

**MAGDALENA S. DE BARRETTO AND JOSE C. BARRETTO,
PLAINTIFFS-APPELLANTS, VS. JOSE C. VILLANUEVA, ET AL,
DEFENDANTS-APPELLEES.**

G.R. No. L-14938. December 29, 1962

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

SUMMARY

Subject of this appeal is the decision of the Court of First Instance which ordered the annotation of Cruzado's "vendor's lien" on the back of the certificate of title to the property under foreclosure sale with a proviso that the vendor's lien and appellants' mortgage credit be satisfied pro rata out of the proceeds of the sale. This was affirmed in a decision of this Court promulgated on January 28, 1961 which in effect recognized both rights on equal footing without regard to the system of priorities. The appellants moved to reconsider this decision asking the Court to declare their mortgage credit superior to the vendor's lien of Cruzado. They reasoned that Articles 2242 and 2243 of the New Civil Code become effective only in the event that the vendee becomes insolvent and that Cruzado is not a true vendor of the foreclosed property. After mature consideration of the facts and the law of the case, the Court set aside its decision and declared the appellants' mortgage credit superior to that of the vendor's lien.

HELD:—Substantial changes in the system of priorities ordained in the Civil Code of 1889 were introduced in the New Civil Code of the Philippines such that recorded encumbrances over real property offered as security for loans in the absence of tax burdens, statutory liens and insolvency proceedings, must take priority over all unrecorded claims and must be satisfied with preference from the proceeds of the sale of such property.

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