

NATALIA CARPENA OPULENCIA, PETITIONER, VS. COURT OF APPEALS, ALADIN SIMUNDAC AND MIGUEL OLIVAN, RESPONDENTS.

G.R. No. 125835. July 30, 1998

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.

Is a contract to sell a real property involved in testate proceedings valid and binding without the approval of the probate court?

Statement of the Case

This is the main question raised in this petition for review before us, assailing the Decision[1] of the Court of Appeals[2] in CA-GR CV No. 41994 promulgated on February 6, 1996 and its Resolution[3] dated July 19, 1996. The challenged Decision disposed as follows:

“WHEREFORE, premises considered, the order of the lower court dismissing the complaint is SET ASIDE and judgment is hereby rendered declaring the CONTRACT TO SELL executed by appellee in favor of appellants as valid and binding, subject to the result of the administration proceedings of the testate Estate of Demetrio Carpena.

SO ORDERED.” [4]

Petitioner’s Motion for Reconsideration was denied in the challenged Resolution.[5]

The Facts

The antecedent facts, as succinctly narrated by Respondent Court of Appeals are:

“In a complaint for specific performance filed with the court a quo [herein private respondents] Aladin Simundac and Miguel Oliven alleged that [herein petitioner] Natalia Carpena Opuencia executed in their favor a “CONTRACT TO SELL” Lot 2125 of the Sta. Rosa Estate, consisting of 23,766 square meters located in Sta. Rosa, Laguna at P150.00 per square meter; that plaintiffs paid a downpayment of P300,000.00 but defendant, despite demands, failed to comply with her obligations under the contract. [Private respondents] therefore prayed that [petitioner] be ordered to perform her contractual obligations and to further pay damages, attorney’s fee and litigation expenses.

In her traverse, [petitioner] admitted the execution of the contract in favor of plaintiffs and receipt of P300,000.00 as downpayment. However, she put forward the following affirmative defenses: that the property subject of the contract formed part of the Estate of Demetrio Carpena (petitioner’s father), in respect of which a petition for probate was filed with the Regional Trial Court, Branch 24, Biñan, Laguna; that at the time the contract was executed, the parties were aware of the pendency of the probate proceeding; that the contract to sell was not approved by the probate court; that realizing the nullity of the contract [petitioner] had offered to return the downpayment received from [private respondents], but the latter refused to accept it; that [private respondents] further failed to provide funds for the tenant who demanded P150,00.00 in payment of his

tenancy rights on the land; that [petitioner] had chosen to rescind the contract.

At the pre-trial conference the parties stipulated on [sic] the following facts:

1. That on February 3, 1989, [private respondents] and [petitioner] entered into a contract to sell involving a parcel of land situated in Sta. Rosa, Laguna, otherwise known as Lot No. 2125 of the Sta. Rosa Estate.
2. That the price or consideration of the said sell [sic] is P150.00 per square meters;
3. That the amount of P300,000.00 had already been received by [petitioner];
4. That the parties have knowledge that the property subject of the contract to sell is subject of the probate proceedings;
5. That [as] of this time, the probate Court has not yet issued an order either approving or denying the said sale. (p. 3, appealed Order of September 15, 1992, pp. 109-112, record).

[Private respondents] submitted their evidence in support of the material allegations of the complaint. In addition to testimonies of witnesses, [private respondents] presented the following documentary evidences: (1) Contract to Sell (Exh A); (2) machine copy of the last will and testament of Demetrio Carpena (defendant's father) to show that the property sold by defendant was one of those devised to her in said will (Exh B); (3) receipts signed by defendant for the downpayment in the total amount of P300,000.00 (Exhs C, D & E); and (4) demand letters sent to defendant (Exhs F & G).

It appears that [petitioner], instead of submitting her evidence, filed a Demurrer to Evidence. In essence, defendant maintained that the contract to sell was null and void for want of approval by the probate court. She further argued that the contract was subject to a suspensive condition, which was the probate of the will of defendant's father Demetrio Carpena. An Opposition was filed by [private respondents]. It appears further that in an Order dated December 15, 1992 the court a quo granted the demurrer to evidence and dismissed the complaint. It justified its action in dismissing the complaint in the following manner:

It is noteworthy that when the contract to sell was consummated, no petition was filed in the Court with notice to the heirs of the time and place of hearing, to show that the sale is necessary and beneficial. A sale of properties of an estate as beneficial to the interested parties must comply with the requisites provided by law, (Sec. 7, Rule 89, Rules of Court) which are mandatory, and without them, the authority to sell, the sale itself, and the order approving it, would be null and void ab initio. (*Arcilla vs. David*, 77 Phil. 718, *Gabriel, et al., vs. Encarnacion, et al.*, L-6736, May 4, 1954; *Bonaga vs. Soler*, 2 Phil. 755) Besides, it is axiomatic that where the estate of a deceased person is already the subject of a testate or intestate proceeding, the administrator cannot enter into any transaction involving it without prior approval of the probate Court. (*Estate of Obave, vs. Reyes*, 123 SCRA 767).

As held by the Supreme Court, a decedent's representative (administrator) is not estopped from questioning the validity of his own void deed purporting to convey land. (*Bona vs. Soler*, 2 Phil. 755). In the case at bar, the [petitioner,] realizing the illegality of the transaction[,] has interposed the nullity of the contract as her defense, there being no approval from the probate Court, and, in good faith offers to return the money she received from the [private respondents]. Certainly, the administratrix is not estop[ped] from doing so and the action to declare the inexistence of contracts do not prescribe. This is what precipitated the filing of [petitioner's] demurrer to evidence.”[6]

The trial court's order of dismissal was elevated to the Court of Appeals by private respondents who alleged:

- “1. The lower court erred in concluding that the contract to sell is null and void, there being no approval of the probate court.
2. The lower court erred in concluding that [petitioner] in good faith offers to return the money to [private

respondents].

3. The lower court erred in concluding that [petitioner] is not under estoppel to question the validity of the contract to sell.

4. The lower court erred in not ruling on the consideration of the contract to sell which is tantamount to plain unjust enrichment of [petitioner] at the expense of [private respondents].”[7]

Public Respondent’s Ruling

Declaring the Contract to Sell valid, subject to the outcome of the testate proceedings on Demetrio Carpena’s estate, the appellate court set aside the trial court’s dismissal of the complaint and correctly ruled as follows:

“It is apparent from the appealed order that the lower court treated the contract to sell executed by appellee as one made by the administratrix of the Estate of Demetrio Carpena for the benefit of the estate. Hence, its main reason for voiding the contract in question was the absence of the probate court’s approval. Presumably, what the lower court had in mind was the sale of the estate or part thereof made by the administrator for the benefit of the estate, as authorized under Rule 89 of the Revised Rules of Court, which requires the approval of the probate court upon application therefor with notice to the heirs, devisees and legatees.

However, as adverted to by appellants in their brief, the contract to sell in question is not covered by Rule 89 of the Revised Rules of Court since it was made by appellee in her capacity as an heir, of a property that was devised to her under the will sought to be probated. Thus, while the document inadvertently stated that appellee executed the contract in her capacity as “executrix and administratrix” of the estate, a cursory reading of the entire text of the contract would unerringly show that what she undertook to sell to appellants was one of the “other properties given to her by her late father,” and more importantly, it was not made for the benefit of the estate but for her own needs. To illustrate this point, it is apropos to refer to the preambular or preliminary portion of the document, which reads:

WHEREAS, the SELLER is the lawful owner of a certain parcel of land, which is more particularly described as follows:

WHEREAS, the SELLER suffers difficulties in her living and has forced to offer the sale of the above-described property, “which property was only one among the other properties given to her by her late father,” to anyone who can wait for complete clearance of the court on the Last Will Testament of her father.

WHEREAS, the SELLER in order to meet her need of cash, has offered for sale the said property at ONE HUNDRED FIFTY PESOS (150.00) Philippine Currency, per square meter unto the BUYERS, and with this offer, the latter has accepted to buy and/or purchase the same, less the area for the road and other easements indicated at the back of Transfer Certificate of Title No. 2125 duly confirmed after the survey to be conducted by the BUYER’s Licensed Geodetic Engineer, and whatever area [is] left. (Emphasis added).

To emphasize, it is evident from the foregoing clauses of the contract that appellee sold Lot 2125 not in her capacity as executrix of the will or administratrix of the estate of her father, but as an heir and more importantly as owner of said lot which, along with other properties, was devised to her under the will sought to be probated. That being so, the requisites stipulated in Rule 89 of the Revised Rules of Court which refer to a sale made by the administrator for the benefit of the estate do not apply.

It is noteworthy that in a Manifestation filed with this court by appellants, which is not controverted by appellee, it is mentioned that the last will and testament of Demetrio Carpena was approved in a final judgment rendered in Special Proceeding No. B-979 by the Regional Trial Court, Branch 24 Binan, Laguna. But of course such approval does not terminate the proceeding[s] since the settlement of the estate will ensue. Such proceedings will consist, among others, in the issuance by the court of a notice to creditors (Rule 86), hearing of money claims and payment of taxes and estate debts (Rule 88) and distribution of the residue to the heirs or

persons entitled thereto (Rule 90). In effect, the final execution of the deed of sale itself upon appellants' payment of the balance of the purchase price will have to wait for the settlement or termination of the administration proceedings of the Estate of Demetrio Carpena. Under the foregoing premises, what the trial court should have done with the complaint was not to dismiss it but to simply put on hold further proceedings until such time that the estate or its residue will be distributed in accordance with the approved will.

The rule is that when a demurrer to the evidence is granted by the trial court but reversed on appeal, defendant loses the right to adduce his evidence. In such a case, the appellate court will decide the controversy on the basis of plaintiff's evidence. In the case at bench, while we find the contract to sell valid and binding between the parties, we cannot as yet order appellee to perform her obligations under the contract because the result of the administration proceedings of the testate Estate of Demetrio Carpena has to be awaited. Hence, we shall confine our adjudication to merely declaring the validity of the questioned Contract to Sell."

Hence, this appeal.[8]

The Issue

Petitioner raises only one issue:

"Whether or not the Contract to Sell dated 03 February 1989 executed by the [p]etitioner and [p]rivate [r]espondent[s] without the requisite probate court approval is valid."

The Court's Ruling

The petition has no merit.

Contract to Sell Valid

In a nutshell, petitioner contends that "where the estate of the deceased person is already the subject of a testate or intestate proceeding, the administrator cannot enter into any transaction involving it without prior approval of the Probate Court." [9] She maintains that the Contract to Sell is void because it was not approved by the probate court, as required by Section 7, Rule 89 of the Rules of Court:

"SEC. 7. Regulations for granting authority to sell, mortgage, or otherwise encumber estate. – The court having jurisdiction of the estate of the deceased may authorize the executor or administrator to sell, mortgage, or otherwise encumber real estate, in cases provided by these rules and when it appears necessary or beneficial, under the following regulations:

xxx"

Insisting that the above rule should apply to this case, petitioner argues that the stipulations in the Contract to Sell require her to act in her capacity as an executrix or administratrix. She avers that her obligation to eject tenants pertains to the administratrix or executrix, the estate being the landlord of the said tenants.[10] Likewise demonstrating that she entered into the contract in her capacity as executor is the stipulation that she must effect the conversion of subject land from irrigated rice land to residential land and secure the necessary clearances from government offices. Petitioner alleges that these obligations can be undertaken only by an executor or administrator of an estate, and not by an heir.[11]

The Court is not persuaded. As correctly ruled by the Court of Appeals, Section 7 of Rule 89 of the Rules of Court is not applicable, because petitioner entered into the Contract to Sell in her capacity as an heiress, not as an executrix or administratrix of the estate. In the contract, she represented herself as the "lawful owner" and seller of the subject parcel of land.[12] She also explained the reason for the sale to be "difficulties in her living" conditions and consequent "need of cash." [13] These representations clearly evince that she was not acting on

behalf of the estate under probate when she entered into the Contract to Sell. Accordingly, the jurisprudence cited by petitioner has no application to the instant case.

We emphasize that hereditary rights are vested in the heir or heirs from the moment of the decedent's death.[14] Petitioner, therefore, became the owner of her hereditary share the moment her father died. Thus, the lack of judicial approval does not invalidate the Contract to Sell, because the petitioner has the substantive right to sell the whole or a part of her share in the estate of her late father.[15] Thus, in *Jakosalem vs. Rafols*,[16] the Court resolved an identical issue under the old Civil Code and held:

“Article 440 of the Civil Code provides that ‘the possession of hereditary property is deemed to be transmitted to the heir without interruption from the instant of the death of the decedent, in case the inheritance be accepted.’ And Manresa with reason states that upon the death of a person, each of his heirs ‘becomes the undivided owner of the whole estate left with respect to the part or portion which might be adjudicated to him, a community of ownership being thus formed among the coowners of the estate while it remains undivided.’ xxx And according to article 399 of the Civil Code, every part owner may assign or mortgage his part in the common property, and the effect of such assignment or mortgage shall be limited to the portion which may be allotted him in the partition upon the dissolution of the community. Hence, where some of the heirs, without the concurrence of the others, sold a property left by their deceased father, this Court, speaking thru its then Chief Justice Cayetano Arellano, said that the sale was valid, but that the effect thereof was limited to the share which may be allotted to the vendors upon the partition of the estate.”

Administration of the Estate Not Prejudiced by the Contract to Sell

Petitioner further contends that “[t]o sanction the sale at this stage would bring about a partial distribution of the decedent's estate pending the final termination of the testate proceedings.”[17] This becomes all the more significant in the light of the trial court's finding, as stated in its Order dated August 20, 1997, that “the legitime of one of the heirs has been impaired.”[18]

Petitioner's contention is not convincing. The Contract to Sell stipulates that petitioner's offer to sell is contingent on the “complete clearance of the court on the Last Will Testament of her father.”[19] Consequently, although the Contract to Sell was perfected between the petitioner and private respondents during the pendency of the probate proceedings, the consummation of the sale or the transfer of ownership over the parcel of land to the private respondents is subject to the full payment of the purchase price and to the termination and outcome of the testate proceedings. Therefore, there is no basis for petitioner's apprehension that the Contract to Sell may result in a premature partition and distribution of the properties of the estate. Indeed, it is settled that “the sale made by an heir of his share in an inheritance, subject to the pending administration, in no wise stands in the way of such administration.”[20]

Estoppel

Finally, petitioner is estopped from backing out of her representations in her valid Contract to Sell with private respondents, from whom she had already received P300,000 as initial payment of the purchase price. Petitioner may not renege on her own acts and representations, to the prejudice of the private respondents who have relied on them.[21] Jurisprudence teaches us that neither the law nor the courts will extricate a party from an unwise or undesirable contract he or she entered into with all the required formalities and with full awareness of its consequences.[22]

WHEREFORE, the petition is hereby DENIED and the assailed Decision of the Court of Appeals AFFIRMED. Costs against petitioner.

SO ORDERED.

Davide, Jr., (Chairman), Bellosillo, Vitug, and Quisumbing, JJ., concur.

[1] Rollo, pp. 21-27.

[2] Sixteenth Division composed of J. Godardo A. Jacinto, ponente; with the concurrence of J. Salome A. Montoya, chairman; and J. Oswaldo D. Agcaoili, member.

[3] Rollo, p. 29.

[4] Decision, p. 8; Rollo, p. 27.

[5] Rollo, p. 29.

[6] Decision of the Court of Appeals, pp. 1-3; Rollo, pp. 21-23.

[7] Appellants' Brief before the Court of Appeals, p. 1.

[8] The case was deemed submitted for resolution on December 1, 1997 when the Court received Petitioner's Memorandum.

[9] Memorandum for the Petitioner, p. 7; Rollo, p. 81.

[10] Petitioner's Memorandum, pp. 5-6; Rollo, pp. 79-80.

[11] Ibid., p. 6; Rollo, p. 80.

[12] Contract to Sell, p. 1; record, p. 5.

[13] Ibid.

[14] Art. 777, Civil Code, provides:

“The rights to the succession are transmitted from the moment of the death of the decedent. “

[15] Go Ong vs. Court of Appeals, 154 SCRA 270, 276-277, September 24, 1987; and De Borja vs. Vda. de de Borja, 46 SCRA 577, 589, August 18, 1972.

[16] 73 Phil. 628-629 (1942), per Moran, J.

[17] Petitioner's Memorandum, p. 7; Rollo, p. 81.

[18] Ibid.

[19] Record, p. 5.

[20] Go Ong vs. Court of Appeals, per Paras, J., supra, p. 277; citing Jakosalem vs. Rafols, 73 Phil 628 (1942).

[21] Laureano Investment and Development Corporation vs. Court of Appeals, 272 SCRA 253, 263, May 6, 1997; citing Caltex (Philippines), Inc. vs. Court of Appeals, 212 SCRA 448, 457, August 10, 1992.

[22] Esguerra vs. Court of Appeals, 267 SCRA 380, 393, February 3, 1997, citing Republic vs. Sandiganbayan, 226 SCRA 314, September 10, 1993.

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