

**MICHAEL T. UY, PETITIONER, VS. HON. COURT OF APPEALS,
REGIONAL TRIAL COURT OF VALENZUELA, BRANCH CLXXII AND
ROSA SAULER, RESPONDENTS.**

G.R. No. 107439. July 20, 1995

Ponente: VITUG, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-107439/>

VITUG, J.:

The controversy (in the instant petition for review on certiorari) concerns a parcel of land, with an area of 4,167 square meters, located along Pio Valenzuela St., Barrio Pugad Baboy, Valenzuela, Metro Manila. The property, also known as Lot No. 1551-C-1-J of Subdivision Plan (LRC) Psd-167118, used to be covered by Transfer Certificate of Title numbered T-170692 of the land records of Bulacan and then, after the town of Valenzuela, Bulacan, had become a part of Metro Manila, renumbered (T--170692) 9968 of the land records of Caloocan City, in the name of the spouses Miriam Reyes and Numeriano Catador.

The Catador spouses offered to sell to private respondent Rosa Sauler the whole parcel of land for P80.00 per square meter. The latter agreed and, on 07 July 1977, she paid the spouses an initial amount of P45,000.00. In the receipt signed by Numeriano Catador, the spouses promised to execute a deed of sale "upon full payment of the balance" of the purchase price.[1]

On 18 October 1978, the Catador spouses hypothecated the property to the State Investment House, Inc. ("SIHI"), to "accommodate" their niece, Angelina Cadieva-Lacson, who had secured a loan of P250,000.00 from SIHI. The mortgage was registered with the Registry of Deeds in Bulacan and annotated on the transfer certificate of title of the property. Upon learning of the mortgage, private respondent met with the Catador spouses in order to "renegotiate" their standing agreement. It would appear that private respondent gave up a claim to get the entire property and agreed to instead retain, with the conformity of the Catador spouses, an area within the lot as the "katumbas" or as equivalent of the downpayment of P45,000.00.[2] Private respondent opted for the 555--square-meter area which she was then occupying and on which she had theretofore made improvements. Her request for a survey and subdivision of the property, as well as a separate title, could not, however, be granted by the Catador spouses since the certificate of title over the whole lot was by then already handed over to SIHI.

Angelina Cadieva-Lacson, the niece of the Catador spouses, defaulted on her loan; whereupon, SIHI foreclosed on the security. At the extrajudicial foreclosure sale, SIHI came out to be the highest bidder at P309,515.15. The certificate of sale issued by the Provincial Sheriff of Bulacan was registered in the Registry of Deeds and annotated at the back of the certificate of title on 17 March 1980.

One year thereafter, or on 17 March 1981 (the expiry date of the one-year redemption period under Act No. 3135), SIHI received a letter from private respondent asserting her ownership over the 555 square meters of the foreclosed land. The letter was followed, on 13 August 1981, by another communication sent this time by private respondent's son, William Ang, who offered to buy from SIHI one-half of the property for P225,000.00. SIHI did not respond to both letters. In the meantime, or on 21 April 1981, SIHI consolidated ownership over the property.

On 19 October 1981, TCT No. (170692) 9968 was canceled and replaced by TCT No. 48467 in SIHI's name.[3]

Two years later, petitioner Michael T. Uy bought the property from SIHI. The deed of sale presented for registration before the land registration authority[4] showed that petitioner obtained the property for P60,000.00 on 13 December 1983 (although another deed of sale, also dated 13 December 1983, indicated an additional purchase price of P300,000.00[5]). TCT No. 48467 in SIHI's name was canceled and TCT No. 108486 was issued to petitioner on 29 March 1984.[6]

Alleging title over the portion of the property sold to her, private respondent filed, on 11 July 1985, with the Regional Trial Court in Valenzuela, Metro Manila, a complaint for legal redemption with damages against Michael T. Uy and SIHI. Docketed Civil Case No. 2263-V-85, the complaint stated that private respondent, being a part owner of the lot, was entitled to a right of redemption when SIHI sold its part of the property to petitioner Michael Uy, evidently invoking Article 1620, in relation to Article 1623, of the Civil Code.

In his answer, petitioner averred, among other things, that he was unaware of any contract between private respondent and the Catador spouses and that, if there indeed was such a transaction, he could not be bound by it for not being registered in the Registry of Deeds. In any event, petitioner added, private respondent failed to exercise her right of redemption within the reglementary 30-day period from the time she acquired knowledge of the foreclosure sale.

SIHI filed a separate answer asseverating, mainly, that private respondent could not profess ignorance of the extrajudicial foreclosure sale because it was published in a newspaper of general circulation for three consecutive weeks, and that she should thereby be barred by estoppel from claiming any right of redemption.

During the proceedings, private respondent consigned in court the sum of P60,000.00. Petitioner refused to receive the tender. After several renewals of the deposit, on 05 January 1988, private respondent ultimately withdrew the amount.

On 30 May 1989, the trial court[7] rendered its decision (in Civil Case No. 2263-V-85) thusly:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff and against the defendants:

1. Ordering the defendant Michael T. Uy to convey via legal redemption and in favor of plaintiff, Lot No. 1551-C-1-J of subdivision plan (LRC) Psd-167118, covered by T.C.T. No. 108486, Book T.539 of the land records of Caloocan City for a consideration of SIXTY THOUSAND PESOS (P60,000.00) Philippine Currency;
2. Ordering both defendants, jointly and severally, to pay the plaintiff for damages for their failed expansion program in the amount of P100,000.00;
3. Ordering both defendants, jointly and severally, to pay plaintiff moral damages of P30,000.00; exemplary damages of P10,000.00; litigation expenses of P10,000.00; attorney's fees of P50,000.00 plus P500.00 for each day of actual appearance of counsel for the plaintiff; and to pay the costs of suit.

SO ORDERED."[8]

A motion for the reconsideration of the decision was denied by the court. Both herein petitioner and SIHI then elevated the case to the Court of Appeals.

On 05 June 1992, the Court of Appeals rendered judgment[9] affirming the decision of the court a quo except for the award of damages which was deleted. The attorney's fees were reduced.

The appellate court found the verbal agreement of sale between private respondent and the Catador spouses, to

have "long been executed and consummated, even before the mortgage was constituted." It noted that the private respondent promptly took possession of the 555-square-meter area, filled up the area with "tambak," fenced it and caused to be repaired the house thereon, thus rendering the agreement beyond the ambit of the Statute of Frauds [Article 1403 (2) (e) of the Civil Code] that requires for enforceability a written evidence of an agreement for the sale of real property. Besides, it held, the receipt issued by the Catadors (Exhibit F) served "as a ratification of the verbal transaction between the parties."

Being the "owner" of the 555-square-meter portion of the lot, private respondent, the appellate court concluded, was entitled to redeem the entire property "within thirty days from notice in writing by the prospective vendor, or by the vendor." [10] Finding that when SIHI foreclosed the mortgage on 28 February 1980, it never sent any notice of sale to private respondent, the Court of Appeals said that since she learned from petitioner's counsel of the foreclosure sale only on 22 June 1985 and then lost no time in notifying petitioner of her intention to buy the 555-square-meter portion, private respondent should be deemed to have timely exercised the right of redemption.

The Court of Appeals ruled that petitioner was not an innocent purchaser for value. It said that petitioner was "fully aware" of private respondent's possession of the land since he was staying in a land adjacent to the property in question, not to mention the fact that, on one occasion, Numeriano Catador informed petitioner himself of private respondent's interest in the latter's portion of land.

His motion for reconsideration of the appellate court's decision having been denied, [11] petitioner has interposed the instant petition [12] with the following assigned errors:

"I

RESPONDENT COURT ERRED IN CONCLUDING THAT THE ORAL CONTRACT OF SALE BETWEEN PRIVATE RESPONDENT AND THE CATADORS COVERING THE MIDDLE PORTION (555 SQ. M.) OF THE SUBJECT PROPERTY GAVE PRIVATE RESPONDENT SUPERIOR RIGHTS OVER THAT MIDDLE PORTION, AS AGAINST THE PRIOR REGISTERED RIGHTS OF SIHI AND PETITIONER OVER THE ENTIRE SUBJECT PROPERTY (4,167 SQ. M.) INCLUDING THE MIDDLE PORTION THEREOF.

A. RESPONDENT COURTS FINDING — THAT THE ORAL CONTRACT OF SALE BETWEEN PRIVATE RESPONDENT AND THE CATADORS HAD LONG BEEN EXECUTED OR CONSUMMATED EVEN BEFORE THE MORTGAGE WAS CONSTITUTED - IS PATENTLY ERRONEOUS.

B. RESPONDENT COURT FAILED TO CONSIDER THAT THE ORAL CONTRACT OF SALE OF THE 555 SQ. M. MIDDLE PORTION OF THE SUBJECT PROPERTY WAS SUBORDINATE TO THE REGISTERED RIGHTS OF SIHI, THE INNOCENT MORTGAGEE OVER THE ENTIRE SUBJECT PROPERTY (4,167 SQ. M.) INCLUDING THE MIDDLE PORTION THEREOF.

C. SIHI'S SUBSEQUENT SALE OF THE SUBJECT PROPERTY TO PETITIONER TRANSFERRED TO THE LATTER ALL THE RIGHTS AND INTEREST ACQUIRED BY THE FORMER AS PURCHASER AT THE FORECLOSURE SALE.

D. RESPONDENT COURT FAILED TO CONSIDER THAT THE ALLEGED ENFORCEABILITY OF THE ORAL CONTRACT OF SALE AS BETWEEN THE PARTIES TO IT DID NOT GIVE PRIVATE RESPONDENT BETTER RIGHTS OVER THE MIDDLE PORTION OF SUBJECT PROPERTY THAN SIHI AND PETITIONER.

II

ASSUMING ARGUENDO THAT PRIVATE RESPONDENT ACQUIRED OWNERSHIP OVER THE MIDDLE PORTION OF SUBJECT PROPERTY, RESPONDENT COURT ERRED IN HOLDING THAT SHE WAS ENTITLED TO LEGAL REDEMPTION OF THE ENTIRE SUBJECT PROPERTY."

There is partial merit in the petition.

The original agreement entered into by private respondent and the Catador spouses covered the whole property. Initially, an amount of P45,000.00 was paid to, and receipted for by, the spouses who then undertook to execute the formal deed of conveyance upon full payment of the purchase price. Private respondent thereupon took possession of a portion of the property. In the meantime, the Catador spouses executed a mortgage deed over the property in favor of SIHI. Upon learning of the mortgage, private respondent gave up her interest to acquire the whole property and settled for the confirmatory purchase of the 555-square-meter portion which she was then actually occupying. In her complaint in Civil Case No. 2263-V-85, private respondent so attested thusly:

"x x x (she) sought a re-negotiation of her transaction with her sellers and both sellers and herein plaintiff agreed that the down payment of P45,000.00 was considered as full payment for an equivalent smaller area within Lot 1551-C-1-J and thereupon sellers allowed plaintiff to choose the site consisting of 555 sqm., more or less, and plaintiff immediately occupied the same in the concept of owner, peaceful, open, public and adverse and said occupancy in 1977, continued up to the present, and she introduced improvements thereon;" (Italics supplied.)[13]

The facts that would indicate private respondent's rightful title to a specific portion of the foreclosed asset, i.e., her being in possession of the 555-square-meter area, her repairing and improving the house standing thereon, her enclosing the premises with concrete fence and a steel gate,[14] installing drainage (pipes), as well as filling up the site with earth ("tambak") and her constructing a bodega for the raw materials and supplies[15] of her "Kastiron Foundry & Machine Shop" business,[16] verily, are the circumstances that negate, rather than bolster, her claim for legal redemption over the entire property on the basis of Article 1620,[17] in relation to Article 1623,[18] of the Civil Code. The exercise of a right of legal redemption thereunder presupposes the existence of a co-ownership at the time the conveyance is made by a co-owner and when it is demanded by the other co-owner or co-owners. There is co-ownership when "the ownership of an undivided thing or right belongs to different persons." [19]

In *De la Cruz v. Cruz*, [20] where the northern half of a piece of registered land had been sold by a couple to a person who, after the other half was subsequently sold by the couple to another, sought to exercise the right of legal redemption, the Court, speaking through Mr. Justice Jose B. L. Reyes, ruled:

"x x x. Tested against the concept of co-ownership, as authoritatively expressed by the commentators, appellant is not a co-owner of the registered parcel of land, taken as a unit or subject of co-ownership, since he and the spouses do not 'have a spiritual part of a thing which is not physically divided' (3 Sanchez Roman 162), nor is each of them an 'owner of the whole, and over the whole he exercises the right of dominion, but he is at the same time the owner of a portion which is truly abstract x x x' (3 Manresa 405). The portions of appellant-plaintiff and of the defendant spouses are concretely determined and identifiable, for to the former belongs the northern half, and to the latter belongs the remaining southern half, of the land. That their respective portions are not technically described, or that said portions are still embraced in one and the same certificate of title, does not make said portions less determinable or identifiable, or distinguishable, one from the other, nor that dominion over each portion less exclusive, in their respective owners. Hence, no right of redemption among co-owners exists."

At no time in the case at bench has co-ownership over the entire lot ever existed between private respondent and

SIHI or, later, its successor Michael Uy. Not being a co-owner of Lot No. 1551-C-1-J, private respondent's plea to have her right of redemption upheld by us cannot be sustained.

For his part, petitioner may not successfully pretend to be an innocent purchaser for value of the disputed lot so as to warrant his sole ownership over the entire property and thereby preclude private respondent from asserting her prior purchase of the 555-square-meter portion thereof. The Court of Appeals, the factual findings of which we cannot ignore, said:

"We are not convinced that appellant Michael Uy can be considered innocent purchaser for value. To be sure, appellant Uy was fully aware of appellee's possession of the portion of lot in question (Tsn., December 13, 1988, p. 9). Why not, when subject property is adjacent to the land occupied by appellant Uy and his parents? Not only that; as testified to by William Ang Tee, son of appellee, he and Numeriano Catador met with appellant Uy and the latter's father, Dionisio, and in that meeting, Numeriano Catador informed Dionisio Uy that the appellee bought a 555-square-meter portion of Lot 1551-C-1-J (Tsn., June 25, 1987, p. 6); a testimonial evidence appearing to be un rebutted. Therefore, appellant Uy cannot be categorized a purchaser in good faith because he had knowledge of the prior sale to appellee of the 555 square meters under controversy." [21]

Neither can SIHI, petitioner's predecessor-in-interest, claim to be an innocent mortgagee. In *Sunshine Finance and Investment Corporation v. IAC*, [22] the Court, after reciting the general rule that a mortgagee "is under no obligation to look beyond the certificate and investigate the title of the mortgagor appearing on the face of the certificate," has thenceforth elaborated:

"Nevertheless, we have to deviate from the general rule because of the failure of the petitioner in this case to take the necessary precautions to ascertain if there was any flaw in the title of the Nolascos and to examine the condition of the property they sought to mortgage. The petitioner is an investment and financing corporation. We presume it is experienced in its business. Ascertainment of the status and condition of properties offered to it as security for the loans it extends must be a standard and indispensable part of its operations. Surely, it cannot simply rely on an examination of a Torrens certificate to determine what the subject property looks like as its condition is not apparent in the document. The land might be in a depressed area. There might be squatters on it. It might be easily inundated. It might be an interior lot, without convenient access. These and other similar factors determine the value of the property and so should be of practical concern to the petitioner.

"Curiously, the petitioner merely relied on the certificate of title to persuade it that the security offered was acceptable. It would have been so simple for it to send one of its trained investigators to make an ocular inspection of the land which, after all, was not in some remote or forbidding wilderness."

And in *Crisostomo v. Court of Appeals*, [23] we have reiterated:

"It is a well-settled rule that a purchaser or mortgagee cannot close his eyes to facts which should put a reasonable man upon his guard, and then claim that he acted in good faith under the belief that there was no defect in the title of the vendor or mortgagor. His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in the vendor's or mortgagor's title, will not make him an innocent purchaser or mortgagee for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defects as would have led to its discovery had he acted with the measure of precaution which may be required of a prudent man in a like situation."

WHEREFORE, the decision appealed from, as well as that of the trial court in Civil Case No. 2263-V-85, is SET ASIDE. Instead, a new one is RENDERED (a) upholding the right of petitioner over the lot covered by Transfer Certificate of Title No. 108486 excluding, however, the 555-square meter area bought by private respondent which ownership is similarly hereby DECLARED to be that of the latter and (b) denying the demand for legal redemption by private respondent. No special pronouncement on costs.

SO ORDERED.

Feliciano, (Chairman), Romero, Melo, and Francisco, JJ., concur.

[1] Exh. D.

[2] Private respondent also paid on 02 September 1981 the Catadors the amount of P5,400.00 representing the balance of the purchase price of P6,000.00 of a small house on the lot.

[3] Exh. 5.

[4] Exh. M-1.

[5] Exh. 1.

[6] Exh. 4.

[7] Presided by Judge Teresita Dizon-Capulong.

[8] Rollo, p. 78.

[9] Penned by Associate Justice Fidel P. Purisima and concurred in by Associate Justices Minerva P. Gonzaga-Reyes and Fermin A. Martin, Jr.

[10] Decision, p. 11. However, in the dispositive portion of its decision, the Court of Appeals affirmed without qualification or modification the dispositive portion of the decision of the lower court entitling private respondent the right to redeem Lot No. 1551-C-1-J or the entire 4,167 square meters.

[11] Rollo, pp. 56-57.

[12] SIHI also filed in this Court a petition for review on certiorari which was docketed as G.R. No. 107469 but it was "dismissed" in the Resolution of 02 December 1992, for having been filed late.

[13] Par. 5 of the Complaint in Civil Case No. 2263-V-85.

[14] Exh. W.

[15] Exh. G.

[16] Exh. K-1.

[17] ART. 1620. A co-owner of a thing may exercise the right of redemption in case the shares of all the other co-owners or of any of them, are sold to a third person. If the price of the alienation is grossly excessive, the redemptioner shall pay only a reasonable one.

Should two or more co-owners desire to exercise the right of redemption, they may only do so in proportion to the share they may respectively have in the thing owned in common.

[18] ART. 1623. The right of legal pre-emption or redemption shall not be exercised except within thirty days from the notice in writing by the prospective vendor, or by the vendor, as the case may be. The deed of sale shall not be recorded in the Registry of Property, unless accompanied by an affidavit of the vendor that he has given written notice thereof to all possible redemptioners.

The right of redemption of co-owners excludes that of adjoining owners.

[19] Art. 484, Civil Code.

[20] 32 SCRA 307.

[21] Rollo, p. 52.

[22] 203 SCRA 210, 216.

[23] 197 SCRA 833 citing *Leung Yee v. Strong Machinery Co.*, 37 Phil. 644; *RFC v. Javillonar*, 57 O.G. 39 (1961); *C.N. Hodges v. Dy Buncio and Co., Inc.*, 116 Phil 595; *Manacop v. Cansino*, 61 O.G. 21, and *Gaticana v. Gaffud*, 27 SCRA 706.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.