

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS),
PETITIONER, VS. COURT OF APPEALS, HON. PERCIVAL LOPEZ,
AYALA CORPORATION AND AYALA LAND, INC., RESPONDENTS.**

G.R. No. 126000. October 07, 1998

Ponente: MARTINEZ, J.

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MARTINEZ, J.:

These are consolidated petitions for review emanating from Civil Case No. Q-93-15266 of the Regional Trial Court of Quezon City, Branch 78, entitled "Metropolitan Waterworks and Sewerage System (hereafter MWSS) vs. Capitol Hills Golf & Country Club Inc. (hereafter, CHGCCI), STC (hereafter, SILHOUETTE), Ayala Corporation, Ayala Land, Inc.(hereafter AYALA) Pablo Roman, Jr., Josefino Cenizal, Jose A. Roxas, Jesus Hipolito, Alfredo Juinio, National Treasurer of the Philippines and the Register of Deeds of Quezon City."

From the voluminous pleadings and other documents submitted by the parties and their divergent styles in the presentation of the facts, the basic antecedents attendant herein are as follows:

Sometime in 1965, petitioner MWSS (then known as NAWASA) leased around one hundred twenty eight (128) hectares of its land (hereafter, subject property) to respondent CHGCCI (formerly the International Sports Development Corporation) for twenty five (25) years and renewable for another fifteen (15) years or until the year 2005, with the stipulation allowing the latter to exercise a right of first refusal should the subject property be made open for sale. The terms and conditions of respondent CHGCCI's purchase thereof shall nonetheless be subject to presidential approval.

Pursuant to Letter of Instruction (LOI) No. 440 issued on July 29, 1976 by then President Ferdinand E. Marcos directing petitioner MWSS to negotiate the cancellation of the MWSS-CHGCCI lease agreement for the disposition of the subject property, Oscar Ilustre, then General Manager of petitioner MWSS, sometime in November of 1980 informed respondent CHGCCI, through its president herein respondent Pablo Roman, Jr., of its preferential right to buy the subject property which was up for sale. Valuation thereof was to be made by an appraisal company of petitioner MWSS's choice, the Asian Appraisal Co., Inc. which, on January 30, 1981, pegged a fair market value of P40.00 per square meter or a total of P53,800,000.00 for the subject property.

Upon being informed that petitioner MWSS and respondent CHGCCI had already agreed in principle on the purchase of the subject property, President Marcos expressed his approval of the sale as shown in his marginal note on the letter sent by respondents Jose Roxas and Pablo Roman, Jr. dated December 20, 1982.

The Board of Trustees of petitioner MWSS thereafter passed Resolution 36-83, approving the sale of the subject property in favor of respondent SILHOUETTE, as assignee of respondent CHGCCI, at the appraised value given by Asian Appraisal Co., Inc. Said Board Resolution reads:

"NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, that in accordance with Section 3, Par. (g) of the MWSS Charter and subject to the approval of the President of the Philippines, the sale of a parcel of

land located in Balara, Quezon City, covered by TCT No. 36069 of the Registry of Deeds of Quezon City, containing an area of ONE HUNDRED TWENTY SEVEN (127.313) hectares more or less, which is the remaining portion of the area under lease after segregating a BUFFER ZONE already surveyed along the undeveloped area near the treatment plant and the developed portion of the CHGCCCI golf course, to SILHOUETTE TRADING CORPORATION as Assignee of Capitol Hills Golf & Country Club, Inc., at FORTY (P40.00) PESOS per square meter, be and is hereby approved.

"BE IT RESOLVED FURTHER, that the General Manager be authorized, as he is hereby authorized to sign for and in behalf of the MWSS the contract papers and other pertinent documents relative thereto."

The MWSS-SILHOUETTE sales agreement eventually pushed through. Per the Agreement dated May 11, 1983 covering said purchase, the total price for the subject property is P50,925,200, P25 Million of which was to be paid upon President Marcos' approval of the contract and the balance to be paid within one (1) year from the transfer of the title to respondent SILHOUETTE as vendee with interest at 12% per annum. The balance was also secured by an irrevocable letter of credit. A Supplemental Agreement was forged between petitioner MWSS and respondent SILHOUETTE on August 11, 1983 to accurately identify the subject property.

Subsequently, respondent SILHOUETTE, under a deed of sale dated July 26, 1984, sold to respondent AYALA about sixty-seven (67) hectares of the subject property at P110.00 per square meter. Of the total price of around P74 Million, P25 Million was to be paid by respondent AYALA directly to petitioner MWSS for respondent SILHOUETTE's account and P2 Million directly to respondent SILHOUETTE. P11,600,000 was to be paid upon the issuance of title in favor of respondent AYALA, and the remaining balance to be payable within one (1) year with 12% per annum interest.

Respondent AYALA developed the land it purchased into a prime residential area now known as the Ayala Heights Subdivision.

Almost a decade later, petitioner MWSS on March 26, 1993 filed an action against all herein named respondents before the Regional Trial Court of Quezon City seeking for the declaration of nullity of the MWSS-SILHOUETTE sales agreement and all subsequent conveyances involving the subject property, and for the recovery thereof with damages.

Respondent AYALA filed its answer pleading the affirmative defenses of (1) prescription, (2) laches, (3) waiver/estoppel/ratification, (4) no cause of action, (5) non-joinder of indispensable parties, and (6) non-jurisdiction of the court for non-specification of amount of damages sought.

On June 10, 1993; the trial court issued an Order dismissing the complaint of petitioner MWSS on grounds of prescription, laches, estoppel and non-joinder of indispensable parties.

Petitioner MWSS's motion for reconsideration of such Order was denied, forcing it to seek relief from the respondent Court where its appeal was docketed as CA-G.R. CV No. 50654. It assigned as errors the following:

"I. The court a quo committed manifest serious error and gravely abused its discretion when it ruled that plaintiff's cause of action is for annulment of contract which has already prescribed in the face of the clear and unequivocal recitation of six causes of action in the complaint, none of which is for annulment.

II. The lower court erred and exceeded its jurisdiction when, contrary to the rules of court and jurisprudence, it treated and considered the affirmative defenses of Ayalas - defenses not categorized by the rules as grounds for a motion to dismiss - as grounds of a motion to dismiss which justify the dismissal of the complaint.

III. The lower court abused its discretion and exceeded its jurisdiction when it favorably acted on Ayala's motion for preliminary hearing of affirmative defenses (motion to dismiss) by dismissing the complaint

without conducting a hearing or otherwise requiring the Ayalas to present evidence on the factual moorings of their motion.

IV. The lower court acted without jurisdiction and committed manifest error when it resolved factual issues and made findings and conclusions of facts all in favor of the Ayalas in the absence of any evidence presented by the parties.

V. The court a quo erred when, contrary to the rules and jurisprudence, it prematurely ruled that laches and estoppel bar the complaint as against Ayalas or that otherwise the alleged failure to implead indispensable parties dictates the dismissal of the complaint."

In the meantime, respondents CHGCCCI and Roman filed their own motions to hear their affirmative defenses which were identical to those adduced by respondent AYALA. For its part, respondent SILHOUETTE filed a similarly grounded motion to dismiss.

Ruling upon these motions, the trial court issued an order dated December 13, 1993 denying all of them. The motions for reconsideration of the respondents concerned met a similar fate in the May 9, 1994 Order of the trial court. They thus filed special civil actions for certiorari before the respondent Court which were docketed as CA-G.R. SP Nos. 34605, 34718 and 35065 and thereafter consolidated with CA-G.R. CV No. 50694 for disposition.

Respondent court, on August 19, 1996, rendered the assailed decision, the dispositive portion of which reads:

"WHEREFORE, judgment is rendered:

- 1.) DENYING the petitions for writ of certiorari for lack of merit; and
- 2.) AFFIRMING the order of the lower court dismissing the complaint against the appellees Ayalas.

"SO ORDERED."

Petitioner MWSS appealed to this Court that portion of the respondent Court's decision affirming the trial court's dismissal of its complaint against respondent AYALA, docketed as G.R. No. 126000. The portion dismissing the petition for certiorari (CA-GR Nos. 34605, 347718 and 35065) of respondents Roman, CHGCCCI and SILHOUETTE, however, became final and executory for their failure to appeal therefrom. Nonetheless, these respondents were able to thereafter file before the trial court another motion to dismiss grounded, again, on prescription which the trial court in an Order of October 1996 granted.

This prompted petitioner MWSS to file another petition for review of said trial court Order before this Court and docketed as G.R. No. 128520. On motion of petitioner MWSS, this Court in a Resolution dated December 3, 1997 directed the consolidation of G.R. Nos. 126000 and 128520.

The errors assigned by petitioner MWSS in CA-GR No. 126000 are:

I

In holding, per the questioned Decision dated 19 August 1996, that plaintiffs cause of action is for annulment of contract which has already prescribed in the face of the clear and unequivocal recitation of six causes of action in the complaint, none of which is for annulment and in effect affirming the dismissal by the respondent judge of the complaint against respondent Ayalas. This conclusion of respondent CH is, with due respect, manifestly mistaken and legally absurd.

II

In failing to consider that the complaint recited six alternative causes of action, such that the insufficiency of one cause - assuming there is such insufficiency - does not render insufficient the other causes and the complaint itself. The contrary ruling in this regard by respondent CA is founded entirely on speculation and

conjecture and is constitutive of grave abuse of discretion.

In G.R. No. 128520, petitioner MWSS avers that:

I

The court of origin erred in belatedly granting respondent's motions to dismiss which are but a rehash, a disqualification, of their earlier motion for preliminary hearing of affirmative defense / motion to dismiss. These previous motions were denied by the lower court, which denial the respondents raised to the Court of Appeals by way of perfection for certiorari, which petitions in turn were dismissed for lack of merit by the latter court. The correctness and validity of the lower court's previous orders denying movant's motion for preliminary hearing of affirmative defense/motion to dismiss has accordingly been settled already with finality and cannot be disturbed or challenged anew at this instance of defendant's new but similarly anchored motions to dismiss, without committing procedural heresy causative of miscarriage of justice.

II

The lower court erred in not implementing correctly the decision of the Court of Appeal. After all, respondents' own petitions for certiorari questioning the earlier denial of their motion for preliminary hearing of affirmative defense / motion to dismiss were dismissed by the Court of Appeal, in the process of affirming the validity and legality of such denial by the court a quo. The dismissal of the respondents' petitions are embodied in the dispositive portion of the said decision of the Court of Appeals dated 19 August 1996. The lower court cannot choose to disregard such decretal aspect of the decision and instead implement an obiter dictum.

III.

That part of the decision of the decision of the Court of Appeals resolving the issue of prescription attendant to the appeal of plaintiff against the Ayalas, has been appealed by plaintiff to the Supreme Court by way of a petition for review on certiorari. Not yet being final and executory, the lower court erred in making capital out of the same to dismiss the case against the other defendants, who are the respondents herein.

IV.

The lower court erred in holding, per the questioned orders, that plaintiff's cause of action is for annulment of contract which has already prescribed in the face of the clear and unequivocal recitation of six causes of action in the complaint, none of which is for annulment. This conclusion of public respondent is manifestly mistaken and legally absurd.

V.

The court a quo erred in failing to consider the complaint recites six alternative causes of action, such that the insufficiency of one cause - assuming there is such insufficiency - does not render insufficient the other cause and the complaint itself. The contrary ruling in this regard by public respondent is founded entirely on speculation and conjecture and is constitutive of grave abuse of discretion.

In disposing of the instant petition, this Court shall dwell on the more crucial upon which the trial court and respondent based their respective rulings unfavorable to petitioner MWSS; i.e., prescription, laches, estoppel/ratification and non-joinder of indispensable parties.

RE: Prescription

Petitioner MWSS claims as erroneous both the lower courts' uniform finding that the action has prescribed, arguing that its complaint is one to declare the MWSS-SILHOUETTE sale, and all subsequent conveyances of the subject property, void which is imprescriptible.

We disagree.

The very allegations in petitioner MWSS' complaint show that the subject property was sold through contracts which, at most, can be considered only as voidable, and not void. Paragraph 12 of the complaint reads in part:

"12. xxx.

The plaintiff has been in continuous, peaceful and public possession and ownership of the afore-described properties, the title (TCT No. [36069] 199170) thereto, including its derivative titles TCT Nos. 213872 and 307655, having been duly issued in its name. However, as a result of fraudulent and illegal acts of herein defendants, as described in the paragraphs hereinafter following, the original of said title/s were cancelled and in lieu thereof new titles were issued to corporate defendant/s covering subject 127.9271 hectares. xxx."

Paragraph 34 alleges:

"34. Sometime thereafter, clearly influenced by the premature if not questionable approval by Mr. Marcos of a non-existent agreement, and despite full knowledge that both the assessed and market value of subject property were much much higher, the MWSS Board of Trustees illegally passed an undated resolution ('Resolution No. 36-83'), approving the 'sale' of the property to CHGCCI at P40/sq.m. and illegally authorizing General Manager Ilustre to sign the covering contract.

This 'resolution' was signed by Messrs. Jesus Hipolito as Chairman; Oscar Ilustre, as Vice Chairman; Alfredo Junio, as Member; and Silvestre Payoyo, as Member; xxx"

Paragraph 53 states:

" 53. Defendants Pablo Roman, Jr., Josefino Cenizal, and Jose Roxas as well as defendant corporations (CHGCCI, STC and Ayala) who acted through the former and their other principal officers, knowingly induced and caused then President Marcos and the former officers of plaintiff MWSS to enter into the aforesaid undated 'Agreement' which are manifestly and grossly disadvantageous to the government and which gave the same defendants unwarranted benefits, i.e., the ownership and dominion of the afore-described property of plaintiff."

Paragraph 54 avers:

"54. Defendants Jesus Hipolito and Alfredo Junio, then public officers, together with the other public officers who are now deceased (Ferdinand Marcos, Oscar Ilustre, and Silvestre Payoyo) knowingly allowed themselves to be persuaded, induced and influenced to approve and/or enter into the aforementioned 'Agreements' which are grossly and manifestly disadvantageous to the MWSS/government and which bestowed upon the other defendants the unwarranted benefit/ownership of subject property."

The three elements of a contract - consent, the object, and the cause of obligation[1] are all present. It cannot be otherwise argued that the contract had for its object the sale of the property and the cause or consideration thereof was the price to be paid (on the part of respondents CHGCCI/SILHOUETTE) and the land to be sold (on the part of petitioner MWSS). Likewise, petitioner MWSS' consent to the May 11, 1983 and August 11, 1983 Agreements is patent on the face of these documents and on its own resolution No. 36-83.

As noted by both lower courts, petitioner MWSS admits that it consented to the sale of the property, with the qualification that such consent was allegedly unduly influenced by the President Marcos. Taking such allegation to be hypothetically true, such would have resulted in only voidable contracts because all three elements of a contract, still obtained nonetheless. The alleged vitiation of MWSS' consent did not make the sale null and void ab initio. Thus, "a contract where consent is given through mistake, violence, intimidation, undue influence or fraud, is voidable." [2] Contracts "where consent is vitiated by mistake, violence, intimidation, undue influence or fraud" are voidable or annulable. [3] These are not void as -

"Concepts of Voidable Contracts. - Voidable or annulable contracts are existent, valid, and binding, although they can be annulled because of want of capacity or vitiated consent of the one of the parties, but before annulment, they are effective and obligatory between parties. Hence, it is valid until it is set aside and its

validity may be assailed only in an action for that purpose. They can be confirmed or ratified."[4]

As the contracts were voidable at the most, the four year prescriptive period under Art. 1391 of the New Civil Code will apply. This article provides that the prescriptive period shall begin in the cases of intimidation, violence or undue influence, from the time the defect of the consent ceases", and "in case of mistake or fraud, from the time of the discovery of the same time".

Hypothetically admitting that President Marcos unduly influenced the sale, the prescriptive period to annul the same would have begun on February 26, 1986 which this Court takes judicial notice of as the date President Marcos was deposed. Prescription would have set in by February 26, 1990 or more than three years before petitioner MWSS' complaint was filed.

However, if petitioner MWSS' consent was vitiated by fraud, then the prescriptive period commenced upon discovery. Discovery commenced from the date of the execution of the sale documents as petitioner was party thereto. At the least, discovery is deemed to have taken place on the date of registration of the deeds with the register of Deeds as registration is constructive notice to the world.[5] Given these two principles on discovery, the prescriptive period commenced in 1983 as petitioner MWSS actually knew of the sale, or, in 1984 when the agreements were registered and titles thereafter were issued to respondent SILHOUETTE. At the latest, the action would have prescribed by 1988, or about five years before the complaint was instituted. Thus, in *Aznar vs. Bernard*[6], this Court held that:

"Lastly, even assuming that the petitioners had indeed failed to raise the affirmative defense of prescription in a motion to dismiss or in an appropriate pleading (answer, or amended or supplemental answer) and an amendment would no longer be feasible, still prescription, if apparent on the face of the complaint, may be favorably considered. In the case at bar, the private respondents admit in their complaint that the contract or real estate mortgage which they alleged to be fraudulent and which had been foreclosed, giving rise to this controversy with the petitioners, was executed on July 17, 1978, or more than eight long years before the commencement of the suit in the court a quo, on September 15, 1986. And an action declare a contract null and void on the ground of fraud must be instituted within four years. Extinctive prescription is thus apparent on the face of the complaint itself as resolved by the Court."

Petitioner MWSS further contends that prescription does not apply as its complaint prayed not for the nullification of voidable contracts but for the declaration of nullity of void ab initio contracts which are imprescriptible. This is incorrect, as the prayers in a complaint are not determinative of what legal principles will operate based on the factual allegations of the complaint. And these factual allegations, assuming their truth, show that MWSS consented to the sale, only that such consent was purportedly vitiated by undue influence or fraud. Therefore, the rules on prescription will operate. Even if petitioner MWSS asked for the declaration of nullity of these contracts, the prayers will not be controlling as only the factual allegations in the complaint determine relief. "(I)t is the material allegations of fact in the complaint, not the legal conclusion made therein or the prayer that determines the relief to which the plaintiff is entitled"[7]. Respondent court is thus correct in holding that:

"xxx xxx xxx

The totality then of those allegations in the complaint makes up a case of a voidable contract of sale - not a void one. The determinative allegations are those that point out that the consent of MWSS in the Agreement of Sale was vitiated either by fraud or undue for the declaration of nullity of the said contract because the Complaint says so. Basic is the rule however that it is the body and not the caption nor the prayer of the Complaint that determines the nature of the action. True, the caption and prayer of the Complaint state that the action is for a judicial declaration of nullity of a contract, but alas, as already pointed out, its body unmistakably alleges only a voidable contract. One cannot change the real nature of an action adopting a

different nomenclature any more than one can change gin into whisky by just replacing the label on the bottle with that of the latter's and calling it whisky. No matter what, the liquid inside remains gin.

xxx xxx xxx."

Petitioner MWSS also theorizes that the May 11, 1983 MWSS-SILHOUETTE Agreement and the August 11, 1983 Supplemental Agreement were void ab initio because the "initial agreement" from which these agreements emanated was executed "without the knowledge, much less the approval" of petitioner MWSS through its Board of Trustees. The "initial agreement" referred to in petitioner MWSS' argument is the December 20, 1982 letter of respondents Roxas and Roman, Jr. to President Marcos where the authors mentioned that they had reached an agreement with petitioner's then general manager, Mr. Oscar Ilustre. Petitioner MWSS maintains that Mr. Ilustre was not authorized to enter into such "initial agreement", contrary to Art. 1874 of the New Civil Code which provides that "when a sale of a parcel of land or any interest therein is through an agent, the authority of the latter shall be in writing otherwise the sale shall be void." It then concludes that since its Res. No. 36-83 and the May 11, 1983 and August 11, 1983 Agreements are "fruits" of the "initial agreement" (for which Mr. Ilustre was allegedly not authorized in writing), all of these would have been also void under Art. 1422 of NCC, which provides that a contract which is the direct result of a pronounced illegal contract, is also void and inexistent."

The argument does not impress. The "initial agreement" reflected in the December 20, 1982 letter of respondent Roman to Pres. Marcos, is not a sale under Art. 1874. Since the nature of the "initial agreement" is crucial, we quote[8] the letter in full:

"We respectfully approach Your Excellency in all humility and in the spirit of the Yuletide Season. We have explained to Your Excellency when you allowed us the honor to see you, that the negotiations with MWSS which the late Pablo R. Roman initiated way back in 1975, with your kind approval, will finally be concluded.

We have agreed in principle with Mr. Oscar Ilustre on the terms of the sale as evidenced by the following:

1. Our written agreement to hire Asian Appraisal Company to appraise the entire leased area which would then be the basis for the negotiations of the purchase price of the property; and
2. Our exchange of communications wherein MWSS made a counter-offer and our acceptance of the counter-offer.

However, we were informed by Mr. Ilustre that only written instruction from Your Excellency will allow us to finally sign the Agreement.

In sum, our Agreement is for the purchase price of FIFTY-SEVEN MILLION TWO-HUNDRED-FORTY THOUSAND PESOS (P 57,240,000) for the entire leased area of 135 hectares; TWENTY-SEVEN MILLION PESOS (P 27,000,000) payable upon approval of the contract by Your Excellency and the balance of THIRTY MILLION TWO HUNDRED FORTY THOUSAND PESOS (P 30,240,000) after one (1) year inclusive of a 12% interest.

We believe that this arrangement is fair and equitable to both parties considering that the value of the land was appraised by a reputable company and independent appraisal company jointly commissioned by both parties and considering further that Capitol Hills has still a 23-year lien on the property by virtue of its existing lease contract with MWSS.

We humbly seek your instruction, Your Excellency and please accept our families' sincere wish for a Merry Christmas and a Happy New Year to you and the First Family."

The foregoing does not document a sale, but at most, only the conditions proposed by respondent Roman to enter into one. By the terms thereof, it refers only to an "agreement in principle". Reflecting a future consummation, the

letter mentions "negotiations with MWSS (which) with your (Marcos') kind approval, will finally be concluded". It must likewise be noted that presidential approval had yet to be obtained. Thus, the "initial agreement" was not a sale as it did not in any way transfer ownership over the property. The proposed terms had yet to be approval by the President and the agreement in principle still had to be formalized in a deed of sale. Written authority as is required under Art. 1834 of the New Civil Code, was not needed at the point of the "initial agreement".

Verily, the principle on prescription of actions is designed to cover situations such as the case at bar, where there have been a series of transfers to innocent purchasers for value. To set aside these transactions only to accommodate a party who has slept on his rights is anathema to good order.[9]

RE: Laches

Even assuming, for argument's sake, that the allegations in the complaint establish the absolute nullity of the assailed contracts an hence imprescriptible, the complaint can still be dismissed on the ground of laches which is different from prescription. This Court, as early as 1966, has distinguished these two concepts in this wise:

"x x x (T)he defense of laches applies independently of prescription. Laches is different from the statute of limitations. Prescription is concerned with the fact of delay, whereas laches is concerned with the effect of delay. Prescription is a matter of time; laches is principally a question of inequity of permitting a claim to be enforced, this inequity being founded on some change in the condition of the property or the relation of the parties. Prescription is statutory; laches is not. Laches applies in inequity, whereas prescription applies at law. Prescription is based on fixed-time; laches is not." [10]

Thus, the prevailing doctrine is that the right to have a contract declared void ab initio may be barred by laches although not barred by prescription.[11]

It has, for all its elements are present, viz:

- (1) conduct on the part of the defendant, or one under whom he claims, giving rise to the situation that led to the complaint and for which the complaint seeks a remedy;
- (2) delay in asserting the complainant's rights, having had knowledge or notice of the defendant's conduct and having been afforded an opportunity to institute a suit;
- (3) lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his suit; and
- (4) injury or prejudice to the defendant in the event relief is accorded to the complainant, or the suit is not held barred.[12]

There is no question on the presence of the first element. The main thrust of petitioner MWSS's complaint is to bring to the fore what it claims as fraudulent and/or illegal acts of the respondents in the acquisition of the subject property.

The second element of delay is evident from the fact that petitions tarried for almost ten (10) years from the conclusion of the sale sometime in 1983 before formally laying claim to the subject property in 1993.

The third element is present as can be deduced from the allegations in the complaint that petitioner MWSS (a) demanded for downpayment for no less than three times; (b) accepted downpayment for P25 Million; and (c) accepted a letter of credit for the balance. The pertinent paragraphs in the complaint thus read:

"38. In a letter dated September 19, 1983, for failure of CHGCCCI to pay on time, Mr. Ilustre demanded payment of the downpayment of P25 Million which was due as of 18 April 1983. A copy of this letter is hereto attached as Annex 'X';

"39. Again, in a letter dated February 7, 1984, then MWSS Acting General Manager Aber Canlas demanded payment from CHGCCCI of the purchase price long overdue. A copy of this letter is hereto attached as Annex 'Y';

"40. Likewise, in a letter dated March 14, 1984, Mr. Canlas again demanded from CHGCCCI payment of the price. A copy of this demand letter is hereto attached as Annex 'Z';

"41. Thereafter, in a letter dated July 27, 1984, another entity, defendant Ayala Corporation, through SVP Renato de la Fuente, paid with a check the long overdue downpayment of P25,000,000.00 of STC/CHGCCCI. Likewise a domestic stand-by letter of credit for the balance was issued in favor of MWSS; Copies of the said letter, check and letter of credit are hereto attached as Annexes 'AA', 'BB', and 'CC', respectively."

Under these facts supplied by petitioner MWSS itself, respondents have every good reason to believe that petitioner was honoring the validity of the conveyances of the subject property, and that the sudden institution of the complaint in 1993 alleging the nullity of such conveyances was surely an unexpected turn of events for respondents. Hence, petitioner MWSS cannot escape the effect of laches.

RE: Ratification

Pertinent to this issue is the claim of petitioner MWSS that Mr. Ilustre was never given the authority by its Board of Trustees to enter into the "initial agreement" of December 20, 1982 and therefore, the sale of the subject property is invalid.

Petitioner MWSS misses the point. The perceived infirmity in the "initial agreement" can be cured by ratification. So settled is the precept that ratification can be made by the corporate board either expressly or impliedly. Implied ratification may take various forms - like silence or acquiescence; by acts showing approval or adoption of the contract; or by acceptance and retention of benefits flowing therefrom.[13] Both modes of ratification have been made in this case.

There was express ratification made by the Board of petitioner MWSS when it passed Resolution No. 36-83 approving the sale of the subject property to respondent SILHOUETTE and authorizing Mr. Ilustre, as General Manager, "to sign for and in behalf of the MWSS the contract papers and other pertinent documents relative thereto." Implied ratification by "silence or acquiescence" is revealed from the acts of petitioner MWSS in (a) sending three (3) demand letters for the payment of the purchase price, (b) accepting P25 Million as downpayment, and (c) accepting a letter of credit for the balance, as hereinbefore mentioned. It may well be pointed out also that nowhere in petitioner MWSS' complaint is it alleged that it returned the amounts, or any part thereof, covering the purchase price to any of the respondents-vendees at any point in time. This is only indicative of petitioner MWSS' acceptance and retention of benefits flowing from the sales transactions which is another form of implied ratification.

RE: Non-joinder of indispensable parties

There is no denying that petitioner MWSS' action against herein respondents for the recovery of the subject property now converted into a prime residential subdivision would ultimately affect the proprietary rights of the many lot owners to whom the land has already been parceled out. They should have been included in the suit as parties-defendants, for, "it is well established that owners of property over which reconveyance is asserted are indispensable parties without whom no relief is available and without whom the court can render no valid judgment." [14] Being indispensable parties, the absence of these lot-owners in the suit renders all subsequent actions of the trial court null and void for want of authority to act, not only as to the absent parties but even as to those present.[15] Thus, when indispensable parties are not before the court, the action should be dismissed.[16]

WHEREFORE, in view of the foregoing, the consolidated petitions are hereby DENIED.

SO ORDERED

Regalado, Acting C.J., (Chairman), and Mendoza, JJ., concur.

Melo, J., No part, member of club

Puno, J., No part due to close association.

[1] Art. 1318, New Civil Code.

[2] Art. 1330, NCC italics supplied

[3] Art. 1390(2), NCC.

[4] IV Tolentino, 1991 ed., p. 596

[5] Pascua vs. Florentino, 136 SCRA 208; Balbin vs. Medalla, 108 SCRA 666; Guerrero vs. CA, 126 SCRA 109; Marcopper vs. Garcia, 143 SCRA 178; Ramos vs. CA, 112 SCRA 542.

[6] 161 SCRA 283

[7] Naga Telephone vs. CA, 230 SCRA 351.

[8] From Ayalas' Comment, p. 31

[9] Buenaventura vs. CA, 216 SCRA 818.

[10] Nielson & Co. v. Lepanto Consolidated Mining Co., 18 SCRA 1040, citing 30 C.J.S., p. 522 and Pomeroy's Equity Jurisprudence, Vol. 2, 5th ed., p. 177).

[11] Rafols v. Barba, 119 SCRA 146. See also Buenaventura v. CA, 216 SCRA 818).

[12] Rafols vs. Barba, 119 SCRA 146; Yusingco v. Ong Hing Lian, 42 SCRA 589; Nielson v. Lepanto Consolidated Mining, 18 SCRA 1040; Go Chi Gun, et al. v. Go Cho, et al., 96 Phil. 622).

[13] Prime White Cement Corporation v. IAC, 220 SCRA 103.

[14] Acting Registrars of Land Titles and Deeds of Pasay City, Pasig, and Makati v. RTC Branch 57, Makati, 184 SCRA 622; Dir. of Lands v. CA, 93 CSRA 238.

[15] Lim Tanhu v. Ramolete, 66 SCRA 425

[16] People v. Rodriguez, 106 Phil. 325

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