

MORALES DEVELOPMENT COMPANY, INC., PETITIONER, VS. THE COURT OF APPEALS AND HERMENEGILDO DESEO AND SOCORRO DESEO, RESPONDENTS. &NBSP;

G.R. No. L-26572. March 28, 1969

Ponente: CONCEPCION, C.J.

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CONCEPCION, C.J.:

DECISION

CONCEPCION, C.J.:

Petitioner, Morales Development Co., Inc. - hereafter referred to as Morales - seeks the review on certiorari of a decision of the Court of Appeals reversing that of the Court of First Instance of the Province of Quezon.

Hermenegildo Deseo and Socorro Deseo, respondents herein and plaintiffs below, brought this action to annul a sale to Morales of lot No. 2488 of the Cadastral Survey of Catanaun, Province of Quezon, and to secure the registration of a deed of conveyance of said lot in their (Deseos') favor.

Lot No. 2488 used to belong to Enrique P. Montinola and was covered by Transfer Certificate of Title No. T-15687 of the Register of Deeds of said province, in his name. Alleging that his owner's duplicate copy of said certificate had been lost, Montinola succeeded in securing, from the Court above mentioned, an order for the issuance of a second owners duplicate, with which he managed to sell the lot, on September 24, 1954, to Pio Reyes. Upon registration of the deed of sale to the latter, said TCT No. T-15687 was cancelled and, in lieu thereof, TCT No. 21036, in the name of Reyes, was issued. On November 18, 1954, Lupo Abella, married to Felisa Aguilar - hereafter referred to as the Abellas - purchased the land from Reyes, whereupon the deed of conveyance, executed by Reyes, was registered and the Abellas got TCT No. 21037 in their name, upon cancellation of said TCT No. 11036. About seven (7) months later, or on June 16, 1955, the Abellas sold the land, for P7,000, - of which P4,500 was then paid - to the Deseos, who immediately took possession of the property.

It appears, however, that the first owner's duplicate of TCT No. T-15687 was either never lost or subsequently found by Montinola, who, making use of it, mortgaged the lot in question, before February 21, 1956, to the Philippine National Bank, for P700. Then, on the date last mentioned, Montinola sold the property to Morales, for P2,000, from which the sum due to the Bank was deducted. Upon presentation of the deed of sale in favor of Morales, the latter was advised by the office of the Register of Deeds of Quezon that said TCT No. T-15687 had already been cancelled and the property sold, first, to Pio Reyes, and, then, to the Abellas. Thereupon, Morales filed a petition for the annulment and cancellation of the second owner's copy of TCT No. T-15687. After due notice to Reyes and the Abellas, but not to the Deseos, said petition was granted on March 12, 1956.

Having been unable, in view of these developments, to register the deed of conveyance executed by the Abellas, the Deseos commenced, in the court aforementioned, the present action against Morales, for the annulment of the subsequent sale thereto by Montinola, and the registration of said deed of conveyance in their (Deseos') favor, alleging that the same enjoys preference over the sale to Morales, the Deseos having, prior thereto, bought lot No. 2488 in good faith and for value, and having been first in possession of said lot, likewise, in good faith.

Upon the other hand, Morales claimed to have a better right upon the ground that it (Morales) had bought the property in good faith and for value, relying upon the first owner's duplicate copy of TCT No. T-15687, unlike the Deseos, whose predecessor in interest, Pio Reyes, had relied upon the second owner's duplicate, which - Morales alleged - had been secured fraudulently, and that the sale to Reyes and that made by the latter to the Abellas are null and void, because both sales took place under suspicious circumstances, so that - Morales concluded - they (Reyes and the Abellas) were not purchasers in good faith and for value.

After appropriate proceedings, the court of first instance sustained the contention of Morales and rendered judgment in its favor, which, on appeal taken by the Deseos, was reversed by the Court of Appeals. The dispositive part of the latter's decision reads:

"WHEREFORE, the judgment appealed from is hereby reversed and another one entered in favor of the plaintiffs (Deseos) and against the defendant (Morales) declaring said plaintiffs to be the lawful and absolute owners of Lot No. 2488 of the Cadastral Survey of Catanauan, Quezon, covered by Transfer Certificate of Title No. T-21037 of the Office of the Register of Deeds of Quezon; declaring the deed of sale executed by Enrique P. Montinola in favor of defendant covering the same property as null and void; ordering the Register of Deeds of Quezon to register the deed of sale executed by the spouses Lupo Abella and Felisa Aguilar in favor of the plaintiffs dated June 16, 1955, marked Exhibit A, without cost, not having prayed for in the brief for the appellants."

Hence, the present petition for review on certiorari by Morales, which insists that the Court of Appeals should have upheld its (Morales') contention adverted to above. We, however, find therein no merit.

Morales maintains that the sale by Montinola to Reyes and that later made by Reyes to the Abellas are "suspicious"; that, consequently, Reyes and the Abellas were not purchasers in good faith and for value; and that these two (2) premises, in turn, lead to the conclusion that both sales are "null and void."

This syllogism is obviously faulty. The major premise thereof is based upon the fact that the consideration stated in the deeds of sale in favor of Reyes and the Abellas is P100. It is not unusual, however, in deeds of conveyance adhering to the Anglo-Saxon practice of stating that the consideration given is the sum of P1.00, although the actual, consideration may have been much more. Moreover, assuming that said consideration of P1.00 is suspicious, this circumstance, alone, does not necessarily justify the inference that Reyes and the Abellas were not purchasers in good faith and for value. Neither does this inference warrant the conclusion that the sales were null and void ab initio. Indeed, bad faith and inadequacy of the monetary consideration do not render a conveyance inexistent, for the assignor's liberality may be sufficient cause for a valid contract^[1], whereas fraud or bad faith may render either rescissible or voidable, although valid until annulled, a contract concerning an object certain, entered into with a cause and with the consent of the contracting parties, as in the case at bar. What is more, the aforementioned conveyance may not be annulled, in the case at bar, inasmuch as Reyes and the Abellas are not parties therein.

Upon the other hand, the Deseos had bought the land in question for value and in good faith, relying upon the transfer certificate of title in the name of their assignors, the Abellas. The sale by the latter to the former preceded the purchase made by Morales, by about eight (8) months, and the Deseos took immediate possession of the land, which was actually held by them at the time of its conveyance to Morales by Montinola, and is in the

possession of the Deseos, up to the present. Then, again, TCT No. T-15687, in the name of Montinola, had been cancelled over a year before he sold the property to Morales, who, in turn, was informed of this fact, when it sought to register the deed of conveyance in its favor. It should be noted, also, that TCT No. 21037, in the name of the Abell-las, on which the Deseos had relied in buying the lot in dispute, has not been ordered cancelled.

Since the object of this litigation is a registered land and the two (2) buyers thereof have so far been unable to register the deeds of conveyance in their respective favor, it follows that "the owner-ship" of said lot "pertain(s)" - pursuant to Article 1544 of our Civil Code² - to the Deseos, as the only party who took possession there-of in good faith.³

Morales argues that it was not enough for the Deseos to have gone to the office of the Register of Deeds and found therein that there were no flaws in the title of the Abellas, and that the Deseos should have, also, ascertained why the Abellas had paid only P1.00 to Reyes, and why the latter had paid the same amount to Montinola. To begin with, the Deseos did not know that said sum was the consideration paid by the Abellas to Reyes and by Reyes to Montinola. Secondly, the Deseos were not bound to check the deeds of conveyance by Reyes to the Abellas, and by Montinola to Reyes. Having found that the owner's duplicate copy of TCT No. 21037, in the name of the Abellas, was a genuine copy of the original on file with the Office of the Register of Deeds, the Deseos were fully justified in relying upon said TCT No. 21037, and had no legal obligation to make further investigation.

Thirdly, were we to adopt the process of reasoning advocated by Morales, the result would still be adverse thereto. Indeed, if it were not sufficient for the Deseos to verify in said office the genuine-ness of the owner's duplicate of TCT No. 21037, much less would Morales have been justified in relying upon Montinola's copy of TCT No. T-15687 in his name. In fact, had Morales, at least, gone to the Office of the Register of Deeds - as the Deseos did - before purchasing the property in dispute, Morales would have found out, not only that TCT No. T-15687 had long been cancelled, but, also, that the property had been previously sold by Montinola to Reyes and by Reyes to the Abellas. In short, the negligence of Morales was the proximate cause of the resulting wrong, and, hence, Morales should be the party to suffer its consequences.¹

WHEREFORE, the appealed decision of the Court of Appeals should be, as it is hereby affirmed, with costs against petitioner herein, Morales Development Company, Inc.

IT IS SO ORDERED.

Reyes, JBL, Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Fernando, Capistrano, Teehankee, and Barredo, JJ., concur.

[1] Art. 1350, Civil Code.

1 Articles, 1318, 1355, 1381, and 1390, Civil Code.

2 " x x x 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. "

3 Soriano v. Heirs of D. Magali, 62 O.G. 4786.

1 De la Cruz v. Fabie, 35 Phil. 144; Blondeau v. Nano, 61 Phil 625; De Lara v. Ayroso, 95 Phil. 185; Phil. National Bank v. Court of Appeals, L-26001, Oct. 29, 1968.

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