

HOSPITAL SAN JUAN DE DIOS, APPLICANT, THE REPUBLIC OF THE PHILIPPINES, PETITIONER AND APPELLEE, VS. HOSPITAL SAN JUAN DE DIOS AND ERNEST H. BURT, OPPOSITORS AND APPELLANTS.

G.R. No. L-1507. October 31, 1949

Ponente: PADILLA, J.

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PADILLA, J.:

Appeal from an order of the Court of First Instance of Bulacan which holds that the rights of the petitioner, the Republic of the Philippines, under and pursuant to the contract of lease with an option to purchase, are preferred or enjoy priority over whatever rights Ernest H. Burt may have in the parcels of land described in transfer certificates of title Nos. 28506 and 28507; and directs Ernest H. Burt to surrender within 60 days from the last date of publication of the Court order the duplicates for the owner of transfer certificates of title Nos. 28506 and 28507, and the Registrar of Deeds in and for the province of Bulacan to enter a memorandum of the contract of lease with an option to purchase in favor of the petitioner on the original certificates of title Nos. 428 and 494 and on transfer certificates of title Nos. 28506 and 28507, with the statement that the right of the petitioner is preferred or enjoys priority over whatever right Ernest H. Burt might have acquired in and over the parcels of land therein described.

On 4 March 1939, the Commonwealth of the Philippines and the San Juan de Dios Hospital entered into a contract whereby the latter leased to the former three (3) parcels of land described in original certificate of title No. 426 and one (1) parcel of land described in original certificate of title No. 4941 issued by the Registrar of Deeds in and for the province of Bulacan, for a period of twenty five (25) years beginning the 1st day of January 1939, with an option in favor of the lessee, the Commonwealth of the Philippines, to purchase the parcels of land within the period of the lease (Exhibit A). On 15 March, the contract of lease with an option to purchase was presented for registration in the office of the Registrar of Deeds in and for the province of Bulacan and noted in the entry or day book (Exhibit A). The entry was the 22495th or bears No. 22495. The original of the contract of lease with an option to purchase and a photostatic copy thereof were presented and shown to the Registrar for the latter to check up the copy with the original, as the latter was to be immediately withdrawn and kept in the Executive Office as a State document. On 21 March, the Registrar requested by letter the officer who presented for registration the lease contract with an option to purchase to send P0.50 to pay the filing fee (Exhibit 1-A). For failure to pay the fee the Registrar of Deeds in and for the province of Bulacan did not enter a Memorandum of the contract of lease with an option to purchase on the back of original certificates of title Nos. 428 and 494. On 29 June 1946, the San Juan de Dios Hospital sold and conveyed to Ernest H. Burt the parcels of land described in the original certificates of title Nos. 428 and 494, together with another parcel of land described in certificate of title No. 14209, and upon presentation of the deed of sale with a mortgage to the Registrar of Deeds in and for the province of Bulacan on 1 July 1946, the original certificates of title Nos. 428 and 494 were cancelled and, in lieu thereof, transfer certificates of title Nos. 28506 and 28507 were issued in the name of Ernest H. Burt. As the contract of lease with an option to purchase in favor of the Commonwealth Government was not noted on the

original certificates of title Nos. 423 and 494, transfer certificates of title Nos. 28506 and 28507 were issued in the name of Ernest H. Burt without such notation. Nevertheless, in the deed of sale with mortgage executed by the San Juan de Dios Hospital in favor of Ernest H. Burt reference is made to the contract of lease with an option to purchase executed by the San Juan de Dios Hospital in favor of the Commonwealth of the Philippines (Exhibits B & 5). In August 1946, in the course of an Investigation conducted by the Landed Estates Committee of the House of Representatives of the Congress of the Philippines the petitioner, the Republic of the Philippines, as successor in interest of the lessee, the Commonwealth of the Philippines, came to know for the first time of the failure of the Registrar of Deeds in and for the province of Bulacan to enter a memorandum of the contract of lease with an option to purchase on the back of the original certificates of title Nos. 428 and 494.

The petition in this case is filed, under and pursuant to the provisions of section 112 of the Land Registration Act (Act 496), in the original record of the land registration case (G.L.R.O. Record No. 7605), in which the decree had been entered and upon which original certificates of title Nos. 428 and 494 were subsequently issued by the Registrar of Deeds in and for the province of Bulacan.

The last proviso of section 56, Act 496, as amended by Act 3300 reads as follows:

"Provided, further, That the Insular Government and the provincial and municipal governments need not pay such fees in advance in order to be entitled to entry or registration."

When he required by letter the officer, who brought for registration the original contract of lease with an option to purchase and a photostatic copy thereof duly certified by the notary public before whom it was acknowledged, to pay the filing fee, and when by reason of the failure of the officer to pay such fee he refused or failed to enter a memorandum of the contract of lease with an option to purchase on the original certificates of title Nos. 428 and 494 and on the duplicates for the owner issued in the name of the San Juan de Dios Hospital after the notation thereof in the entry or day book, the Registrar of Deeds in and for the province of Bulacan overlooked the proviso of said proviso. The general provisions of section 56, as amended, as to nullity of the registration in the entry or day book, if the filing and registration fees are not paid within 15 days after the date of registration in the entry or day book, do not apply to the Insular, provincial and municipal governments. The Registrar of Deeds in and for the province of Bulacan was in duty bound not only to register or annotate the contract of lease with an option to purchase presented to him for registration on 15 March 1939 in the entry or day book, but also to enter a memorandum thereof on the original certificates of title Nos. 426 and 494 to which the lease contract with an option to purchase had reference, without payment in advance of the filing and registration fees. Had he refused or failed to perform his duty, he could have been compelled, as he can be compelled, to perform it by special action for mandamus. But the petitioner, the successor in interest of the lessee, instead of filing a special action for mandamus, chose the remedy provided for in section 112 of the Land Registration Act (Act 496). There exists no legal objection to such a choice.

Section 112, Act 496, in part provides the following:

"Any registered owner or other person in interest may at any time apply by petition to the Court, upon the ground * * * that any error, omission, or mistake was made in entering a certificate or any memorandum thereon or on any duplicate certificate; * * * or upon any other reasonable ground; and the Court shall have jurisdiction to hear and determine the petition after notice to all parties in interest, and may order the entry of a new certificate, the entry or cancellation of a memorandum upon a certificate, or grant any other relief upon such terms and conditions, requiring security if necessary, as it may deem proper: Provided, however, That this section shall not be construed to give the court authority to open the original decree of registration, and that nothing shall be done or ordered by the court which shall impair the title or other interest of a purchaser holding a certificate for value and in good faith, or his heirs or assigns, without his or their written consent."

(Italic ours.)

Under the provisions just copied, the petitioner is entitled to apply by petition to the Court of First Instance of Bulacan, acting as Land Registration Court, to have the error or mistake of the Registrar of Deeds in and for the province of Bulacan corrected by an order directing him to annotate the contract of lease with an option to purchase on the original certificates of title Nos. 426 and 494 and to have the omission of said Registrar supplied by an order instructing him to record the contract of lease with an option to purchase on transfer certificates of title Nos. 28506 and 28507; and the Court has jurisdiction to hear and determine the petition after notice to all parties in interest, and after hearing may order the entry of a memorandum of such lease contract with an option to purchase on the original certificates of title Nos. 423 and 494 and on transfer certificates of title Nos. 28506 and 28507, or grant any other relief upon such terms and conditions as it may deem proper.

As provided for in the section commented upon, the hearing and determination of the petition cannot be held and made without notice to all parties in interest. This brings us to the point whether a Land Registration Court after notifying all the parties in interest may determine that a party in interest holding a certificate to be annotated is or is not a purchaser for value and in good faith. That part of the section which clothes the Court with jurisdiction and authority to "grant any other relief upon such terms and conditions, * * * as it may deem proper," we believe is sufficient authority to make such finding or pronouncement. In this particular case, not only does the law authorize the Court to make it, but also the opponents and appellants in their pleadings submitted to the Court the claim that the opponent and appellant Ernest H. Burt is a purchaser for value and in good faith; and in support of their claim they introduced at the hearing parole and documentary evidence. To decide whether the Registrar of Deeds in and for the province of Bulacan can be compelled or directed, pursuant to the provisions of section 112 of the Land Registration Act, to make an entry or memorandum of the contract of lease with an option to purchase, an entry or memorandum which would affect a party who had acquired an interest in the parcels of land described in the original certificates of title Nos. 428 and 494 and is a holder of transfer certificates of title issued in lieu of the original certificates, the other question whether the holder of such transfer certificates of title is a purchaser for value and in good faith has to be passed upon. It cannot be sidetracked, especially taking into consideration the provision of said section "that nothing shall be done or ordered by the Court which shall impair the title or other interest of a purchaser holding a certificate for value and in good faith, or his heirs or assigns, without his or their written consent."

On the point whether the appellant Ernest H. Burt as holder of transfer certificates of title Nos. 28506 and 28507 is a purchaser for value and in good faith, we hold with the Court below that he is not. He had notice of the contract of lease with an option to purchase, reference to which is made in the very deed of sale with mortgage executed by him and the authorized officers of the San Juan de Dios Hospital (Exhibits B & 5). The information imparted to him or to his attorney by the officers of the San Juan de Dios Hospital as to the alleged resolution or cancellation of the contract of lease with an option to purchase does not and cannot bind the petitioner. If it was an erroneous information as to the law on the subject and the appellant Ernest H. Burt believed it and acted upon it, the petitioner is not and cannot be bound thereby. If any party is responsible for such an erroneous information, it must be the officer or officers of the San Juan de Dios Hospital who had given it. But the error of the information is so crass that no one it would believe and, if anyone did believe it, he would be chargeable with gross contributory negligence, for it is obvious that a bilateral contract, such as a contract of lease with an option to purchase, could not and cannot be resolved by one party without a judicial decree to afford the other party an opportunity to be heard. Such is the law found in article 1124 of the Civil Code invoked by the appellants. Furthermore, the down payment of P10,000 made by the vendee, a trifle as compared to the purchase price of P5,000,000, is a proof that the vendee was in doubt as to whether the parcels of land he was purchasing were really free or released from the petitioner's leasehold right and option to purchase.

As to the claim of the San Juan de Dios Hospital that the predecessor in interest of the petitioner as well as the latter had breached the contract of lease with an option to purchase by failure to pay in advance the yearly rentals stipulated in the lease contract during the first fifteen days of January each year, the lessee having failed to pay the rentals from 1942 to 1946; to deliver and pay to the lessor the proceeds of the sale of lots of the estate; and for selling lots to tenants at a price higher than the cost; for increasing the rentals to a rate higher than those collected by the lessor; for selling ricelands when the lessee was only authorized to sell the residential lots, the lessee having sold nearly 6,000 hectares of ricelands for a price of more than P4,000,000, suffice it to repeat what has just been said that, in order to resolve or cancel a contract or a reciprocal obligation by reason of or for such breaches, a judicial action must be brought to secure the resolution of the contract. Besides, there is no evidence but only an offer by counsel at the hearing to prove the breaches of the contract. All these alleged breaches were committed, as may be gathered from the statements of counsel at the hearing, during the Japanese occupation. Needless to say, those breaches even if proved do not and cannot bind and prejudice the petitioner. As to the failure to pay the stipulated yearly rental, the predecessor in interest of the petitioner was prevented from paying it due to the country's occupation by the enemy.

The order appealed from is affirmed, with costs against the appellants.

Moran, C.J., Paras, Bengzon, Tuason, Reyes, and Torres, JJ., concur.

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