

FAUSTINO OVIEDO, ET AL., PLAINTIFFS-APPELLEES, VS. BARTOLOME GARCIA, ET AL., DEFENDANTS-APPELLANTS.

G.R. No. L-23770. July 09, 1971

Ponente: DIZON, J.

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DIZON, J.:

Appeal from the decision of the Court of First Instance of Pangasinan in Civil Case No. U-303, the dispositive part of which is of the following tenor:

"WHEREFORE, the court, rendering judgment in favor of the plaintiffs and against the defendants, hereby orders the latter to vacate the portion of 8,607 square meters of Lot No. 4, Plan Psu-95433, - the land in question - and deliver possession thereof to the former who are hereby declared to be the lawful owners of the property, and pay the costs of this suit."

Appellants brief submits the following lone assignment of error:

"THAT THE LOWER COURT ERRED IN CONCLUDING THAT, UNDER THE ADMITTED CIRCUMSTANCES, THE PLAINTIFFS-APPELLEES HAVE ACQUIRED A BETTER RIGHT AND A VALID TITLE TO THE PROPERTY IN QUESTION AS AGAINST THE DEFENDANTS-APPELLANTS."

In the lower court the parties submitted the following stipulation of facts:

"1) That the defendants are the vendees a retro and possessors of a portion of 8,607 square meters of the parcel of land described in the complaint by virtue of a pacto de retro sale executed in their favor by Juana A. Corpuz on May 17, 1947, copy of the deed of pacto de retro sale being hereto attached as Annex "1";

"2) That the period of repurchase by the vendor a retro in the pacto de retro sale mentioned in the preceding paragraph is for ten (10) years;

"3) That the 10 years period has lapsed on May 7, 1957 without the vendor a retro or any successor in interest exercising the right of repurchase;

"4) That the defendants, vendees a retro, have been paying the land taxes on the property and getting the products therefrom since May 17, 1947 to the pre-sent;

"5) That the property in question is not registered under Act 496 nor under the Spanish Mortgage Law;

"6) That the land in dispute in this case is the portion of 8,607 square meters referred to in paragraph 1 thereof;

"7) That on January 26, 1949, the land described in paragraph 2 of the complaint, of which the land in question is a part, was one of the parcels of land mortgaged by the spouses, Eulogio Mangonon and Juana Corpuz, to the plaintiffs, which mortgage was registered on November 5, 1949 with the Registry of Deeds of Pangasinan, a copy of the deed of mortgage being hereto attached as Annex "A";

"8) That the said mortgagors having been unable to pay the mortgage debt mentioned in Annex "A", the herein plaintiffs instituted the foreclosure proceedings with the Court of First Instance of Pangasinan by filing Civil

Case No. 12149;

"9) That as a result of the foreclosure proceedings, the land described in the complaint, of which the portion of land in dispute is a part, was one of the parcels of land sold in a public auction on July 3, 1957 by the Provincial Sheriff of Pangasinan at which the herein plaintiffs were the purchasers, being the only and highest bidders;

"10) That accordingly, the Sheriff executed a certificate of sale, a copy of which is hereto attached as Annex "B", and such certificate of sale was registered with the Registry of Deeds of Pangasinan on July 25, 1957 as Entry No. 66765, Volume XIX, page No. 8;

"11) That on October 24, 1957, the Court of First Instance of Pangasinan issued an Order in said Civil Case No. 12149 confirming the sale made by the Sheriff, a copy of which Order being hereto attached as Annex "C";

"12) That the parcel of land described in the complaint, of which the land in dispute is a part, is the same parcel of land described in paragraph 8 of Annex "A" and also in paragraph 8 of Annex "B" hereof;

"13) That a writ of possession was issued by the Court in said Civil Case No. 12149 dated November 21, 1957, and service thereof was effected by the Deputy Sheriff on the defendants on November 27, 1957;

"14) That the parties hereby waive all rights to damages which each may have against the other;

"15) That the parties agree to submit the case for decision on the basis of this stipulation of facts;

"WHEREFORE, premises considered, it is respectfully submitted that a decision be rendered on the foregoing stipulation of facts."

The following facts are, therefore, beyond dispute:

On May 17, 1947 Juana A. Corpuz sold under pacto de retro to appellants a portion of 8,607 square meters of Lot 4, Plan Psu-95433 which had a total area of 30,015 square meters, the deed having been registered in the Office of the Register of Deeds in Pangasinan only on December 4, 1957.

On the other hand, on January 26, 1949 Juana A. Corpuz and her husband, Eulogio B. Mangonon, mortgaged, along with other parcels of unregistered land, the whole of Lot 4, to the spouses Faustino Oviedo and Patricia Mendoza, to secure the payment of a loan amounting to P12,000.00. The deed of mortgage was registered in the Office of the Register of Deeds of Pangasinan on November 5, 1949. Subsequently, because of the mortgagors' failure to pay the principal obligation, the mortgage was foreclosed (Civil Case No. 12149, Court of First Instance of Pangasinan), as a result of which the mortgaged properties were sold at public auction, the Oviedo spouses having been the successful bidders. The sheriff's certificate of sale executed in their favor was registered on June 25, 1957; on October 24 of the same year the court confirmed or approved the foreclosure sale, and a writ of possession was issued on November 21, 1957.

Neither is it disputed that the ten-year period for repurchase stipulated between Juana A. Corpuz, on the one hand, and Bartolome Garcia and Francisca Valdez, on the other, expired without the vendor having exercised her right, and that Lot 4, Plan Psu-95433 was unregistered land at the time of the transactions men-tioned heretofore.

In the light of the above facts, the decision appealed from could be sustained had it not been stipulated (Record on Appeal, p. 6) that "the defendants, vendees a retro, have been paying the land taxes on the property and getting the products therefrom since May 17, 1947 to the present." Bearing in mind the 8,607 square meters sold a retro by Juana A. Corpuz to the Garcias were part and parcel of Lot 4, whose total area was 30,015 square meters, it may be presumed that when the Oviedo spouses loaned P12,000.00 to Juana A. Corpuz and her husband, they were

cognizant of the possession of the Garcias and of the nature of their claim. At any rate, before entering into the mortgage transaction, they were in duty-bound to exercise diligence in connection therewith, such as would enable them to determine the nature and extent of the rights of the mortgagors in the properties to be the subject of mortgage, the same being all unregistered lands. Had they exercised such diligence as was expected of them, they would have discovered, without fail, that a portion of Lot 4 had been previously sold a retro to appellants. They not having done so, or having accepted the mortgage on the whole of Lot 4 with at least a constructive knowledge of the fact that a portion thereof had been sold a retro to appellants since May 17, 1947, they must respect the rights of the latter. In accordance with our jurisprudence, by virtue of the pacto de retro sale in favor of appellants mentioned heretofore, they automatically acquired ownership of the property subject matter thereof (*Manalansan vs. Manalansan*, L-13646, July 26, 1960; *Almirañez, et al. vs. Devera*, L-19496, February 27, 1965).

WHEREFORE, the decision appealed from is reversed.

Concepcion, C.J., Reyes, J.B.L., Makalintal, Zaldivar, Fernando, Teehankee, Barredo, Villamor, and Makasiar, JJ., concur.

Ruiz Castro, J., on leave.

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