong Machinery Co. and Williamson*, this Court held:[15]

"One who purchases real estate with knowledge of a defect or lack of title in his vendor can not claim that he has acquired title thereto in good faith, as against the true owner of the land or of an interest therein, and the same rule must be applied to one who has knowledge of facts which should have put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor."

In the instant case, Irespe and Aportadera had knowledge of circumstances which ought to have put them an inquiry. Both of them knew that Mata's certificate of title together with other papers pertaining to the land was taken by soldiers under the command of Col. Claro L. Laureta.[16] Added to this is the fact that at the time of the second sale, Laureta was already in possession of the land. Irespe and Aportadera should have investigated the nature of Laureta's possession. If they failed to exercise the ordinary care expected of a buyer of real estate they must suffer the consequences. The rule of caveat emptor requires the purchaser to be aware of the supposed title of the vendor and one who buys without checking the vendor's title takes all the risks and losses consequent to such failure.[17]

The principle that a person dealing with the owner of the registered land is not bound to go behind the certificate and inquire into transactions the existence of which is not there intimated[18] should not apply in this case. It was of common knowledge that at the time the soldiers of Laureta took the documents from Mata, the civil government of Tagum was not yet established and that there were no officials to ratify contracts of sale and make them registerable. Obviously, Aportadera and Irespe knew that even if Mata previously had sold the disputed property such sale could not have been registered.

There is no doubt then that Irespe and Aportadera, acting as agents of Ceram, purchased the property of Mata in bad faith. Applying the principle of agency, Ceram, as principal, should also be deemed to have acted in bad faith.

Article 1544 of the New Civil Code provides that:

"Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.

"Should it be immovable property, the ownership shall belong to the person, acquiring it who in good faith first recorded it in the Registry of Property.

"Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith. (1473)"

Since Caram was a registrant in bad faith, the situation is as if there was no registration at all.[19]

The question to be determined now is, who was first in possession in good faith? A possessor in good faith is one who is not aware that there exists in his title or mode of acquisition any flaw which invalidates it.[20] Laureta was first in possession of the property. He is also a possessor in good faith. It is true that Mata had alleged that the deed of sale in favor of Laureta was procured by force.[21] Such defect, however, was cured when, after the lapse of four years from the time the intimidation ceased, Marcos Mata lost both his rights to file an action for annulment or to set up nullity of the contract as a defense in an action to enforce the same.

Anent the fourth error assigned, the petitioner contends that the second deed of sale, Exhibit "F", is a voidable contract. Being a voidable contract, the action for annulment of the same on the ground of fraud must be brought within four (4) years from the discovery of the fraud. In the case at bar, Laureta is deemed to have discovered that the land in question has been sold to Caram to his prejudice on December 9, 1947, when the Deed of Sale, Exhibit "F" was recorded and entered in the Original Certificate of Title by the Registered of Deeds and a new Certificate of Title No. 140 was issued in the name of Caram. Therefore, when the present case was filed on June 29, 1959, plaintiff's cause of action had long prescribed.

The petitioner's conclusion that the second deed of sale, "Exhibit F", is a voidable contract is not correct. In order that fraud can be a ground for the annulment of a contract, it must be employed prior to or simultaneous to the consent or creation of the contract. The fraud or *dolo causante* must be that which determines or is the essential cause of the contract. *Dolo causante* as a ground for the annulment of contract is specifically described in Article 1338 of the New Civil Code of the Philippines as "insidious words or machinations of one of the contracting parties" which induced the other to enter into a contract, and "without them, he would not have agreed to".

The second deed of sale in favor of Caram is not a voidable contract. No evidence whatsoever was shown that through insidious words or machinations, the representatives of Caram, Irespe and Aportadera had induced Mata to enter into the contract.

Since the second deed of sale is not a voidable contract, Article 1391, Civil Code of the Philippines which provides that the action for annulment shall be brought within four (4) years from the time of the discovery of fraud does not apply.

Moreover, Laureta has been in continuous possession of the land since he bought it in June 1945.

A more important reason why Laureta's action could not have prescribed is that the second contract of sale, having been registered in bad faith, is null and void. Article 1410 of the Civil Code of the Philippines provides that any action or defense for the declaration of the inexistence of a contract does not prescribe.

In a Memorandum of Authorities[22] submitted to this Court on March 13, 1978, the petitioner insists that the action of Laureta against Caram has prescribed because the second contract of sale is not void under Article 1409[23] of the Civil Code of the Philippines which enumerates the kinds of contracts which are considered void. Moreover, Article 1544 of the New Civil Code of the Philippines does not declare void a second sale of immovable registered in bad faith.

The fact that the second contract is not considered void under Article 1409 and that Article 1544 does not declare void a deed of sale registered in bad faith does not mean that said contract is not void. Article 1544 specifically provides who shall be the owner in case of a double sale of an immovable property. To give full effect to this provision, the status of the two contracts must be determined and clarified. One contract must be declared valid so that one vendee may exercise all the rights of an owner, while the other contract must be declared void to cut off all rights which may arise from said contract. Otherwise, Article 1544 will be meaningless.

The first sale in favor of Laureta prevails over the sale in favor of Caram.

WHEREFORE, the petition is hereby denied and the decision of the Court of Appeals sought to be reviewed is affirmed, without pronouncement as to costs.

SO ORDERED.

Makasiar, Guerrero, De Castro and Melencio-Herrera, JJ., concur.

Teehankee, J., (Chairman), no part.

[1] Annex "A", Rollo, pp. 35-48. Written by Justice Nicasio Yatco and concurred in by Justice Salvador Esquerra and Justice Eulogio S. Serrano.

[2] Record on Appeal, pp. 2-13, Rollo, p. 61.

[3] Ibid., pp. 3-4.

[4] Ibid., p. 10; TSN, January 22, 1964, pp. 108, 110-111.

[5] Ibid., pp. 6-8.

[6] Ibid., p. 27.

[7] Ibid., p. 29.

[8] Ibid., p. 39.

[9] Ibid., pp. 126-127.

[10] Ibid., pp. 128-129.

[11] Brief for Petitioner, pp. 1-2, Rollo, p. 139.

[12] TSN, January 22, 1964, p. 98.

[13] Record on Appeal, p. 38, Rollo, p. 61.

[14] Rollo, pp. 45-47.

[15] Leung Yee vs. Strong Machinery Co. and Williamson, 37 Phil. 644.

[16] TSN, January 22, 1964, pp. 187-188.

[17] Salvoro vs. Tañega, 87 SCRA 349, 361.

[18] Quimson vs. Suarez, 45 Phil. 906.

[19] Salvoro vs. Tañega, 87 SCRA 363.

[20] Article 526, Civil Code of the Philippines.

[21] The trial court found that the contract in favor of Laureta is voidable, but the action to annul the same has long prescribed. See Record on Appeal, p. 120, Rollo, p. 61.

[22] Rollo, pp. 159-177.

[23] Article 1409, Civil Code of the Philippines - The following contracts are inexistent and void from the

beginning:

- (1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;
- (2) Those which are absolutely simulated or fictitious;
- (3) Those whose cause or object did not exist at the time of the transaction;
- (4) Those whose object is outside the commerce of men;
- (5) Those which contemplate an impossible service;
- (6) Those where the intention of the parties relative to the principal object of the contract cannot be ascertained;
- (7) Those expressly prohibited or declared void by law;

These contracts cannot be ratified. Neither can the right to set the defense of illegality be waived.

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