SPOUSES FRANCISCO A. PADILLA AND GERALDINE S. PADILLA, PETITIONERS, VS. COURT OF APPEALS AND SPOUSES CLAUDIO AÑONUEVO AND CARMELITA AÑONUEVO, RESPONDENTS.

G.R. No. 120274. November 16, 2001

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

For review is the decision of the Court of Appeals in CA-G.R. CV No. 20442, affirming that of the Regional Trial Court of Quezon City, Branch 86, in Civil Case No. Q-49267, which held that petitioners could not compel private respondents to pay the balance of the purchase price of a parcel of land inasmuch as there was a cloud in the title of petitioners to the land in question.

The facts of the case, as summarized by the Court of Appeals, are as follows:

Petitioners, spouses Francisco and Geraldine Padilla, are the registered owners of a parcel of land covered by TCT No. 311854 issued on February 24, 1984, by the Register of Deeds of Quezon City. They sold this lot to private respondents, the spouses Claudio and Carmelita Añonuevo, for P875,680, as shown by a deed of absolute sale executed on March 4, 1985. To secure payment of the purchase price, the Añonuevos executed a chattel mortgage over a pleating machine, promising to pay the Padillas said amount in five equal installments.

On the same day the sale was made, March 4, 1985, Francisco Padilla executed a special power of attorney authorizing the Añonuevos to mortgage the land, to enable them to obtain a loan from the Equitable Venture Capital Corporation.

On March 8, 1985, the Añonuevos paid the Padillas P175,136 for the installment due on March 31, 1985.

On March 13, 1985, homeowners of Carmel Subdivisions II and II-A filed a complaint before the Quezon City RTC against the Añonuevos and the city engineer of Quezon City, for quieting of title and damages with preliminary injunction. The homeowners alleged that the lot sold to the Añonuevos is the same lot registered in the name of Carmel Subdivision. This lot, per Resolution No. 3960 of the City Council of Quezon City, was declared an open space for public use. The property was registered in the name of the subdivision under TCT No. 53162 issued by the Registry of Deeds of Quezon City on October 20, 1960, with the same technical description as the lot sold by the Padillas to the Añonuevos.

The Añonuevos paid the Padillas P75,136 for the second installment due on July 31, 1985. But thereafter they made no other payment, in view of the complaint filed by the Carmel homeowners.

Consequently, the Padillas sued the Añonuevos to compel payment of the full purchase price. After trial, the RTC ruled that the Padillas did not have any legal or moral right to compel payment since, at the time of the sale, there was a cloud in their title to the property. The Padillas appealed to the Court of Appeals, which affirmed the decision of the RTC but deleted the award of exemplary damages and attorney's fees.

The CA ruled that the Padillas could not compel payment of the purchase price since they had not complied with their obligation to deliver the subject property to the Añonuevos. According to the CA, there was no tradition in this case, under Article 1498 of the Civil Code, contrary to petitioners' (Padillas') claim. For tradition to take place, the vendor must have control over the thing sold so that, at the moment of sale, he could confer to the vendee not only ownership and right of possession but also actual control of the property. However, in the instant case, at the time the deed of absolute sale was executed, petitioners did not have material control of the lot. Carmel homeowners were using the same property as playground and claiming it as open space titled in the name of the subdivision.

The CA denied petitioners' motion for reconsideration. Hence, this petition, in which they alleged that, THE COURT OF APPEALS ERRED:

> - IN DISREGARDING AND IGNORING OFFICIAL DOCUMENTS OF THE QUEZON CITY GOVERNMENT CONFIRMING THAT THE SUBJECT LOT IS PRIVATE PROPERTY AND NOT AN OPEN SPACE;
>
> - IN HOLDING THAT THE EXECUTION OF THE DEED OF ABSOLUTE SALE OF A PARCEL OF LAND DOES NOT AMOUNT TO TRADITION UNDER ARTICLE 1498 OF THE CIVIL CODE, AND THAT PETITIONERS HAVE FAILED TO FULFILL THEIR OBLIGATION TO DELIVER ACTUAL CONTROL OF THE LOT TO PRIVATE RESPONDENTS;
>
> - IN RELYING ON THE CASE OF DANGUILAN V. INTERMEDIATE APPELLATE COURT, 168 SCRA 22, WHEREIN IT WAS HELD THAT THE THING SOLD MUST BE PLACED IN THE ACTUAL CONTROL OF THE VENDEE;
>
> - IN RELYING ON THE RULING IN CA-G.R. CV NO. 35119 NOTWITHSTANDING THAT THIS WAS STILL PENDING APPEAL BEFORE THE SUPREME COURT AT THAT TIME;
>
> - IN NOT RULING THAT PRIVATE RESPONDENTS HAVE NO RIGHT TO SUSPEND PAYMENT OF THE BALANCE OF THE PURCHASE PRICE;
>
> - IN ALLOWING PRIVATE RESPONDENTS TO RETAIN THE LOT IN QUESTION WITHOUT HAVING PAID THEREFOR, ALLOWING THEM TO ENRICH THEMSELVES AT THE EXPENSE OF PETITIONERS; AND
>
> - IN NOT ORDERING MUTUAL RESTITUTION BY THE PARTIES, WHICH IS THE RULE IN CASE OF ANNULMENT OR RESCISSION OF A DEED OF ABSOLUTE SALE.[1]

When petitioners filed this petition on June 6, 1995, we had already ruled on the issue of the validity or nullity of the title of the spouses Padilla over the subject lot, in G.R. No. 113639, entitled Claudio Añonuevo, et al. v. Court of Appeals, et al. and promulgated on May 2, 1995. We denied reconsideration of said decision in a resolution dated June 7, 1995.

That case stemmed from a complaint for quieting of title filed by Carmel homeowners against the Añonuevos, with the same factual antecedents as the present case. The trial court found for the Añonuevos but this decision was reversed by the Court of Appeals in CA-G.R. CV No. 35119. On petition for certiorari before this Court, we affirmed the decision of the Court of Appeals, which ruled in this wise:

> ACCORDINGLY, in view of all the foregoing, the decision appealed from is hereby REVERSED, and a new one is rendered DECLARING Lot II, Block 6 of LRC Plan PSD-4666, now covered under TCT No. 35735, Registry of Deeds of Quezon City, as an OPEN SPACE for public use and enjoyment; DECLARING as null and void TCT No. 35735 in the name of Francisco Padilla, married to Geraldine Padilla, and all other certificates of title derived therefrom; and, ORDERING Spouses Claudio and Carmelita Añonuevo, and all

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> persons in privy to them, their heirs and assigns, to cease and desist from disturbing the possession and control exercised by the HOMEOWNERS of Carmel II-A Subdivision, over said Lot II, Block 6.
>
> xxx[2]

With the above ruling, we are constrained to deny the instant petition for being utterly without merit. On the main issue of payment for the lot, petitioners could not compel private respondents to pay the purchase price for the property whether by installment or in full. For, clearly petitioners had nothing to sell to private respondents, since their title to the property has been declared null and void.

Moreover, on the issue of restitution raised by both petitioners and private respondents, we note that both decisions in CA-G.R. CV No. 20442 and in CA-G.R. CV No. 35119 did not provide for restitution. This issue must now be laid to rest.

Petitioners admit that private respondents paid them P175,136 for the first installment on the lot,[3] and P75,136 for the second installment,[4] or a total of P250,272. Since petitioners' title to the property sold was subsequently declared null and void, there could not be any valid sale between the parties as petitioners had nothing to convey to private respondents. Hence, petitioners were not entitled to the installment payments made by private respondents. Thus, petitioners should be ordered to return to private respondents the amounts paid with legal interest yearly of 6% thereon from the time of receipt by petitioners of the installments until fully restituted to private respondents, on the principle that no one may be allowed to unjustly enrich himself at the expense of another.[5]

Petitioners' view that private respondents should not be allowed to retain the subject lot without having fully paid therefor, as this constitutes unjust enrichment, has boomeranged. They wanted the lot returned to them along with their copy of the TCT, and the rescission of the deed of absolute sale. But petitioners proceeded from the erroneous assumption that the lot was theirs. As earlier stated, this Court has already ruled that petitioners' title to the lot is null and void. It is now declared as OPEN SPACE for public use and enjoyment under the control of the Homeowners of Carmel II-A subdivision. Clearly, therefore, petitioners could not seek the return to them of a lot not rightfully theirs.

Petitioners also insist that private respondents settle the latter's mortgage debt with Equitable Venture Capital Corporation, obtained by using the subject lot as security. However, respondent court found that the mortgage was actually entered into in the name of petitioners,[6] not private respondents. Thus, we agree that said respondents do not have any loan obligation to Equitable Venture Capital Corporation.

WHEREFORE, the instant petition is DENIED for being utterly without merit. Petitioners are ordered to return the installment payments in the total of P250,272 with legal interest of 6% yearly from the time of receipt by petitioners of the installment payments until fully restituted to private respondents. Costs against petitioners.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

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[1] Rollo, pp. 16-17.

[2] Añonuevo v. Court of Appeals, 244 SCRA 28, 30 (1995).

[3] Rollo, p. 14.

[4] Id. at 15.

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[5] CIVIL CODE, Article 22.

[6] Rollo, p. 52.

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