

RUFINA C. CAYANA, JOSEFINA C. RABINA, MERCEDES C. DE GUZMAN, AND SUSANA C. SAMBALE, PETITIONERS, VS. COURT OF APPEALS, SPS. PASTOR & ROSITA CAYABYAB, SPS. MARCELIANO & ROSALIA C...

G.R. No. 125607. March 18, 2004

Ponente: TINGA, J.

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TINGA, J.:

The petitioners, Rufina Cayana, Josefina Rabina, Mercedes de Guzman and Susana Sambale, and respondents Pastor and Marceliano Cayabyab are children of the spouses Raymundo and Eulalia Cayabyab. The other respondents, Rosita and Rosalia Cayabyab are the wives of Pastor and Marceliano Cayabyab, respectively. Respondent Rosemarie Cayabyab-Ramos is the daughter of Marceliano Cayabyab, while respondent Rafael Ramos is the former's husband. Their dispute involves two parcels of land[1] specifically described thus:

First Parcel — A parcel of land Lot A, (LRC), Psd-231284, being a portion of Plan Psu-136181, LRC Rec. No. N—8805, situated in Rosario, Lingayen, Pangasinan. Bounded on the E by Mactec River; SE by Agapito Cabrera; SW by Anselmo Cabrera; NW by Lot B of the subdivision plan, containing an area of 11,735 square meters, more or less. Covered by TCT No. 29332 and assessed at P1,730.00; and

Second Parcel — A parcel of land Lot 2-A of the subdivision plan Psd-36621, being a portion of Lot 2 described on Plan Psu-70452, GLRO Rec. No. 41762, situated in Rosario, Lingayen, Pangasinan. Bounded on the N by Ludovico Cayabyab & Agapito Cabrera; E by Eduvejas Cabrera and Lot 2-B of subdivision plan; S by Lot 2-B and W by Clemente Cruz, containing an area of 20,000 square meters more or less. Covered by TCT No. 117094, declared under Tax Decl. No. 29333 and assessed at P2,600.00.

It appears that Raymundo Cayabyab, with the marital consent of Eulalia Cayabyab, sold the First and Second Parcels to Pastor Cayabyab by virtue of two Deeds of Absolute Sale[2] respectively dated March 3, 1976 and May 13, 1965. Thereupon, Transfer Certificates of Title (TCTs) No. 117134 and 117094 covering the First and Second Parcels, respectively, were issued in the name of Pastor Cayabyab.

After the death of Raymundo Cayabyab on March 20, 1976, his wife Eulalia Cayabyab executed an Affidavit of Adverse Claim,[3] dated June 4, 1976, on the subject parcels of land, alleging that the Deeds of Absolute Sale in favor of Pastor Cayabyab were forgeries. However, on June 17, 1976, she executed another Affidavit[4] recognizing Pastor Cayabyab's title and requesting the cancellation of the adverse claims earlier annotated on the titles of the subject properties.

On February 9, 1977, Eulalia Cayabyab, together with her children, Marceliano, Mercedes, Rufina, Josefina, Susana and Alfredo, filed a Complaint[5] against Pastor and Rosita Cayabyab for the annulment of the Deeds of Absolute Sale dated March 3, 1976 and May 13, 1965 and the corresponding TCT Nos. 117134 and 117094, and reconveyance of the First and Second Parcels. They alleged that both parcels were fraudulently registered in the name of Pastor Cayabyab by means of the forged Deeds of Absolute Sale. The case was docketed as Civil Case

No. 15298.

On February 28, 1977, Pastor and Rosita Cayabyab entered into an agreement of counter guaranty with the Insurance Corporation of the Philippines (ICP) with respect to the Second Parcel.

On June 12, 1977, Pastor Cayabyab mortgaged[6] the First Parcel to the Rural Bank of Urbiztondo.

On October 10, 1977, Pastor Cayabyab sold the First Parcel to Rosafina Reginaldo for P15,000.00 by virtue of a Deed of Absolute Sale.[7] Subsequently, TCT No. 117134 was cancelled and TCT No. 124304[8] was issued in the name of Rosafina Reginaldo on October 11, 1977. On the same day, the mortgage over the First Parcel was cancelled.[9]

On December 23, 1977, Rosafina Reginaldo mortgaged[10] the First Parcel to the Rural Bank of Urbiztondo to secure a loan in the amount of P5,000.00.

Meanwhile, the proceedings in Civil Case No. 15298 proceeded. Pastor and Rosita Cayabyab filed an Answer asserting the validity of the Deeds of Absolute Sale but were subsequently declared in default after failing to appear at the pre-trial conference. Thus, the plaintiffs were allowed to present evidence ex-parte.

In a decision[11] dated June 17, 1978, the then Court of First Instance of Pangasinan declared the Deeds of Absolute Sale dated May 13, 1965 and March 3, 1976, and the corresponding TCT Nos. 117094 and 117134 covering the Second and First Parcels, respectively, null and void. The court, however, denied the prayer for reconveyance in view of the plaintiffs' evidence attesting to the fact that Eulalia Cayabyab is still the owner and possessor of the subject properties. No appeal was taken and the decision consequently became final.

On April 21, 1981, the mortgage over the First Parcel was foreclosed and the Rural Bank of Urbiztondo, as the highest bidder, bought the property.[12] The bank consolidated its title on August 2, 1982[13] and TCT No. 142479[14] cancelling TCT No. 124304 was issued in its name on August 19, 1982.

In a Deed of Absolute Sale[15] dated September 3, 1982, the Rural Bank of Urbiztondo sold the First Parcel to Marceliano and Rosalia Cayabyab for the amount of P7,221.95. Two days later, the latter were issued TCT No. 142887[16] cancelling TCT No. 142479.

For the amount of P10,000.00, Marceliano and Rosalia Cayabyab sold the First Parcel to Rafael and Rosemarie Ramos by virtue of a Deed of Absolute Sale of Real Estate Property[17] dated January 14, 1983. On January 25, 1983, TCT No. 143859[18] cancelling TCT No. 142887 was issued in the name of the Ramos spouses.

On June 8, 1983, the petitioners herein as plaintiffs, filed with the Regional Trial Court of Lingayen, Pangasinan, Branch 37, a Verified Complaint[19] docketed as Civil Case No. 15937 against Pastor and Rosita Cayabyab, Marceliano and Rosalia Cayabyab, Rafael and Rosemarie Ramos and ICP. They prayed for the annulment of the deeds of sale in favor of Rosafina Reginaldo, Marceliano and Rosalia Cayabyab, and Rafael Ramos and Rosemarie Cayabyab; cancellation of TCT Nos. 124304, 142479, 142887, and 143859 issued in favor of Rosafina Reginaldo, the Rural Bank of Urbiztondo, Marceliano and Rosalia Cayabyab and Rafael and Rosemarie Ramos, respectively; and recovery of possession of the First and Second Parcels by virtue of an alleged deed of donation inter vivos purportedly executed by Eulalia Cayabyab in favor of the petitioners herein.

As regards the Second Parcel, the plaintiffs prayed that ICP or Pastor Cayabyab, in whose name TCT No. 117094 remained, be ordered to surrender the title. It appears that ICP was not served with summons because it had already ceased to exist due to bankruptcy.[20]

The plaintiffs theorized that the documents sought to be annulled are fictitious, simulated and entered into in bad faith as the defendants had full knowledge of the pendency of, as well as the consequent decision in, Civil Case

No. 15298.

On the other hand, the defendants claimed that all the transactions over the First Parcel were entered into free from all liens and encumbrances not inscribed in the title.

Recognizing the final decision in Civil Case No. 15298 on the nullity of the Deeds of Absolute Sale and the corresponding TCTs issued in favor of Pastor Cayabyab, the trial court rendered on August 22, 1989, a Decision in Civil Case No. 15937 in favor of the plaintiffs, the dispositive portion of which provides:

WHEREFORE, judgment is hereby rendered ordering:

- The plaintiffs to be the true and lawful owners over the landholdings in question;
- The annulment of all documents pertaining thereto; namely, Exhs. C,D, & E;
- The cancellation of TCT No. 124304, TCT No. 142479; TCT No. 142887 & TCT No. 143859;
- The defendants restore possession of the landholdings in question to plaintiffs;
- The defendants to pay the plaintiffs jointly and severally the amount of P20,000.00 as moral damages;
- The defendants to pay the plaintiffs jointly and severally the amount of P5,000.00 as/for attorney's fees;
- The defendant Pastor Cayabyab and/or Insurance Corporation of the Philippines to surrender TCT No. 117094 free from all liens and encumbrances;
- The defendants to pay the plaintiffs jointly and severally the amount of P5,000.00 as exemplary damages;
- The dismissal of defendants' counterclaim; and
- The defendants to pay the costs of this suit.[21]

The respondents herein as appellants appealed to the Court of Appeals, contending that the trial court erred in applying the principle of res judicata to the judgment in Civil Case No. 15298. According to them, the institution of Civil Case No. 15937 resulted in the joinder of issues and allowed them to adduce evidence to prove ownership and possession of the subject parcels of land.

Agreeing with the appellants, the appellate court in its Decision[22] dated August 21, 1995, held that the principle of res judicata is inapplicable, there being no identity of the causes of action in Civil Case No. 15298 and Civil Case No. 15937. While both cases were for the annulment of public documents, the former covered only the Deeds of Absolute Sale dated March 3, 1976 and May 13, 1965 and the corresponding TCTs for the First and

Second Parcels. On the other hand, the latter case covered not only the annulment of the subsequent transactions over the subject parcels of land but also the recovery of possession on the basis of the alleged deed of donation inter vivos executed by Eulalia Cayabyab.

The Court of Appeals also upheld the validity of the deeds of sale and the corresponding TCTs in favor of the appellants, declaring that the affidavit cancelling the adverse claim annotated in TCT No. 117134 was duly admitted; that the subsequent sales transactions have not been proven to be simulated or fictitious; that no notice of lis pendens was recorded in the title; and that the appellees were not able to prove their claim of title having failed to present the original or certified true copy of the alleged deed of donation inter vivos or to prove the existence and due execution of the original deed.

Hence, the appellate court reversed the Decision of the trial court, accordingly declaring that the deeds of sale as well as the TCTs which emanated from them valid and enforceable, and the appellants the true and lawful owners and possessors of the properties in question. The Court of Appeals denied the appellees' Motion for Reconsideration in its Resolution[23] dated July 11, 1996.

In the instant Verified Petition[24] dated July 30, 1996, the petitioners reiterate their argument that the Deeds of Absolute Sale dated March 3, 1976 and May 13, 1965, the corresponding TCTs covering the First and Second Parcels, and the subsequent transfers of the subject properties are all null and void by virtue of the final judgment in Civil Case No. 15298 declaring them to be so. They allege that a notice of lis pendens and an affidavit of adverse claim were duly annotated on the TCTs covering the two parcels of land. Hence, Rosafina Reginaldo, Marceliano and Rosalia Cayabyab, and Rafael and Rosemarie Ramos should be considered purchasers in bad faith. The petitioners further claim that the considerations for the subsequent transfers were grossly inadequate leading to the conclusion that the respondents were motivated by a desire to execute fictitious deeds of conveyance. The petitioners also insist that the First and Second Parcels were donated to the petitioners by their mother, Eulalia Cayabyab, through an alleged Donation Inter Vivos attached to the petition as Annex "F". Finally, they reiterate that Pastor Cayabyab and ICP entered into a contract of guaranty over the Second Parcel despite the adverse claim and notice of lis pendens annotated on the title.

In their Comment[25] dated October 8, 1997, the respondents contend that whatever doubts may have been raised by Eulalia Cayabyab on the validity of Pastor Cayabyab's title were removed when she executed the Affidavit requesting the cancellation of the adverse claims inscribed in the titles. Hence, the Deeds of Absolute Sale dated March 3, 1976 and May 13, 1965 in favor of Pastor Cayabyab are legal and valid. The deed of donation inter vivos allegedly executed by Eulalia Cayabyab did not vest ownership and possession over the subject properties in favor of the petitioners because of the prior sale to Pastor Cayabyab. Besides, Eulalia Cayabyab did not have the right to donate the subject properties to the petitioners because there was no previous partition of the intestate estate of Raymundo Cayabyab.

In a Resolution dated July 27, 1998, the Court denied the instant petition for non-compliance with the Resolution of February 25, 1998, requiring the petitioners to file a reply to the respondents' Comment. The petitioners filed a Motion for Reconsideration with Reply[26] dated September 21, 1998. In our Resolution of November 16, 1998, we granted the motion, reinstated and gave due course to the petition and required the parties to submit their respective Memoranda.[27]

The pivotal issue is whether the decision in Civil Case No. 15298 operates to bar the respondents' defenses and counterclaims in Civil Case No. 15937.

The petitioners insist that the decision of the trial court in Civil Case No. 15298 has settled with finality the nullity of Pastor Cayabyab's title. Following the principle of res judicata, the respondents, as transferees of Pastor

Cayabyab, should not have been allowed to adduce evidence to prove their ownership of the subject parcels of land.

The appellate court, however, ruled that the principle of *res judicata* does not apply there being no identity of causes of action in the two cases.

The trial court and the appellate court both erred in the manner by which they treated and applied the final decision in Civil Case No. 15298 to the instant case. This error apparently stems from a misreading of the provisions in the 1997 Rules of Civil Procedure on the effect of judgments. Section 47, Rule 39 thereof provides:

SEC. 47. Effect of judgments or final orders.—The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

(a) In case of a judgment or final order against a specific thing, or in respect to the probate of a will, or the administration of the estate of a deceased person, or in respect to the personal, political, or legal condition or status of a particular person or his relationship to another, the judgment or final order is conclusive upon the title to the thing, the will or administration, or the condition, status or relationship of the person; however, the probate of a will or granting of letters of administration shall only be *prima facie* evidence of the death of the testator or intestate;

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement to the action or special proceeding, litigating for the same thing and under the same title and in the same capacity;

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessarily thereto.

The distinction between the doctrine of *res judicata*, or bar by prior judgment, under paragraph (b) above and conclusiveness of judgment under paragraph (c) is well-laid. In *Gamboa v. Court of Appeals*,^[28] we held:

There is 'bar by prior judgment' when, between the first case where the judgment was rendered and the second case which is sought to be barred, there is identity of parties, subject matter and cause of action. The judgment in the first case constitutes an absolute bar to the subsequent action. It is final as to the claim or demand in controversy, including the parties and those in privity with them, not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose and of all matters that could have been adjudged in that case. But where between the first and second cases, there is identity of parties but no identity of cause of action, the first judgment is conclusive in the second case, only as to those matters actually and directly controverted and determined and not as to matters merely involved therein.^[29]

For *res judicata* to apply, there must be (1) a former final judgment rendered on the merits; (2) the court must have had jurisdiction over the subject matter and the parties; and, (3) identity of parties, subject matter and cause of action between the first and second actions. According to the appellate court, the third requisite for the application of *res judicata* is not present in this case.

In order to determine the identity of the causes of action in Civil Case Nos. 15298 and 15937, and consequently, the application of the doctrine of *res judicata*, it is essential to consider the identity of facts essential to their maintenance, or whether the same evidence would sustain both causes of action. If the same facts or evidence would sustain both, the two actions are considered the same and covered by the rule that the judgment in the former is a bar to the subsequent action. If, however, the two actions rest upon different states of fact, or if

different proofs would be required to sustain the two actions, a judgment in one is no bar to the maintenance of the other.[30]

We find that the evidence required to prove the allegations in Civil Case No. 15937, which involves the annulment of the subsequent transactions and TCTs covering the subject parcels of land and the recovery of possession thereof on the basis of the alleged deed of donation inter vivos, is necessarily more than that required in Civil Case No. 15298, which involves only the annulment of the Deeds of Absolute Sale in favor of Pastor Cayabyab and the corresponding TCTs covering the First and Second Parcels. Furthermore, the decision in Civil Case No. 15298 necessarily turned only upon whether the Deeds of Absolute Sale were fictitious or simulated, while that in Civil Case No. 15937 will also have to include a determination of the good or bad faith of the subsequent purchasers. *Res judicata*, therefore, does not apply.

Nonetheless, the trial court and the Court of Appeals should have applied the doctrine of conclusiveness of judgment. In *Calalang v. Register of Deeds of Quezon City*,[31] the concept of conclusiveness of judgment was explained, thus:

xxx conclusiveness of judgment — states that a fact or question which was in issue in a former suit and there was judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit. Identity of cause of action is not required but merely identity of issues.[32]

Under the doctrine of conclusiveness of judgment, the final decision in Civil Case No. 15298 declaring null and void the Deeds of Absolute Sale in favor of Pastor Cayabyab and the corresponding TCTs covering the subject parcels of land precluded the Court of Appeals from further adjudicating on the validity of the said deeds and titles.

The appellate court's pronouncement that "the decision in Civil Case No. 15298 which declares null and void the deeds of absolute sale dated May 13, 1965 and March 20, 1976 and the corresponding TCT is not conclusive upon the action in Civil Case No. 15937"[33] is, therefore, flawed.

It is likewise utterly erroneous for the appellate court to have disregarded the final judgment in Civil Case No. 15298 declaring null and void the Deeds of Absolute Sale in favor of Pastor Cayabyab and the corresponding TCTs covering the two parcels of land. It is axiomatic that decisions which have long become final and executory cannot be annulled by courts and the appellate court is deprived of jurisdiction to alter the trial court's final judgment.[34]

The issue concerning the validity of the Deeds of Absolute Sale dated May 13, 1965 and March 3, 1976 and the corresponding TCTs covering the subject properties must be laid to rest. These documents cannot be relied upon by Pastor Cayabyab and his successors-in-interest as the basis of their claim of ownership over the First Parcel.

Having said that, we find it necessary still to determine whether the respondents who take title over the First Parcel from Pastor Cayabyab were purchasers in good faith, i.e., whether they bought the property without notice that some other person has a right to or interest in such property, and paid a full and fair price for the same at the

time of such purchase or before they had notice of the claim or interest of some other person in the property.[35] If so, their rights will be protected and the nullity of the Deeds of Absolute Sale and the corresponding TCTs covering the subject properties cannot be successfully invoked to invalidate the titles subsequently issued, for it has been consistently ruled that a forged deed can legally be the root of a valid title when an innocent purchaser for value intervenes.[36]

As a general rule, every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.[37] However, this principle admits of an unchallenged exception:

...a person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further except when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith; and hence does not merit the protection of the law.[38] [Emphasis supplied]

A judicious evaluation of the records and the applicable legal principles leads us to the conclusion that the subsequent purchasers of the First Parcel were not purchasers in good faith.

First. The Court notes—and it is not disputed—that Rosafina Reginaldo, the Rural Bank of Urbiztondo, Marceliano and Rosalia Cayabyab, and Rafael and Rosemarie Ramos are successors-in-interest of Pastor Cayabyab, having purchased the First Parcel after the filing of the Complaint in Civil Case No. 15298. In the case of the Rural Bank of Urbiztondo and Rafael and Rosemarie Ramos, they even purchased the property after the decision in Civil Case No. 15298 had been rendered.

The records reveal that a Petition for Certiorari and Prohibition,[39] dated November 18, 1985, was filed by Pastor and Rosita Cayabyab, Marceliano and Rosalia Cayabyab and Rafael and Rosemarie Cayabyab assailing the order and resolutions of the trial court in Civil Case No. 15937, delegating the reception of the plaintiffs' evidence ex-parte to the Branch Clerk of Court and denying the defendants' motions for reconsideration. The Court of Appeals[40] set aside the questioned order and resolutions and directed the respondent Judge to allow the defendants to adduce their evidence. The decision was anchored, among others, on the defendants' representation that the plaintiffs were neither parties nor intervenors in Civil Case No. 15298 but have only laid claim on the subject properties as donees.[41] This allegation is patently false since, as previously mentioned, Eulalia Cayabyab and her children, Marceliano, Mercedes, Rufina, Josefina, Susana and Alfredo Cayabyab, were the plaintiffs in Civil Case No. 15298. Even so, the decision apparently became one of the bases for the respondents' claim that the institution of Civil Case No. 15937 resulted in the joinder of issues thereby allowing them to adduce evidence in support of their claim of ownership and possession of the subject properties, a stand sanctioned by the appellate court in the instant case.

Second. It is important to emphasize that Marceliano Cayabyab was among the plaintiffs in Civil Case No. 15298, contrary to the vehement denial in his Answer,[42] dated July 21, 1983, in which he claimed that "answering defendants (Marceliano and Rosalia Cayabyab) are not parties to the said case and are totally strangers as regards the same." [43]

Third. During the pendency of Civil Case No. 15298, Eulalia Cayabyab and her children Alfredo, Ludovico, Marceliano, Mercedes, Susana, Rufina, Buenaventura and Josefina, filed a new case[44] for the annulment of certain documents affecting several parcels of land, including the two parcels subject of the instant petition,

against Pastor and Rosita Cayabyab and Rosafina Reginaldo. This was revealed by the respondents themselves in their Comment[45] dated October 8, 1997 and Memorandum[46] dated January 20, 1999.

Parenthetically, in order to bolster their claim of valid title, the respondents constantly underscore the fact that Eulalia Cayabyab executed an Affidavit[47] dated June 17, 1976, affirming the genuineness of the Deeds of Absolute Sale in favor of Pastor Cayabyab and requesting the cancellation of the adverse claims annotated on the TCTs covering the First and Second Parcels. It should be noted, however, that after executing the Affidavit on June 17, 1976, Eulalia Cayabyab herself filed a Complaint (Civil Case No. 15298) for the annulment of the Deeds of Absolute Sale and the reconveyance of the subject properties on February 9, 1977. It is beyond this Court's power to hypothesize on the reasons for Eulalia Cayabyab's change of mind. What is clear is that the trial court rendered a decision in Civil Case No. 15298 which subsequently became final. Eulalia Cayabyab's Affidavit which was executed before the institution of Civil Case No. 15298 cannot, by any means, be construed as a bar to the final decision declaring Pastor Cayabyab's titles null and void.

Curiously, the respondents never questioned the petitioners' assertion that a notice of lis pendens was annotated at the back of the TCT covering the First Parcel. The trial court did not rule on this point but the Court of Appeals declared that there was no such notice annotated on TCT No. 117134. Whether there was an annotation inscribed in TCT No. 117134 will not, however, affect the Court's finding that the respondents are not purchasers in good faith.

To summarize, the records disclose circumstances indicating that Rosafina Reginaldo, the Rural Bank of Urbiztondo and the respondents Marceliano and Rosalia Cayabyab and Rafael and Rosemarie Ramos were not purchasers in good faith.

Rosafina Reginaldo purchased the First Parcel during the pendency of Civil Case No. 15298. Moreover, she was one of the defendants, together with Pastor and Rosita Cayabyab, in Civil Case No. SCC-552 filed by Eulalia Cayabyab and her children Alfredo, Ludovico, Marceliano, Mercedes, Susana, Rufina, Buenaventura and Josefina for the annulment of certain documents concerning several parcels of land, among which was the First Parcel.

As for the Rural Bank of Urbiztondo, it became a mortgagee of the First Parcel initially on June 12, 1977 and later, on December 23, 1977, after the filing of the Complaint in Civil Case No. 15298 on February 9, 1977. After the decision in the case became final, the bank purchased the property during foreclosure proceedings. It later sold the property to Marceliano Cayabyab, one of the plaintiffs in Civil Case No. 15298.

As regards Marceliano, his participation in Civil Case Nos. 15298 and SCC-552 seals his knowledge of the petitioners' claim over the subject properties.

Likewise, Rafael and Rosemarie Ramos cannot feign ignorance of the proceedings in Civil Case No. 15298 and the final decision therein declaring null and void the Deeds of Absolute Sale and the corresponding TCTs issued in the name of Pastor Cayabyab. The fact that the parties are family members also convinces the Court that the respondents' assertion of lack of knowledge of Civil Case No. 15298 and the petitioners' claim over the subject properties is a mere pretext.

As regards the Second Parcel, it is not disputed that TCT No. 117094 is in Pastor Cayabyab's name and possession. Emanating, as it did, from the final decision in Civil Case No. 15298, Pastor Cayabyab's title is null and void.

The final issue pertains to the deed of donation inter vivos allegedly executed by Eulalia Cayabyab in favor of the petitioners. The trial court sustained the existence and validity of the deed and declared the plaintiffs, the petitioners herein, to be the true and lawful owners of the subject properties.

Interestingly, petitioner Rufina Cayana verified the existence of the deed of donation inter vivos on direct examination. She declared:

Q: You said, you know the two parcels of land, subject of this litigation, why do you know them?

A: I know them, sir, because I am one of the owners of said parcels of land.

Q: Who are your co-owners?

A: Mercedes C. de Guzman, Josefina C. Rabina and Susana C. Sambale, sir.

Q: How did you and your co-owners acquire these two parcels of land?

A: By way of donation intervivos executed by our mother, Eulalia Aquino Vda. De Cayabyab, sometime on January 5, 1980, sir.

Q: Do you have a copy of that donation intervivos?

A: Yes, sir.

Q: Showing to you this document, entitled ‘Donation Inter-Vivos’, will you go over this if this is the same document you are referring to?

A: Yes, sir, that is the one.

ATTY. PALMA:

May we pray that this document be marked as Exh. A.[48] [Emphasis supplied.]

Petitioner Josefina Rabina also confirmed the existence of the deed. She testified:

Q: Is there any document regarding the donation?

A: Yes, sir.

Q: Showing to you this deed of donation, is this the deed of donation you are referring to?

A: Yes, sir.

Q: There is a signature above the typewritten name ‘Eulalia Aquino Vda. De Cayabyab,’ do you know those (sic) signature is that?

A: Yes, sir, this is the signature of my mother.[49] [Emphasis supplied.]

The appellate court, however, pronounced that the petitioners were not able to prove their claim of ownership of

the subject properties as they failed to present the original or certified true copy of the deed of donation inter vivos. The Court of Appeals, in fact, held that the purported Exhibit “A” is actually the allegation on the existence of the alleged deed contained in the complaint itself.[50]

Due to the conflicting findings of the trial court and the appellate court, we requested[51] the transmittal to this Court of, among others, the deed of donation inter vivos marked as Exhibit “A” for the plaintiffs during the direct examination of Rufina Cayana. In her reply dated September 2, 2002, the clerk of court informed the Court that the entire original records of Civil Case No. 15937, including Exhibit “A,” were listed in the trial court’s records as among the exhibits forwarded to the Court of Appeals.

However, except for the Index of Exhibits for the Plaintiffs-Appellees[52] which lists Exhibit “A,” the records of this case are bereft of any showing that the plaintiffs formally offered in evidence the original or certified true copy of the deed of donation inter vivos purportedly executed by Eulalia Cayabyab. The fact that it was only when they filed the instant petition that the petitioners actually attached as Annex “F”[53] a copy of the said deed is further proof of the petitioners’ lapse. As a rule, the court shall not consider evidence which has not been formally offered.[54] This being so, the donation in favor of the petitioners cannot be upheld.

This leaves us with the question of who the rightful owners of the subject properties are. The Court holds that the First and Second Parcels properly belong to the estate of Raymundo and Eulalia Cayabyab, the same to be partitioned in accordance with the law on succession.

WHEREFORE, the Decision and Resolution of the Court of Appeals are hereby REVERSED and the Decision of the trial court is accordingly REINSTATED but with the modification that the First and Second Parcels should be included in the estate of Raymundo and Eulalia Cayabyab and partitioned in accordance with the law on succession.

SO ORDERED.

Quisumbing, (Acting Chairman), Austria-Martinez, and Callejo, Sr., JJ., concur.

Puno, J., (Chairman), on leave.

[1] RTC Records, pp. 1-2, Verified Complaint.

[2] Id. at 7-8.

[3] Id. at 320-321.

[4] Id. at 322.

[5] CA Records, pp. 33-39.

[6] Supra, note 1 at 323, Real Estate Mortgage.

[7] Id. at 325, Deed of Absolute Sale.

[8] Id. at 326.

[9] Id. at 324, Cancellation and Discharge of Mortgage.

[10] Id. at 327, Real Estate Mortgage.

- [11] Supra, note 5 at 41-43.
- [12] Supra, note 1 at 328, Certificate of Sale.
- [13] Id. at 330, Affidavit of Consolidation.
- [14] Id. at 331.
- [15] Id. at 332.
- [16] Id. at 333.
- [17] Id. at 334.
- [18] Id. at 336.
- [19] Id. at 1-5.
- [20] Id. at 14, Return of Service.
- [21] Rollo, pp. 12-20.
- [22] Penned by Associate Justice Corona Ibay-Somera and concurred in by Associate Justices Justo P. Torres, Jr. (later Supreme Court Associate Justice) and Celia Lipana-Reyes; Rollo, pp. 21-39.
- [23] Supra, note 21 at 42.
- [24] Id. at 3-8
- [25] Id. at 76-88.
- [26] Id. at 162-177.
- [27] Petitioners' Memorandum dated January 8, 1999 at Rollo, pp. 199-214; Respondents' Memorandum dated January 20, 1999 at Rollo, pp. 216-231.
- [28] 108 SCRA 1 (1981), citing *Comilang v. Court of Appeals*, 65 SCRA 77-78; See also *Islamic Directorate of the Philippines v. Court of Appeals*, 338 Phil. 970 (1997).
- [29] Id. at 17.
- [30] *Pagsisihan v. Court of Appeals*, 95 SCRA 540 (1980).
- [31] 231 SCRA 88 (1994). See also *Intestate Estate of the Late Don Mariano San Pedro y Esteban v. Court of Appeals*, 265 SCRA 733 (1996).
- [32] Id. at 100, citing *Nabus v. Court of Appeals*, 193 SCRA 732 (1991).
- [33] Supra, note 21 at 29.
- [34] *Alabanzas v. Intermediate Appellate Court*, 204 SCRA 304 (1991).
- [35] *Tenio-Obsequio v. Court of Appeals*, 230 SCRA 550 (1994).
- [36] *Tenio-Obsequio*, citing *Mallorca, et al. v. De Ocampo, et al.*, G.R. No. L-26852, March 25, 1970, 32 SCRA 48; *Torres v. Court of Appeals, et al.*, G.R. No. 63046, June 21, 1990, 186 SCRA 672; *Philippine National Bank v. Court of Appeals, et al.*, G.R. No. 43972, July 24, 1990, 187 SCRA 735; See also *Sandoval v. Court of Appeals*, 329 Phil. 48 (1996), citing *Fule v. Legare*, G.R. No. L-17951, February 28, 1963, 7 SCRA 351, citing

Director of Lands v. Addison, 49 Phil. 19.

[37] Tenio-Obsequio, *supra*, citing Director of Lands v. Abache, et al., 73 Phil. 606 (1942); Lopez, et al. v. Court of Appeals, et al., G.R. No. L-49739, January 20, 1989, 169 SCRA 271.

[38] Sandoval v. Court of Appeals, *supra*, at 60.

[39] *Supra*, note 1 at 166-176.

[40] *Id.* at 217-229, Decision dated July 21, 1986.

[41] *Id.* at 228.

[42] *Supra*, note 1 at 31-34, Answer to the Verified Complaint.

[43] *Id.* at 31.

[44] Civil Case No. SCC-552.

[45] *Supra*, note 21 at 76-88, 84.

[46] *Id.* at 216-231, 224.

[47] *Supra*, note 1 at 322.

[48] TSN, June 3, 1985, pp. 5-6.

[49] TSN, June 3, 1985, p. 24.

[50] *Supra*, note 21 at 36.

[51] Letter addressed to the Clerk of Court, Regional Trial Court, Branch 37, Lingayen, Pangasinan, dated July 31, 2002; Rollo, p. 237.

[52] *Supra*, note 5 at 7.

[53] *Supra*, note 21 at 44.

[54] Sec. 34, Rule 132, Rules of Court.

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