

AGAPITO LORENZO, ET AL., PETITIONERS, VS. FLORENCIO NICOLAS ET AL., RESPONDENTS.

G.R. No. L-4085. July 30, 1952

Ponente: PADILLA, J.

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PADILLA, J.:

This is a petition for a writ of certiorari to review a judgment of the Court of Appeals the dispositive part of which reads, as follows:

IN VIEW HEREOF, the Court reverses the judgment appealed from, with respect to Parcels Nos. 5 and 6, declares the same to be paraphernal properties of the deceased Magdalena Clemente; declares the sale (Exhibit D) made by Magdalena Clemente in favor of the Defendants-Appellants of said Parcel of Land No. 6, on June 26, 1916, binding, lawful and effective; orders the partition by and among the plaintiffs and defendants of Parcels of land Nos. 2, 3 and 4, in the proportion of one-half (1/2) for the Plaintiffs and the other half (1/2) for the Defendants; dismisses the complaint, with respect to Parcels of land Nos. 1, 5, 6 and 7, without special pronouncement as to costs; orders the Defendants to pay to the conjugal partnership one-half of the whole amount paid to the Bureau of Lands, with legal interest thereon, from the date of the filing of the complaint, after deducting from said amount the initial payments made on the said lots Nos. 5 and 6; and further orders the Plaintiffs to pay to the Defendants the sum of P50.00, representing 1/2 of the attorneys' fees paid by said Defendants in connection with parcel No. 2.

The facts of the case as found by the Court of Appeals are as follows:

Prior to 1910, Magdalena Clemente was the surviving widow of the deceased Gregorio Nicolas. Manuel Lorenzo, former husband of the deceased Carlota Santamaria, was also at that time a widower. On January 16, 1910, Magdalena Clemente and Manuel Lorenzo contracted marriage. Manuel Lorenzo died on January 7, 1929, while Magdalena died on January 31, 1934. During their coverture, the two had had no children. In his first marriage, however, Manuel Lorenzo left, as heirs, the plaintiffs Agapito and Marcela Lorenzo and Policarpio Lorenzo, deceased, who had been succeeded by his children, the plaintiffs Faustina, Pederico, Guillermo and Manuel all surnamed Lorenzo; while Magdalena Clemente, in her first marriage, left as heirs, the deceased Gerardo Nicolas, father of the defendants Florencio, Elena, Felix, Trinidad, Cecilia and Basilisa, all surnamed Nicolas. * * *.

* * * * *

As to Parcel of land No. 6.—This parcel of land which is lot No. 72 of the Friars Land Subdivision in Guiguinto, Bulacan, was purchased in her own name by Magdalena Clemente, for her own exclusive benefit on October 17, 1908 (Exhibit 7), prior to her marriage with Manuel Lorenzo. She had paid the sum of P169.16 on account of the purchase price before her marriage with Lorenzo and, according to the terms of the contract of sale, the balance of P833.32 was payable on installments, namely: P25.32 on June 1, 1909, and the balance in annual payment of P42.00 each, payable on the first day of June of each year, plus interest of 4% per annum. The receipts, evidencing the payments of these installments (Exhibits I-A to I-M), presented by Plaintiffs themselves, demonstrate that they were paid in her own name. On August 21, 1928, the deed of final

conveyance was executed in the sole favor of Magdalena Clemente, notwithstanding the fact that Manuel Lorenzo was then alive. This parcel of land was registered under the Torrens system, in the exclusive name of Magdalena Clemente. The real estate tax receipts, covering this particular parcel, are under the exclusive name of Magdalena Clemente. The presumption of continuity of condition is also in favor of Magdalena Clemente. The status of the land from the time she acquired it and ignore her marriage to Lorenzo, continued until it is otherwise changed, for it is presumed that a thing once proved to exist continues as long as is usual with things of that nature. All the acts just mentioned are also acts of ownership. And again, it is to be presumed that a person is the owner of a property from exercising acts of ownership over it [Sec. 69 (j) (dd), Rule 123; *Heirs of Junero vs. Lizares*, 17 Phil., 112]. These are presumptions which the plaintiffs should but failed to rebut. And Manuel Lorenzo, undoubtedly recognizing that Magdalena Clemente had the right of ownership over the land, did not even as much as care to place the title to the land in the name of the conjugal partnership, even after the payment of the installments had been made, the bulk of which had been paid by Magdalena Clemente during the marriage. However, the evidence is not clear as to the source of the money with which the payment of the installments was made, except the advanced payment, which was admittedly paid from her own purse. "Any useful expenditures made for the benefit of the separate property of either one of the spouses by means of advances made by the partnership, or by the industry of the husband or wife, are partnership property." (Art. 1404, Civil Code.) The amount spent for the payments of installments due during the marriage, or obligations affecting the separate property of Magdalena Clemente, is certainly a useful expenditure because it preserves her right to the ownership of the land, and is, therefore, a credit which belongs to the conjugal partnership, and must be reimbursed to it by her. (9 *Manresa*, 606; 5 *Sanchez Roman*, 840.) In other words, while the ownership of the land remains with Magdalena Clemente, the conjugal partnership is entitled to the reimbursement of paid installments. (*Ona vs. Regala*, 58 Phil. 881.)

The learned trial court sustained plaintiffs' pretension on the strength of Art. 1407 of the Civil Code which declares that "all the property of the spouses shall be deemed partnership property, in the absence of proof that it belongs exclusively to the husband or to the wife", thereby establishing a presumption which may be "overcome by the introduction of competent evidence to the contrary" (*Casiano vs. Samaniego*, 30 Phil., 135). We hold that the evidence adduced to rebut this presumption, is not only most competent but is also convincing, as has heretofore been discussed.

As to Parcel of land No. 5.—This parcel was also purchased by Magdalena Clemente from the Bureau of Lands on October 17, 1908 (Exhibit E), for P967.16, of which amount P116.84 had previously been paid by her, before her marriage to Manuel Lorenzo. According to the terms of the sale, the balance of P850.32 was payable by installments: namely, P52.32 on June 1, 1909, and P42.00 annually on June 1, of each succeeding year. Payments on account of the installments were made by her, the receipts therefor were issued in her own name by the Bureau of Lands (Exhibits I-A to I-M). On October 7, 1933, or 4 1/2 years after the death of Manuel Lorenzo, the final certificate of sale was executed by the Director of Lands in her favor and in her name. By virtue thereof, Transfer Certificate of Title No. 13269 was issued in the sole name of Magdalena Clemente. The legal principles hereinabove discussed apply with equal force to this parcel of land No. 5.

On October 12, 1932, parcel of Land No. 6, together with Lots Nos. 226 and 216 of the Friars Lands Subdivision in Guiguinto, were conveyed in absolute sale for a valuable consideration by Magdalena Clemente in favor of herein Defendants (Exhibit J). The trial court considered the sale as having been made in bad faith and consequently annulled the same. In view of our conclusion, that parcels Nos. 5 and 6 are paraphernal properties of Magdalena Clemente, further discussion of this assignment of error would be deemed unnecessary. However, we propose to pass upon this point in order to settle, once and for all, the validity of the sale which is precisely one of the bases of Defendants' title to the lands under litigation. The sale took place about 3 1/2 years after Manuel Lorenzo's death on January 7, 1929; it was duly registered in the Registry of Deeds of Bulacan, and the corresponding T. C. T. No. 17786 was issued in their favor. Aside from the presumption of good faith, in connection with this transaction (Art. 434, Civil Code), there is no evidence at all showing that Defendants were aware of the flaw in the title of their immediate transferor, Magdalena

Clemente. At the time of the purchase of this parcel of land, Defendants did not have any notice of the claim or interest of the herein Plaintiffs over the said property. The price was paid. During the lifetime of Magdalena Clemente, Plaintiffs did not dispute at all her exclusive right over said land, and it was only two years after her death that they filed their claim against the Defendants. Fraud in the transaction should be proven clearly; it should not solely be predicated upon a mere presumption arising from the relationship of the vendor and the vendees. Defendants took possession of the land, completely relying upon the fact that it was the sole property of Magdalena Clemente. Furthermore, every purchaser of registered land should take and hold the same free and clear from any and all prior claims, liens and encumbrances, except those set forth in the decree of registration and those expressly mentioned in the Land Registration Act as having been preserved against it. (Sec. 39, Act No. 496; *De Jesus vs. City of Manila*, 29 Phil., 73; *Anderson & Co. vs. Garcia*, 64 Phil., 506.) No such claim, liens or encumbrances are set forth on the certificate of title.

Plaintiffs tried to prove fraud by the presentation of Exhibit I, the deed of sale in 1934, in favor of Martina Rodrigo of the parcel of land No. 7. This deed does not in any way prove fraud in the sale of parcels of land Nos. 1 and 6, for this deed refers only to Parcel No. 7, as to which, Plaintiffs' complaint had been dismissed by the trial court. The imputation of fraud is belied by the statement in Exhibit J that lot No. 216 was sold to Martina Rodrigo for the purpose only of defraying the expenses of the last illness of Magdalena Clemente. The court below, by dismissing the complaint as to parcel No. 7 covered by the deed of sale. Exhibit J, impliedly recognized the validity of the said deed of sale, Exhibit J.

It is, therefore, evident that the annulment of the deed of sale, Exhibit J, by the court a quo, is an error. In view of this conclusion, the query posed by Defendants, whether in an action for partition, the question of the nullity of Exhibit J, on the ground of fraud, can be drawn collaterally, need not be determined. The same thing may be said with respect to the question of estoppel by laches raised by the Defendants.

In support of the petition for review the petitioners claim that:

- (a) That the Honorable Court of Appeals in declaring parcels of land Nos. 5 and 6 paraphernal properties of the deceased Magdalena Clemente has committed an error of law.
- (b) That the Honorable Court of Appeals has committed an error which amounts to serious abuse of discretion by declaring that parcels of land Nos. 5 and 6 were acquired by Magdalena Clemente before her marriage to Manuel Lorenzo.
- (c) That the Honorable Court of Appeals has committed an error which amounts to a grave abuse of discretion by not declaring the deed of sale exhibit null and void.

So the petitioners question only the correctness of the judgment of the Court of Appeals as to parcels Nos. 5 and 6 held to be paraphernal properties of the late Magdalena Clemente reversing the judgment of the Court of First Instance of Bulacan which held that they were conjugal. The third assignment of error involves a question of fact.

Upon the presumption that the parcels of land Nos. 5 and 6 continued to be the exclusive properties of Magdalena Clemente until shown otherwise and because she had paid the sum of P116.84 for parcel No. 5 and P169.16 for parcel No. 6 before her marriage to the late Manuel Lorenzo, the ancestor of the petitioners, from whom they claim to derive their right to one-half of the parcels of land, the Court of Appeals is of the opinion that they were paraphernal properties of the late Magdalena Clemente. What she had paid during coverture for said parcels of land was declared conjugal and deemed useful expenditures for which the conjugal partnership is entitled to reimbursement.

The two parcels of land in question were part of the Friar Lands the alienation of which is provided for in Act No. 1120.

Section 11 of Act 1120 provides:

Should any person who is the actual and bona fide settler upon and occupant of any portion of said land * * * desire to purchase the land so occupied by him, he shall be entitled to do so at the actual cost thereof to the Government, and shall be allowed ten years from the date of purchase within which to pay for the same in equal annual installments, if he so desires, all deferred payments to bear interest at the rate of four per centum per annum.

Section 12 of the same Act partly provides:

* * * When the cost thereof shall have been thus ascertained the Chief of the Bureau of Public Lands shall give the said settler and occupant a certificate which shall set forth in detail that the Government has agreed to sell to such settler and occupant the amount of land so held by him, at the price so fixed, payable as provided in this Act * * * and that upon the payment of the final installment together with all accrued interest the Government will convey to such settler and occupant the said land so held by him by proper instrument of conveyance, which shall be issued and become effective in the manner provided in section one hundred and twenty-two of the Land Registration Act. * * *.

Section 16 thereof in part provides:

In the event of the death of a holder of a certificate the issuance of which is provided for in section twelve hereof, prior to the execution of a deed by the Government to any purchaser, his widow shall be entitled to receive a deed of the land stated in the certificate upon showing that she has complied with the requirements of law for the purchase of the same. In case a holder of a certificate dies before the giving of the deed and does not leave a widow, then the interest of the holder of the certificate shall descend and deed shall issue to the persons who under the laws of the Philippine Islands would have taken had the title been perfected before the death of the holder of the certificate, upon proof of the holders thus entitled of compliance with all the requirements of the certificate. * * *.

From these provisions it is apparent that the pervading legislative intent is to sell the friar lands acquired by the Government to actual settlers and occupants of the same. In case of death of a holder of a certificate which is only an agreement to sell it is not the heirs but the widow who succeeds in the parcels of land to be sold by the Government. Only do the heirs succeed in the rights of the deceased holder of a certificate if no widow survives him. The fact that all receipts for installments paid even during the lifetime of the late husband Manuel Lorenzo were issued in the name of Magdalena Clemente and that the deed of sale or conveyance of parcel No. 6 was made in her name in spite of the fact that Manuel Lorenzo was still alive shows that the two parcels of land belonged to Magdalena Clemente. The petitioners, the heirs of the late Manuel Lorenzo, are not entitled to one-half of the two parcels of land. But the installments paid during coverture are deemed conjugal, there being no evidence that they were paid out of funds belonging exclusively to the late Magdalena Clemente.

Upon these grounds and reasons the judgment of the Court of Appeals under review is affirmed, without costs.

Paras, C. J., Feria, Pablo, Bengzon, Tuason, Montemayor, and Bautista Angelo, JJ., concur.

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