

DAGUPAN TRADING COMPANY, PETITIONER, VS. RUSTICO MACAM, RESPONDENT.

G. R. No. L-18497. May 31, 1965

Ponente: DIZON, J.

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DIZON, J.:

Appeal taken by the Dagupan Trading Company from the decision of the Court of Appeals affirming the one rendered by the Court of First Instance of Pangasinan in Civil Case No. 13772, dismissing its complaint.

On September 4, 1958, appellant commenced the action mentioned above against appellee Rustico Macam, praying that it be declared that it be declared owner of one-eighth portion of the land described in paragraph 2 of the complaint; that a partition of the whole property be made; that appellee be ordered to pay it the amount of P500.00 a year as damages from 1958 until said portion is delivered, plus attorney's fees and costs.

Answering the complaint, appellee alleged, in the main, that Sammy Maron's share in the property described in the complaint, as well as that of all his coheirs, had been acquired by purchase by appellee since June 19 and September 21, 1955, before the issuance of the original certificate of title in their name; that at the time levy in execution was made on Sammy Maron's share therein, the latter had no longer any right or interest in said property; that appellant and its predecessor in interest were cognizant of the facts already mentioned; that since the sales made in his favor, he had enjoyed uninterrupted possession of the property and introduced considerable improvements therein. Appellee likewise sought to recover damages by way of counterclaim.

After trial upon the issue thus joined, the court rendered Judgment dismissing the complaint, which, on appeal, was affirmed by the Court of Appeals.

The facts of the case are not disputed.

In the year 1955, Sammy Maron and his seven brothers sisters were pro-indiviso owners of a parcel of unregistered land located in barrio Parayao, Municipality of Binmaley, Pangasinan. While their application for registration of said land under Act No. 496 was pending, they executed, on June 19 and September 21, 1955, two deeds conveying the property to appellee, who thereafter took possession thereof and proceeded to introduce substantial improvements therein. One month later, that is on October 14, 1955, Original Certificate of Title No. 6942 covering the land was issued in the name of the Marons free from all liens and encumbrances.

On August 4, 1956, by virtue of a final judgment rendered in Civil Case No. 42216 of the Municipal Court of Manila against Sammy Maron in favor of the Manila Trading and Supply Company, levy was made upon whatever interest he had in the aforementioned property, and thereafter said interest was sold at public auction to the judgment creditor. The corresponding notice of levy, certificate of sale and the sheriff a certificate of final sale in favor of the Manila Trading and Supply Co.—because nobody exercised the right of redemption—were duly registered. On March 1, 1958, the latter sold all its rights and title in the property to appellant.

The question before us now is: Who has the better right as between appellant Dagupan Trading Company, on the

one band, and appellee Rustico Macam, on the other, to the one-eighth share of Sammy Maron in the property mentioned heretofore?

If the property covered by the conflicting sales were unregistered land, Macam Would undoubtedly have the better right in view of the fact that his claim is based on a prior sale coupled with public, exclusive and continuous possession thereof as owner. On the other hand, were the land involved in the conflicting transactions duly registered land, We would be inclined to hold that appellant has the better right because, as we have consistently held, in case of conveyance of registered real estate, the registration of the deed of sale is the operative act that gives validity to the transfer. This would be fatal to appellee's claim, the deeds of sale executed in his favor by the Marons not having been registered, while the levy in execution and the provisional certificate of sale as well as the final deed of sale in favor of appellant were registered. Consequently, this registered conveyance must prevail although posterior to the one executed in favor of appellee, and appellant must be deemed to have acquired such right, title and interest as appeared on certificate of title issued in favor of Sammy Maron, subject to no lien, encumbrance or burden not noted thereon. (Anderson & Co., vs. Garcia 64 Phil. 506; Reynes et al., vs. Barrera, et al., 68 Phil. 656; Banco National, etc. vs. Camus, 70 Phil. 289).

The present case, however, does not fall within either situation. Here the sale in favor of appellee was executed before the land subject matter thereof was registered, while the conflicting sale in favor of appellant was executed after the same property had been registered. We can not, therefore, decide the case in the light of whatever adjudicated cases there are covering the two situations mentioned in the preceding paragraph. It is our considered view that what should determine the issue are the provisions of the last paragraph of Section 35, Rule 39 of the Rules of Court, to the effect that upon the execution and delivery of the final certificate of sale in favor of the purchaser of land sold in an execution sale, such purchaser "shall be substituted to and acquire all the right, title, interest and claim of the judgment debtor to the property as of the time of the levy". Now we ask: What was the interest and claim of Sammy Maron on the one-eight portion of the property inherited by him and his co-heirs, at the time of the levy? The answer must necessarily be that he had none, because for a considerable time prior to the levy, his interest had already been conveyed to appellee, "fully and irretrievably"—as the Court of Appeals held. Consequently, subsequent levy made on the property for the purpose of satisfying the judgment rendered against Sammy Maron in favor of the Manila Trading Company was void and of no effect. (Buson vs. Licauco 13 Phil. 357-358; Landig vs. U. S. Commercial Company, 89 Phil. 638). Needless to say, the unregistered sale and the consequent conveyance of title and ownership in favor of appellee could not have been cancelled and rendered of no effect upon the subsequent issuance of the Torrens title over the entire parcel of land. We can not, therefore, but agree with the following statement contained in the appealed decision.

"* * *. Separate and apart from this, however, we believe that in the inevitable conflict between a right of ownership already fixed and established under the Civil Law and/or the Spanish Mortgage Law—which cannot be affected by any subsequent levy or attachment or execution—and a new law or system which would make possible the overthrowing of such ownership on admittedly artificial and technical grounds, the former must be upheld and applied."

But to the above considerations must be added the important circumstance that, as already stated before, upon the execution of the deed of sale in his favor by Sammy Maron, appellee took possession of the tend conveyed as owner thereof, and introduced considerable improvements therein. To deprive him now of the same by sheer force of technicality would be against both justice and equity.

In view of all the foregoing, the decision appealed from is affirmed, with costs.

Bengzon, C. J., Bautista Angelo, Barrera, Regala, Makalintal, Bengzon, J.P. and Zaldivar, JJ., concur.

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