

GURBAX SINGH PABLA & CO., GURBAX SINGH PABLA, BELA SINGH PABLA, OJAGAR SINGH, DHAKAM SINGH, TALOK SINGH AND CIPRIANO TAN ENG KIAT, PETITIONERS AND APPELLEES VS. HERMOGENES REYES...*G.R. No. L-3970. October 29, 1952*

Ponente: LABRADOR, J.

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This is an appeal prosecuted by the respondents-appellants against an order of the Court of First Instance of Manila dated November 29, 1949, compelling them to surrender owner's duplicates of Transfer Certificates of Title Nos. 8071 and 8072, so that the contract of lease entered into between petitioners-appellees and the owner of the land covered by said certificates of title be annotated thereon. John Tan Chin Eng is the owner of the land covered by the above-mentioned certificates of title, and on July 23, 1948, he entered into a contract (Exhibit A) with the petitioners-appellees, under the terms of which petitioners-appellees were to construct thereon a three-story building of concrete and of strong materials valued at from P80,000 to P90,000. The contract also provided that the building shall become the exclusive property of the owner of the land, but that the petitioners-appellees were to occupy, hold, or possess it as lessees for a period of three years and six months from its completion, without paying any rentals therefor, the sum spent in the construction being considered as the rentals; that after the above period of three years and six months petitioners-appellees were to continue occupying the said building for another two years at a monthly rental of P2,000. This contract of lease was filed and registered in the office of the Register of Deeds of Manila on August 10, 1948, under Primary Entry No. 3352, Volume 15. At the time that the contract was entered into there was an existing mortgage over the land in favor of Jose Calvo and Carlos Calvo for the sum of P10,000. This mortgage in favor of the Calvos was cancelled, and a new mortgage was executed by the owner in favor of respondents-appellants herein, Honorable Hermogenes Reyes and his spouse Teodora Taritoco, dated March 8, 1949, which was registered on the same date in the office of the Register of Deeds of Manila under Primary Entry No. 5014. On May 14, 1949, the original contract of lease, Exhibit A, was amended by Exh. C, by virtue of which the period under which the lessees were to hold and occupy the property without rentals was extended to seven years and four months, and the rental for the additional two years thereafter reduced to P1,148. This amended contract of lease, Exhibit C, was also registered in the office of the Register of Deeds of Manila under Primary Entry No. 5014, Volume 16, on May 20, 1949.

On May 25, 1949, counsel for petitioners-appellees wrote respondents-appellants requesting them to allow him to take the certificates of title to the office of the Register of Deeds of Manila for the annotation of the contracts of lease entered into by the owner with them (Exhibit D), and on May 27, 1949, the son of respondents-appellants acknowledged receipt of the said letter but informed counsel for the petitioners-appellees that the request could not be granted without the written consent of the owner of the certificates of title (Exhibit E). On June 16, 1949, respondents-appellants' son wrote the owner of the land (Exhibit M) demanding the payment of the overdue interest on the mortgage with the following statement:

"* * * For this reason, I wish to request that you come over to my office before 12:00 noon to pay the said interest before we can deliver your Transfer Certificate of Title to Atty. Manuel P. Calanog who will take charge of registering the lease contract between Mr. Singh Pabla and your goodself."

On June 3, 1949, the petitioners-appellees filed a motion in the Court of First Instance of Manila praying that an order issue to the owner for the delivery of the owner's duplicates of transfer certificates of title Nos. 8071 and 8072 to the petitioners in order that the Register of Deeds of Manila may be able to make the annotation thereon of the contract of lease, Exhibit A, and its amendment, Exhibit C. Against this petition Hermogenes Reyes and Teodora Tantoco filed an opposition, alleging that they had no knowledge whatsoever of the contract of lease, Exhibit A, or of its amendment, Exhibit C, and that the execution of the amendment, Exhibit C, violated the express provision of the mortgage, to the effect that the owner could not sell, assign, or encumber the mortgaged premises without the written consent of the mortgagees. It is to be noted that with respect to the original contract of lease, Exhibit A, no allegation is made in the opposition of the respondents-appellants that they were not aware of the existence of the contract, Exhibit A, their only allegation being that the only annotation on the certificates of title at the time they entered into the contract of mortgage was the mortgage in favor of Jose Calvo and Carlos Calvo. It is also to be noted that respondents-appellants do not deny an express allegation of paragraph 13 of the amended petition to the effect that notice was given to the public by a big sign board placed on the premises while the building was under construction that petitioners-appellees are the owners of the building. The amended petition further states, without denial on the part of the respondents-appellants, that as early as October 9, 1948, the Register of Deeds of Manila had demanded in writing from the owner of the land the submission of his duplicate certificates of title Nos. 8071 and 8072 in order that the lease executed by him in favor of the petitioners-appellees may be given due course. At the hearing of the motion no oral evidence was submitted; only documentary evidence was presented.

Thereafter the Court of First Instance of Manila issued the order already mentioned above, directing respondents to surrender the certificates of title to the Register of Deeds of Manila in order that petitioners-appellees contract of lease may be noted thereon. It expressly found that respondents-appellants had knowledge of the lease contract, Exhibit A, but that respondents' deed of mortgage of March 8, 1949, has priority over petitioner's amended contract of lease, Exhibit C. As regards the (supposed) prohibition contained in the contract of mortgage, the court held that the prohibition gives a right of foreclosure; in other words, that in spite of the prohibition the amended contract of lease, Exhibit C, may not be considered as null and void.

In this court on appeal claim is made on behalf of the respondents-appellants that the court a quo erred in holding that respondents-appellants had knowledge of the contract of lease, Exhibit A; that it erred in holding that Tirso T. Reyes is the attorney-in-fact of the respondents-appellants; that it erred in ordering the registration of the contract of lease, Exhibit A; and that it erred in not holding that the registration of the contracts, Exhibits A and C, will prejudice the rights and interest of respondents-appellants.

It should be noted that all that the petitioners demand or pray for is the surrender of the titles to the Register of Deeds so that their contracts of lease, Exhibits A and C, may be noted thereon. The only issue, therefore, is whether petitioners have a right to have said deeds registered. It is not denied that the contracts have been executed by the registered owner of the land, or that they have been lawfully executed, or that they have all the qualities of registerable documents. Indeed, the owner is agreeable to the registration. The objections interposed by respondents, who are mortgagees merely, that they had no knowledge of the contract of lease, or that their mortgage has priority, or that they will be prejudiced, are beside the issue.

The purpose of registering an instrument is to give notice thereof to all persons (section 51, Act No. 496); it is not intended by the proceedings for registration to seek to destroy or otherwise affect already registered rights over

the land, subsisting or existing at the time of the registration. The rights of these parties, who have registered their rights, are not put in issue when an instrument is subsequently presented for registration; nor are its effects on other instruments previously registered put in issue by the procedure of registration. Thus, the objections raised by respondents-appellants that they had no knowledge of the contract of lease, Exhibit A, before the property was mortgaged to them, or that the same violates their contract of mortgage with the owner of the land—these are not passed upon by the order for the registration of petitioners-appellees contract of lease. The objections, as well as the relative rights of all parties who have registered their deeds, shall be decided in the proper suit or proceeding when the opportune occasion arises; but they are not now in issue, nor may they be adjudicated upon, simply because petitioners-appellees have applied for the registration of their contract of lease.

The impropriety and inconvenience of proceeding to determine completely and in advance all the possible consequences of a document, upon all parties affected thereby, in the proceeding for its registration becomes apparent when, as in this case, important and complicated questions of fact and of law were presented by the respondents-appellants about their alleged lack of knowledge of the contracts of lease and the invalidity thereof. The court a quo passed upon vital issues of fact upon the motion and the opposition thereto, and upon the documents, letters, and receipts presented, without any other evidence than the above. Yet the question of knowledge is mainly a question of fact and requires inquiry into many and complicated circumstances, which can not be satisfactorily shown except by testimony.

On the other hand, the supposed invalidity of the contracts of lease is no valid objection to their registration, because invalidity is no proof of their non-existence or a valid excuse for denying their registration. The law on registration does not require that only valid instruments shall be registered. How can parties affected thereby be supposed to know their invalidity before they become aware, actually or constructively, of their existence or of their provisions? If the purpose of registration is merely to give notice, then questions regarding the effect or invalidity of instruments are expected to be decided after, not before, registration. It must follow as a necessary consequence that registration must first be allowed, and validity or effect litigated afterwards.

The foregoing, however, must not be understood as an absolute and invariable rule of procedure, for parties may, by mutual consent, submit issues for determination at the time of the proceeding to register a document. But the court should only proceed therewith (determination of the issues) upon giving all the parties concerned sufficient opportunity to present their respective sides and the evidence in support thereof, and that if this can not be done, the determination of the issues should be reserved in a subsequent proceeding and the registration of the document ordered.

In accordance with the above opinion, we find that the issues raised by respondents-appellants, namely, that the contracts of lease, Exhibits A and C, are invalid because they violate the contracts of mortgage executed in favor of the owner of the land, that Tirso T. Reyes is not the attorney-in-fact of the respondents-appellants, and that the respondents-appellants had no knowledge of the execution of the contract of lease, Exhibits A and C—these issues were not properly investigated because respondents-appellants did not have the opportunity to present evidence thereon and did not even present copy of their mortgage at the hearing, and the trial court decided the questions without full and complete investigation. The ruling of the trial court on the above issues should, therefore, be set aside and their determination reserved in a proper proceeding.

Wherefore, the opposition to the motion for the surrender of the certificates of title to the Register of Deeds of Manila is overruled, and the order appealed from, in so far as it orders the surrender of the certificates of title for the registration of the contracts of lease, is hereby affirmed, but the other rulings are reversed, and the other issues raised by respondents-appellants reserved for determination in a proper proceeding. With costs against the respondents-appellants.

Paras, C. J., Bengzon, Padilla, Montemayor, and Jugo, JJ., concur.

DISIDENTE

PABLO, M.:

Los opositores Hermogenes Reyes y Teodora Tantoco son acreedores hipotecarios de los lotes con certificados de transferencia de titulo Nos. 8071 y 8072 y, en virtud de una clausula de dicha hipoteca, el dueño no puede vender, traspasar o gravar dichos lotes hipotecados sin el consentimiento por escrito de los acreedores. El dueño, por tanto, no podia legalmente arrendar dichas fincas a los hoy mocionantes sin dicho consentimiento. Si, en contravencion de dicho contrato, el dueño los arrendo a los mocionantes, dicho arrendamiento no debe ser anotado, en proteccion de los arrendatarios que no obraron de buena fe, en los certificados de transferencia de titulo Nos. 8071 y 8072. La inscripcion en la Oficina del Registrador de Titulos de la hipoteca era una notificacion a todo el mundo de que el propietario no podia gravar, arrendar, etc., los lotes, sin consentimiento de los acreedores hipotecarios.

Si los mocionantes hubieran obrado con la prudencia ordinaria de ver el titulo de dichos lotes en la Oficina del Registrador de Titulos, habrian descubierto que el dueño no podia arrendarlos sin el consentimiento de los acreedores hipotecarios. Es evidente que los mocionantes quieren subsanar la falta de precaucion con que debian haber obrado antes de arrendar los lotes, en perjuicio de los acreedores hipotecarios.

Ordenar la anotacion del arrendamiento es proteger a los arrendatarios que no obraron de acuerdo con las disposiciones legales y conculcar los derechos legitimos de los acreedores, debidamente inscritos.

El articulo 51 de la Ley No. 496 tiene aplicacion a los casos en que, sin intervencion de la otra parte o sin su conocimiento, el interesado consigue inscribir escritura de traspaso, hipoteca, arrendamiento, embargo, etc. en la Oficina del Registrador de Titulos. En tales casos, la inscripcion surтира el efecto de notificacion a todos los que puedan tener reclamacion, y no en casos, como el presente, en que los acreedores ya se oponen abiertamente a la anotacion pedida, despues de notificados de la presentacion de la mocion. Cuando hay una oposicion que alega violation de un derecho substantial, lo que procede es no ordenar la inscripcion sino hacer que las partes presenten todas las pruebas en apoyo de su respectiva alegacion, o que litiguen en el tribunal correspondiente, suspendiendo toda action sobre la mocion en que se pide la presentacion al registrador del duplicado del certificado de transferencia de titulo para la anotacion.

Siguiendo la teoria de la mayoría, la notificacion a los interesados solamente comenzara a tener lugar despues que se haya inscrito el arrendamiento impugnado por orden de este Tribunal, y que desde esa fecha pueden iniciar los pleitos que las partes quieran suscitar. Me parece que eso es ceremonia innecesaria para este caso particular. Los acreedores ya han planteado su oposicion a la anotacion. Su objecion esta fundada en los terminos precisos del contrato de hipoteca; parte de las pruebas ya se han presentado; lo que procede, en mi opinion, es devolver el expediente al juzgado de origen dando a las partes oportunidad de presentar todas sus pruebas y despues decidir si cabe o no la anotacion. Es hacer perder el tiempo a las partes interesadas y a los juzgados obligarles a litigar despues que este Tribunal haya ordenado la anotacion de dicho arrendamiento, y en el caso de que se decidiese que los mocionantes no tienen derecho a anotar la escritura de arrendamiento, entonces se habra de ordenar la cancelacion de la anotacion ya ordenada por este Tribunal. Habra algun juzgado inferior que se atreva a ordenar la cancelacion de una anotacion ordenada por este Tribunal? Y para que fueron notificados los acreedores de la vista de la mocion si, despues de todo, sin oir sus pruebas, se ordena tal anotacion? Eso es contrario al espiritu que informa nuestro sistema de legislacion: de proporcionar a las partes justa, pronta y no costosa administracion de

justicia.

Voto por la revocacion de la orden apelada y que se devuelva el expediente para ulterior tramitacion, como tengo indicado.

Order affirmed in part and reversed in part.

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