

SPOUSES ROY PO LAM AND JOSEFA ONG PO LAM, PETITIONERS, VS. COURT OF APPEALS AND FELIX LIM NOW JOSE LEE, RESPONDENTS.

G.R. No. 116220. December 06, 2000

Ponente: MELO, J.

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MELO, J.:

On October 13, 1999, this Division, under the ponencia of Mr. Justice Purisima handed down a decision declaring petitioners, the spouses Roy Po Lam and Josefa Ong Po Lam, as transferees pendente lite and not purchasers in good faith of Lots No. 1557 and 1558 and ordering them to reconvey said lots to private respondent Jose Lee.

Forthwith, petitioners filed a motion for reconsideration which was received hereat on November 15, 1999. Respondents thereupon filed their opposition, as well as a separate comment, to which petitioners submitted a reply.

Regrettably, however, for one reason or another, the motion for reconsideration remained unacted upon until the retirement of Justice Purisima in October, 2000, notwithstanding the fact that it was calendared or placed in the Court's agenda a number of times, as well as the urgings of both parties to have the matter resolved.

Thus, with Justice Purisima leaving the Court and, in accordance with A.M. No. 99-8-99 promulgated by the Court En Banc on February 15, 2000, the matter of the motion for reconsideration was assigned by raffle to herein ponente for study and the preparation of the appropriate action.

A review of the facts, uncontroverted though they are, is in order.

Lots No. 1557 and 1558 are prime commercial lots located in the heart of Legaspi City's commercial district. These were sold by Lim Kok Chiong to the Legaspi Avenue Hardware Company (hereafter referred to as LAHCO) sometime in the early 60's. On December 4, 1964, however, Felix Lim, Lim Kok Chiong's brother, filed a complaint with the then Court of First Instance of Albay against his brother and LAHCO to annul the deeds of sale covering said lots on the ground that the sale included the 3/14 pro-indiviso portion of the lots which Felix Lim had inherited from his foster parents. The complaint was docketed as Civil Case No. 2953 of the Court of First Instance of Albay.

On January 27, 1965, Felix Lim filed with the Register of Deeds of Albay a notice of lis pendens over the two lots. The same was inscribed on Transfer Certificates of Title No. 2580 and 2581, covering Lots No. 1557 and 1558, respectively. Later, the trial court, on motion of Felix Lim, dropped the case against Lim Kok Chiong. On March 15, 1969, the trial court rendered a decision declaring LAHCO to be the absolute owner of the two above-mentioned lots. As a consequence of its decision, the trial court ordered the cancellation of the notice of lis pendens inscribed on the titles of the two lots. Pursuant to this order, the notice of lis pendens inscribed on TCT No. 2580 was cancelled. However, the notice of lis pendens annotated on TCT No. 2581 remained uncanceled, allegedly because the duplicate owner's copy of said TCT was with the Continental Bank, Lot No. 1558 having been mortgaged by LAHCO to said bank.

Aggrieved, Felix Lim appealed to the Court of Appeals. On May 28, 1970, and during the pendency of the appeal, CA-G.R. No. 44770-R, LAHCO sold the two lots to herein petitioners, the spouses Roy Po Lam and Josefa Ong Po Lam. On May 20, 1974, petitioners, by virtue of the court order adverted to earlier, had the notice of lis pendens still inscribed on TCT No. 2581 cancelled. Felix Lim did not move for the reinstatement of the cancelled notices of lis pendens on TCT No. 2580 and 2581. Thereafter, said certificates of title were themselves cancelled and replaced by TCT No. 8102 and 13711, respectively, in the name of petitioners.

On April 29, 1980, the Court of Appeals affirmed the decision of the trial court in Civil Case No. 2953, appellant Felix Lim's counsel receiving a copy of thereof on May 16, 1980. On May 23, 1980, counsel for Felix Lim filed a motion for extension of time to file a motion for reconsideration. The appellate court gave Felix Lim up to June 20, 1980 to file one. On June 17, 1980, he filed a motion for reconsideration, which was, however, denied. Without leave of court, Felix Lim filed, on July 14, 1980, a second motion for reconsideration. This was acted upon favorably by the Court of Appeals on March 11, 1981, with the appellate court declaring that Felix Lim, by returning P20,000.00 to LAHCO, could exercise the right of redemption over the two lots sold by Lim Kok Chiong to LAHCO. Although LAHCO asked this Court for an extension of time to file a petition for review, none was ever filed, for which reason the Court remanded the case to the trial court for execution.

On November 12, 1981, Felix Lim moved, in Civil Case No. 2953, to have the March 11, 1981 resolution of the Court of Appeals annotated on TCT No. 8102 and 13711. He also moved for the issuance of a writ of execution to enforce said resolution. Likewise, he filed a motion praying that the Clerk of Court execute a deed of conveyance over the disputed lots in his favor. All these motions were denied by the trial court on the ground that the Po Lam spouses could not be bound thereby since they were not impleaded as party-litigants in Civil Case No. 2953 or CA-G.R. No. 44770-R. However, the trial court reserved to Felix Lim "the right to institute an action on whether or not the acquisition of the properties in question by spouses Roy Po Lam and Josefa Ong Po Lam were made in good faith or bad faith."

In consonance with this ruling, Felix Lim filed a complaint for reconveyance and annulment of the sale and titles of said lots with the Regional Trial Court of Legaspi City, which was docketed therein as Civil Case No. 6767.

On September 19, 1985, Felix Lim filed with the trial court, in the old case, Civil Case No. 2953, a motion to include as defendants the Po Lam spouses, as well as to execute the March 11, 1981 resolution of the Court of Appeals. Both motions were denied. On appeal (CA-G.R. No. 08533-CV), the Court of Appeals upheld the denial. Felix Lim appealed the decision to this Court.

In the meantime, in June, 1970, or one month after the Po Lam spouses had purchased the two lots from LAHCO, they leased the commercial building erected on Lot No. 1557 to private respondent Jose Lee for one year. After the contract expired, Jose Lee continued to occupy the same, paying monthly rentals therefor. However, after September 15, 1981, Jose Lee refused to pay rentals to the Po Lam spouses, informing them that he would deposit the same in court since Felix Lim had promised to sell the property to him. Lee's failure to pay rentals prompted the Po Lam spouses to file an unlawful detainer case against him with the Metropolitan Trial Court of Legaspi City.

On October 29, 1990, Felix Lim assigned all his rights to and interests in the disputed lots to Jose Lee, who then substituted Felix Lim as party plaintiff, now private respondent.

On December 19, 1993, the Metropolitan Trial Court of Legaspi City declared the Po Lam spouses to be the lawful owners of Lot No. 1557. On appeal, said judgment was affirmed by the regional trial court and thereafter, by the Court of Appeals in CA-G.R. No. 12316-SP. Aggrieved, Jose Lee filed an appeal with this Court, which consolidated the case with the appeal filed in CA-G.R. No. 08533-CV where the trial court in the original 1965

case refused to have petitioners impleaded as defendants, and to execute the March 11, 1981 resolution of the Court of Appeals, were upheld by the appellate court.

It must be mentioned that in both CA-G.R. No. 12316-SP and CA-G.R. No. 08533-CV, the appellate court ruled that the March 11, 1981 resolution of the Court of Appeals in CA-G.R. No. 44770-R was null and void on the ground that the decision it had issued earlier on April 29, 1980 had already become final and executory when the above-said resolution was promulgated. The appellate court ruled that Felix Lim's counsel should not have filed a motion for extension of time to file a motion for reconsideration, the same being a prohibited pleading under the rule laid down in *Habaluyas v. Japson* (138 SCRA 46 [1985]). Being a prohibited pleading, it was held that the extension granted to Lim did not arrest the running of the 15-day period. Thus, when Lim filed his motion for reconsideration on June 17, 1980, the same was already filed out of time, he having received a copy of the judgment of affirmance on May 16, 1980.

The above finding of the appellate court was, however, debunked by this Court in G.R. No. 84145-55 (*Lim v. Court of Appeals*, 188 SCRA 23 [1988]) where we held that *Habaluyas v. Japson* (supra) must be applied prospectively so that "when petitioner Lim filed thru registered mail on May 23, 1980 his motion for extension of time to file a motion for reconsideration, the motion was deemed properly filed contrary to the respondent court's ruling that it was a prohibited pleading."

Ruling on the appeals filed from CA-G.R. No. 12316-SP and CA-G.R. No. 08533-CV, this Court thus declared, on February 18, 1988, in *Lim vs. CA* cited in the immediately preceding paragraph that:

ACCORDINGLY, the decisions appealed from are modified. The portions of the appealed decisions dealing with the March 11, 1981 resolution in CA-G.R. No. 44770-R are reversed and set aside and the said resolution is ordered reinstated. The decisions are affirmed in all other respects. Costs against private respondents.

SO ORDERED.

In the interim, Civil Case No. 6767 for reconveyance and annulment of sale and titles filed by Felix Lim (now Jose Lee) went on until, on January 14, 1992, the Regional Trial Court of Legaspi City rendered a decision declaring the spouses Roy Po Lam and Josefa Ong Po Lam as transferees pendente lite and not purchasers in good faith. It held that the Po Lam spouses were bound by the March 11, 1981 resolution rendered in CA-G.R. No. 44770-R. The Po Lam spouses forthwith appealed to the Court of Appeals (CA-G.R. CV No. 37452) but said Court, on June 30, 1993, affirmed the trial court's decision.

The Po Lam spouses thus filed a petition for certiorari with this Court. On October 13, 1999, we denied the petition and affirmed in toto the decision of the Court of Appeals in CA-G.R. CV No. 37452. We held that the Po Lam spouses could not be deemed buyers in good faith, ratiocinating in the process:

As to Lot 1558, there is no question that they (petitioners) cannot be deemed buyers in good faith. The annotation of *lis pendens* on TCT No. 2581 which covers Lot 1558, served as notice to them that the said lot is involved in a pending litigation. Settled is the rule that one who deals with property subject of a notice of *lis pendens* cannot invoke the right of a purchaser in good faith. Neither can he acquire better rights than those of his predecessor in interest. A transferee pendente lite stands in the shoes of the transferor and is bound by any judgment or decree which may be rendered for or against the transferor. It is thus beyond cavil that the herein petitioners, who purchased Lot 1558 subject of a notice of *lis pendens*, are not purchasers in good faith and are consequently bound by the Resolution dated March 11, 1981 of the Court of Appeals.

Can petitioners then be treated purchasers in good faith of Lot 1557 covered by TCT No. 2580 considering that the notice of *lis pendens* thereon had been already cancelled at the time of the sale? We rule in the negative. It is a firmly settled jurisprudence that a purchaser cannot close his eyes to facts which should put a reasonable

man on guard and claim that he acted in good faith in the belief that there was no defect in the title of the vendor. His mere refusal to believe that such a defect exist, or his willful closing of his eyes to the possibility of the existence of a defect on his vendor's title, will not make him innocent purchaser for value, if it develops afterwards that the title was in fact defective, and it appears that he had notice of such defect as would have led to its discovery had he acted with that measure of precaution which may reasonably be required of a prudent man in like situation.

In the case under consideration, there exist circumstances which should have placed the herein petitioners on guard. As aptly stressed upon by the respondent court, while it is true that when the petitioners purchased Lot 1557, the notice of lis pendens affecting said lot had been cancelled, it could not be denied that such inscription appears on the Transfer Certificate of Title of the said lot together with the cancellation of the notice of lis pendens. This fact coupled with the non-cancellation of the notice of lis pendens on Transfer Certificate of Title No. 2581 covering Lot 1558, should have sufficiently alerted the petitioners vis-à-vis a possible defect in the title of LACHO, especially so that Lots 1557 and 1558 were simultaneously sold to the petitioners in a single deed of sale executed on May 28, 1969.

Undeterred, the Po Lam spouses filed a motion for reconsideration, alleging, inter alia, that it was error to hold them as purchasers in bad faith.

The motion for reconsideration is impressed with merit.

It must be stressed that the sole basis for finding petitioners to be purchasers in bad faith was the subsistence of the notice of lis pendens inscribed on TCT No. 2581, which covered Lot No. 1558, at the time petitioners-spouses purchased the lots in dispute. And since Lot No. 1558 was sold simultaneously with Lot No. 1557, even if the notice of lis pendens on Lot No. 1557 had already been cancelled, petitioners were held to be purchasers in bad faith even in regard to Lot No. 1557.

However, it must be pointed out that even if a notice of lis pendens on TCT No. 2581 (Lot No. 1558) was still subsisting at the time petitioners bought the property from LAHCO, there also was a court order ordering that the annotation be cancelled, as in fact, it was cancelled on May 20, 1974.

A possessor in good faith has been defined as "one who is unaware that there exists a flaw which invalidates his acquisition of the thing (See Article 526, Civil Code). Good faith consists in the possessor's belief that the person from whom he received the thing was the owner of the same and could convey his title (Piño v. CA, 198 SCRA 434 [1991]). In this case, while petitioners bought Lot No. 2581 from LAHCO while a notice of lis pendens was still annotated thereon, there was also existing a court order canceling the same. Hence, petitioners cannot be considered as being "aware of a flaw which invalidates their acquisition of the thing" since the alleged flaw, the notice of lis pendens, was already being ordered cancelled at the time of the purchase. On this ground alone, petitioners can already be considered buyers in good faith.

More importantly, however, the notice of lis pendens inscribed on TCT No. 2581 was cancelled on May 20, 1974, pursuant to the order of the trial court in Civil Case No. 2953. Felix Lim did not move for the reinstatement of the cancelled notices of lis pendens. What is the effect of this cancellation? To follow the prior ruling of the Court in the instant case, the cancellation of the notice of lis pendens would have no effect. Regardless of the cancellation of the notice of lis pendens, the Po Lam spouses are still considered as having notice of a possible defect in the title of LAHCO, making them purchasers in bad faith.

As we shall elucidate, hewing to such an interpretation misunderstands the nature and effect of a notice of lis pendens. The meaning, nature, recording, and effects of a notice of lis pendens are clearly stated in Section 14, Rule 13 of the 1997 Rules of Civil Procedure, thus:

SEC. 14. Notice of lis pendens.-- In an action affecting the title or the right of possession of real property, the plaintiff and the defendant, when affirmative relief is claimed in his answer, may record in the office of the registry of deeds of the province in which the property is situated a notice of the pendency of the action. Said notice shall contain the names of the parties and the object of the action or defense, and a description of the property in that province affected thereby. Only from the time of filing such notice for record shall a purchaser, or encumbrancer of the property affected thereby, be deemed to have constructive notice of the pendency of the action, and only of its pendency against the parties designated by their real names.

The notice of lis pendens hereinabove mentioned may be cancelled only upon order of the court, after proper showing that the notice is for the purpose of molesting the adverse party, or that it is not necessary to protect the right of the party who caused it to be recorded.

Lis pendens literally means a pending suit or a pending litigation; and the doctrine of lis pendens has been defined as the jurisdiction, power, or control which a court acquires over property involved in a suit, pending the continuance of the action, and until final judgment therein (54 C.J.S. Lis Pendens § 1). A notice of lis pendens is an announcement to the whole world that a particular real property is in litigation, serving as a warning that one who acquires an interest over said property does so at his own risk, or that he gambles on the result of the litigation over the said property (AFPMBAI v. CA, G.R. No. 104769, March 3, 2000). The filing of a notice of lis pendens charges all strangers with a notice of the particular litigation referred to therein and, therefore, any right they may thereafter acquire on the property is subject to the eventuality of the suit (Laroza v. Guia, 134 SCRA 341 [1985]). Notice of lis pendens has been conceived and, more often than not, availed of, to protect the real rights of the registrant while the case involving such rights is pending resolution or decision. With the notice of lis pendens duly recorded, and while it remains uncanceled, the registrant could rest secure that he would not lose the property or any part of it during the litigation (People v. Regional Trial Court of Manila, 178 SCRA 299 [1989]).

The filing of a notice of lis pendens in effect (1) keeps the subject matter of the litigation within the power of the court until the entry of the final judgment so as to prevent the defeat of the latter by successive alienations; and (2) binds a purchaser of the land subject of the litigation to the judgment or decree that will be promulgated thereon whether such a purchaser is a bona fide purchaser or not; but (3) does not create a non-existent right or lien (Somes v. Government, 62 Phil. 432 [1935]).

The doctrine of lis pendens is founded upon reason of public policy and necessity, the purpose of which is to keep the subject matter of the litigation within the power of the court until the judgment or decree shall have been entered; otherwise by successive alienations pending the litigation, its judgment or decree shall be rendered abortive and impossible of execution (Laroza v. Guia, supra; People v. Regional Trial Court of Manila, supra). The doctrine of lis pendens is based on considerations of public policy and convenience, which forbid a litigant to give rights to others, pending the litigation, so as to affect the proceedings of the court then progressing to enforce those rights, the rule being necessary to the administration of justice in order that decisions in pending suits may be binding and may be given full effect, by keeping the subject matter in controversy within the power of the court until final adjudication, that there may be an end to litigation, and to preserve the property that the purpose of the pending suit may not be defeated by successive alienations and transfers of title (54 C.J.S. Lis Pendens, supra).

From the above, it can be seen that the basis of the doctrine of lis pendens is public policy and convenience, under the view that once a court has taken cognizance of a controversy, it should be impossible to interfere with consummation of the judgment by any ad interim transfer, encumbrance, or change of possession (51 Am Jur 2d, Lis Pendens, § 3).

However, to hold that the Po Lam spouses are still bound by the results of the litigation over the property, despite and notwithstanding the cancellation of the notices of lis pendens prior to the termination of litigation, would consider the doctrine of lis pendens as one of implied or constructive notice. This view is erroneous.

While the doctrine of lis pendens is frequently spoken of as one of implied or constructive notice, according to many authorities, the doctrine is not founded on any idea of constructive notice, since its true foundation rests, as has already been stated, on principles of public policy and necessity. The lis pendens annotation, although considered a "general notice to all the world, . . . it is not correct to speak of it as part of the doctrine of notice; the purchaser pendente lite is affected, not by notice, but because the law does not allow litigating parties to give to others, pending the litigation, rights to the property in dispute as to prejudice the opposite party. The doctrine rests upon public policy, not notice" (Tirado v. Sevilla, 188 SCRA 321 [1990]). "The doctrine of lis pendens, as generally understood and applied by the courts of this country, is not based upon presumption of notice, but upon a public policy, imperatively demanded by a necessity which can be met and overcome in no other way. It is careless use of language which has led judges to speak of it as notice, because it happens to have in some instance similar effect with notice' (Smith v. Kimball, 13 P. 801, 36 Kan. 474)."

And since the doctrine rests on public policy, not notice, upon the cancellation of the notice of lis pendens, the Po Lam spouses cannot then be considered as having constructive notice of any defect in the title of LAHCO as to make them transferees pendente lite and purchasers in bad faith of Lots No. 1557 and 1558. To hold otherwise would render nugatory the cancellation of the notices of lis pendens inscribed on TCT Nos. 2580 and 2581. Differently stated, to hold the Po Lam spouses still bound by the notice of lis pendens inscribed on TCT No. 2581 despite its subsequent cancellation on May 20, 1974, would render said cancellation an empty, unavailing, and purposeless act, which could not have been the intent of the law. *Lex neminem cogit ad van seu inutilia peragenda*. The law will not compel one to do useless things.

As adverted to earlier, while the notice of lis pendens is duly recorded and as long as it remains uncanceled, the litigant can rest secure that he would not lose the property or any part of it during litigation. Conversely, cancellation of the notice of pendency terminates the effects of such notice. Therefore, with the cancellation of the notices of lis pendens on TCT No. 2580 and 2581, the effects of such notice were terminated, resulting in the Po Lam spouses not being bound thereby. In fine, they cannot be considered transferees pendente lite and purchasers in bad faith of the property.

Moreover, since its operation is arbitrary and it may be harsh in particular instances, the doctrine of lis pendens is to be strictly construed and applied. It should not be extended without strict necessity (54 C.J.S. Lis Pendens § 1). To consider the Po Lam spouses still bound by the notice of lis pendens even after the same had been cancelled would be extending the doctrine when there is no reason therefor.

Lastly, Felix Lim's claim is barred by the equitable principle of laches. At the time the notices of lis pendens were cancelled in 1969 and 1974, Felix Lim did not move to reinstate the same. Nor did he act when TCT No. 2580 and 2581 were replaced by TCT No. 8102 and 13711. Instead, he waited seven years, or until 1981, to have his claim on the disputed pieces of property recognized. Felix Lim's long inaction and passivity in asserting his rights over the disputed property precludes him from recovering them from petitioners-spouses.

WHEREFORE, premises considered, the Motion for Reconsideration of petitioners-spouses Roy Po Lam and Josefa Ong Po Lam is hereby GRANTED. Consequently, the decision dated October 13, 1999, is VACATED and SET ASIDE. A new judgment is hereby entered declaring petitioners-spouses to be PURCHASERS IN GOOD FAITH and Transfer Certificates of Title No. 8102 and 13711 in their name valid, without prejudice on the part of private respondent Jose Lee to file a separate action for reimbursement for the value of said property from the

Legaspi Avenue Hardware Company.

SO ORDERED.

Vitug, Panganiban, and Gonzaga-Reyes, JJ., concur.

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