

JOSUE ARLEGUI, PETITIONER, VS. HON. COURT OF APPEALS AND SPOUSES GIL AND BEATRIZ GENGUYON, RESPONDENTS.

G.R. No. 126437. March 06, 2002

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This is a petition for review of the decision rendered by the Court of Appeals in CA-G.R. CV No. 32833, which reversed the ruling of the Pasig Regional Trial Court, Branch 67, in Civil Case No. 58185, and disposing as follows:

WHEREFORE, in view of the foregoing, the decision appealed from is hereby ANNULLED and SET ASIDE. Accordingly, judgment is rendered as follows:

1)

Annuling the sale of the apartment unit at issue between Mateo Tan Lu and Josue Arlegui;

2)

Ordering Josue Arlegui to execute a corresponding Deed of Conveyance in favor of spouses Gil and Beatriz Genguyon, involving Transfer Certificate of Title (TCT) No. 1286 covering the apartment unit at issue, upon payment by spouses Genguyons (sic) of the sum of P55,000.00, without any interest, to Arlegui;

Should defendant Arlegui fail to so execute the Deed of Conveyance herein ordered within fifteen (15) days from finality of judgment, the Branch Clerk of the court a quo shall execute the same and the Register of Deeds shall nullify the certificate of title in the name of Arlegui and shall issue another certificate of title in favor of spouses Gil and Beatriz Genguyon;

3)

Ordering Mateo Tan Lu and Josue Arlegui to pay the Genguyons, jointly and solidarily, the amount of P35,000.00, as damages inclusive of attorney's fees;

4)

Ordering a Permanent Injunction upon the Metropolitan Trial Court of Mandaluyong, Branch 60, from hearing Civil Case No. 12647 entitled "Josue Arlegui, plaintiff, versus Spouses Gil and Beatriz Genguyon,

defendants,” and for the said Metropolitan Trial Court to dismiss the same;

5)

Dismissing the charges as to defendants-appellees Barrettos; and

6)

Costs against Mateo Tan Lu and Josue Arlegui, jointly and severally.

SO ORDERED.[1]

Gleaned from the records are the following undisputed facts:

The object of the controversy is a residential apartment unit (no. 15) located at the corner of Romualdez and Kalentong Streets in Mandaluyong City. The said property was formerly owned by Serafia Real Estate, Incorporated (hereinafter referred to as Serafia), a company owned by Alberto, Alfonso and Simeon, all surnamed Barretto, and their siblings Rosa B. Ochoa and Teresita B. Alcantara. For more than twenty (20) years, unit no. 15 was leased by Serafia to the spouses Gil and Beatriz Genguyon. In a letter dated March 26, 1984, the Genguyon spouses, along with the other tenants in the apartment building were informed by Alberto Barretto that Serafia and its assets had already been assigned and transferred to A.B. Barretto Enterprises.

Apprehensive that they were about to be ejected from their respective units, the tenants formed an organization called the Barretto Apartment Tenants Association. They elected officers from among themselves to represent them in the negotiations with A.B. Barretto Enterprises for the purchase of their respective apartment units. Among those elected were Josue Arlegui as vice-president and Mateo Tan Lu as auditor of the association.

Sometime thereafter, believing that negotiations were still ongoing, the Genguyons were surprised to learn on January 23, 1987 that the unit they were leasing had already been sold to Mateo Tan Lu. This notwithstanding, the Genguyons continued to occupy the subject premises and paid the rentals therefor.

The following year, or on July 7, 1988, the Genguyons were informed that Mateo Tan Lu had sold the subject apartment unit to Josue Arlegui. Not long thereafter, they received a letter from Arlegui’s lawyer demanding that they vacate the premises. When they failed to accede to Arlegui’s demand, the latter filed an action for ejectment against the Genguyons before the Metropolitan Trial Court of Mandaluyong City, Branch 60, docketed as Civil Case No. 12647.

For their part, the Genguyon spouses filed Civil Case No. 58185 against the Barrettos, Mateo Tan Lu and Josue Arlegui before the Regional Trial Court of Pasig City, Branch 67, for annulment of sale, specific performance, redemption and damages with preliminary injunction. The Genguyons raised therein the following issues:

1)

Whether or not they were denied their right of first preference to purchase the subject apartment unit; and

2)

Whether or not failure to exercise such right is jurisdictional, the absence of such jurisdiction rendering the sale from the Barrettos to Mateo Tan Lu, as well as the subsequent sale to Josue Arlegui, null and void.

On January 11, 1990, the RTC ordered the issuance of a writ of preliminary injunction directing the MTC to desist from taking further action in the ejectment case pending before it.[2]

On March 22, 1991, the RTC rendered judgment, disposing as follows:

WHEREFORE PREMISES CONSIDERED, judgment is hereby rendered in the above-entitled case in favor of defendant Josue Arlegui and against the plaintiffs ordering the plaintiffs to pay to the defendant Arlegui the sum P3,000.00 as attorney's fees. In view of the fact that the plaintiffs "acted in gross and evident bad faith by refusing to satisfy the defendant's plainly valid, just and demandable claim" (see Article 2208, No. 5, Civil Code); and to pay the cost.

Moreover, moral damages are not to be awarded to the defendant Josue Arlegui for while plaintiffs has already acted fraudulently or in bad faith their failure to vacate the premises is not in this Court's opinion, the "breach of contract" referred to in Art. 2220 of the Civil Code.

Dismissing the complaint as against defendants Alberto Barretto, Alfonso Barretto, Simeon Barretto, Rosa B. Ochoa, Teresita B. Alcantara and Mateo Tan Lu.

Lifting the preliminary mandatory injunction issued in the instant case as against the Metropolitan Trial Court of Mandaluyong, Branch 60, docketed as Civil Case No. 12647.

Conformably, with what has been stated in the above-mentioned paragraphs, the claims of the plaintiffs is hereby DISMISSED, as being purely without merit.

SO ORDERED.[3]

Not satisfied with the above-quoted disposition of the RTC, the Genguyons filed their appeal before the Court of Appeals.[4]

While the appeal was pending, the ejectment case against the Genguyons proceeded and, on October 6, 1992, the MTC of Mandaluyong City, Branch 60, rendered judgment[5] ordering the Genguyons to: (1) vacate the subject premises; (2) pay the accrued monthly rentals from September of 1989 to September of 1992, and the succeeding monthly rentals thereafter until they shall have finally surrendered possession of the premises; and (3) pay attorney's fees and costs of suit. The Genguyons appealed the decision to the RTC of Pasig, Branch 166, which affirmed the MTC judgment in toto in a Decision[6] dated January 25, 1993.

Thereafter, or on February 14, 1996, the Court of Appeals rendered judgment in CA-G.R. CV No. 32833, annulling and setting aside the RTC decision. The Court of Appeals made the following conclusions:

1)

There existed between the Genguyons and the officers of the tenants' association, particularly Mateo Tan Lu and Josue Arlegui, a fiduciary relationship;

2)

Mateo Tan Lu and Josue Arlegui committed a breach of trust when they purchased the apartment unit leased by the Genguyons;

3)

Josue Arlegui is not an innocent-purchaser for value nor a buyer in good faith;

4)

The RTC erred in finding that the Genguyons' action was premised on their right of first preference under the Urban Land Reform Law; and

5)

The Genguyons are not estopped from denying Arlegui's ownership of the subject property for no lessor-lessee relationship was established between them.

Josue Arlegui's motion for reconsideration was denied by the Court of Appeals in an Order[7] dated September 12, 1996. Hence, the instant petition for review, assigning the following errors:

I

THE RESPONDENT COURT ERRED IN HOLDING THAT THE PRIVATE RESPONDENTS DID NOT BASE THEIR ALLEGED RIGHT OF FIRST PREFERENCE ON P.D. 1517, THE URBAN LAND REFORM LAW.

II

THE RESPONDENT COURT ERRED IN HOLDING THAT A CONSTRUCTIVE TRUST EXISTED BETWEEN THE PRIVATE RESPONDENTS AND MATEO TAN LU.

III

THE RESPONDENT COURT ERRED, ASSUMING THAT A CONSTRUCTIVE TRUST EXISTED, IN HOLDING THAT THE PETITIONER IS NOT INSULATED FROM THE EFFECTS THEREOF.

IV

THE RESPONDENT COURT ERRED IN HOLDING THAT THE PRIVATE RESPONDENTS ARE ENTITLED TO DAMAGES INSTEAD OF THE PETITIONER.

V

THE RESPONDENT COURT ERRED IN ENJOINING THE METROPOLITAN TRIAL COURT OF MANDALUYONG FROM HEARING THE EJECTMENT CASE FILED BY PETITIONER AGAINST THE PRIVATE RESPONDENTS AND IN ORDERING THE DISMISSAL OF THE SAID CASE, NOTWITHSTANDING THE FACT THAT THE SAID CASE HAD LONG BEEN DECIDED.

VI

THE RESPONDENT COURT ERRED IN NOT RECONSIDERING ITS DECISION, CONSIDERING THAT THE ISSUES RAISED BEFORE IT HAVE BECOME MOOT AND ACADEMIC AFTER THE PRIVATE RESPONDENTS VOLUNTARILY VACATED AND/OR ABANDONED THE SUBJECT UNIT THEY WERE OCCUPYING.[8]

There are four (4) essential matters involved in this controversy. The first one is whether or not the private respondents, spouses Gil and Beatriz Genguyon, are entitled to claim the right of first refusal or, as stated otherwise, the right of first preference, to purchase the residential apartment unit they were leasing first from Serafia Realty, then from A.B. Barretto Enterprises. It appears that while the Genguyons' complaint did not specifically allege that their supposed right of first refusal was by virtue of the provisions of P.D. No. 1517, also known as the Urban Land Reform Law,[9] Beatriz Genguyon testified on cross-examination that:

Q:

Your contention is, being an occupant for more than ten (10) years of the premises, you should have been given the right of first refusal under the Urban Land Reform Law. Is that correct?

A:

Yes, sir.[10]

Indeed, it would seem that the Genguyons' action is premised on the fact that they are long-time tenants of the apartment unit, a right accorded to legitimate tenants in urban zones who have resided on the land for ten (10) years or more and who have built their homes on the land, as well as residents who have legally and continuously occupied the lands by contract for the last ten (10) years.[11]

Although there is no mention of P.D. No. 1517 in their complaint, the Genguyons nevertheless assert their alleged right of first refusal as provided by the said law. However, the Regional Trial Court found that the Genguyons failed to present any factual or legal basis for its application. The Court of Appeals, on the other hand, found that although the Genguyons claimed the right of first refusal, their assertion was not anchored on P.D. No. 1517. And yet, the Genguyons have not shown during these entire proceedings any other statutory or jurisprudential source of said right of first refusal which would support their contentions.

Hence, the trial court correctly concluded that the Genguyons' claims were founded on P.D. No. 1517. However, the said court ruled that P.D. No. 1517 cannot benefit the Genguyons, citing the Supreme Court ruling in *Santos v. Court of Appeals*,[12] to the effect that "P.D. No. 1517, in referring to the pre-emptive or redemptive right of a lease, speaks only of urban land under lease on which a tenant has built his home and in which he has resided for ten years or more. If both land and the building belong to the lessor, the right referred to hereinabove does not apply."

In the parallel case of *Nidoy v. Court of Appeals*,[13] we held that:

Clearly, the right of first refusal applies only to tenants who have resided for ten (10) years or more on the leased land declared as within the Urban Land Reform Zone, and who have built their homes on that land. It does not apply to apartment dwellers. (Underscoring ours)

This Court went on to declare that P.D. No. 2016, which amended P.D. No. 1517, likewise did not extend its benefits to apartment dwellers.

Clearly, then, as lessees of the residential apartment unit, the Genguyons have no right of first refusal to speak of. Apartment dwellers are excluded from the protective mantle of the Urban Land Reform Law. The said law grants the right of first refusal only to legitimate tenants who have built their homes on the land they are leasing. The Genguyons did not lease the land only. Neither did they build a home thereon. There is no question that both the land and the building are owned by the lessor. Consequently, the Genguyons' action for annulment of the sale to herein petitioner and reconveyance cannot prosper if based only on the ground that they were denied their right of first refusal under P.D. No. 1517.

Be that as it may, on the second matter of whether or not Mateo Tan Lu and petitioner Josue Arlegui, after him, breached the trust reposed on them as officers of, and negotiators for, the tenants' association, we are constrained to affirm the findings and conclusions of the Court of Appeals. By acquiring for themselves the subject property without informing the respondent spouses of the progress of the negotiations, or of their desire to purchase the said property, Mateo Tan Lu and the petitioner did not act with the candor and honesty expected of them. Their successful, albeit clandestine, ploy to appropriate the apartment unit that they knew fully well the Genguyons had

every intention to buy from A.B. Barretto Enterprises violated the trust and confidence so willingly and without reservation reposed on them.

The arguments advanced by the petitioner cannot detract from the cogency of the Court of Appeals' findings in this regard, to wit:

x x x They had a right to expect that because of their fiduciary dependence on the officers who were conducting the negotiations in their behalf, the same would act with good faith in relation to the trust and confidence reposed in them. But when Mateo Tan Lu later turned out to have purchased the residential unit occupied by the appellants (aside from the unit he commercially leased from the Barrettos), he committed a breach of trust in utter disregard of the existing fiduciary relationship between the trusted officers of the Association and the tenants-members thereof.

Without doubt, Mateo Tan Lu had breached the confidence reposed in him by the Association members, and a trust was created by force of law in favor of spouses Genguyons, long time occupants of the apartment unit (24 years: TSN, September 6, 1990, p. 4) which he surreptitiously bought. The Supreme Court has long stated that: If a person obtains legal title to property by fraud and concealment, Courts of equity will impress upon the title a so called constructive trust in favor of the defrauded party. (*Gayondato v. The Treasurer of the Philippines Islands*, 49 Phil. 244, 249).

In a similar vein, Tolentino opined: "a receiver, trustee, attorney, agent, or any other person occupying fiduciary relations respecting property of persons, is utterly disabled from acquiring for his own benefit the property committed to his custody x x x. No fraud in fact need be shown and no excuse will be heard the trustee. x x x. The rule stands on the moral obligation to refrain from placing one's self in positions which ordinarily excite conflicts between self interest and integrity. It seeks to remove the temptation that might arise out of such a relation to serve one's self interest at the expense of one's integrity and duty to another, by making it impossible to profit by yielding to temptation x x x (Tolentino, *Commentaries and Jurisprudence on the Civil Code of the Philippines*, Vol. IV, 1973, pp. 638-639, citing *Gilbert v. Hemston*, 79 Mich. 326 and *Severino v. Severino*, 44 Phil. 343).[14] (Underscoring ours)

The petitioner cannot claim to be innocent or unaware of Mateo Tan Lu's underhanded method of acquiring the subject property. He himself bought the said apartment unit in a manner that cannot be countenanced by the courts. We agree with the following pronouncements of the Court of Appeals:

x x x Like Mateo Tan Lu, Arlegui was one of the trusted officers of the Association charged with negotiating for the purchase of the apartment units. In fact, he was the First Vice-President thereof. Thus, he was privy to all the discussions that took place within and between both sides. Arlegui knew that like all the other bona fide tenants of the apartment, the Genguyons had the right to purchase their apartment unit in accordance with the Association's original agreement with the Barrettos. And so knowing the negotiation terms firsthand and employing the same to his own benefit and profit, Arlegui could not be considered as an innocent purchaser for value, or a buyer in good faith (See TSN, November 22, 1990, pp. 5-6 citing Exhs. B and C, Records, pp. 139-142). Corollarily, he is not and cannot be insulated from the legal effects of the Genguyons' right of first preference over the unit.[15] (Underscoring ours)

The facts and evidence on record, as carefully perused by the Court of Appeals, conclusively show that Mateo Tan Lu surreptitiously purchased the subject property from the original owners, and that the Genguyons were not aware of his secret machinations to acquire the property for himself. In fact, Mateo Tan Lu did not inform the Genguyons of the sale to him. It was Simeon Barretto, Jr. who wrote the Genguyons telling them that the apartment unit had been sold to Mateo Tan Lu and that they had six (6) months within which to vacate the premises.[16] Clearly, Mateo Tan Lu abused the confidence and trust that the Genguyons bestowed on him. Petitioner, fully aware of the questionable circumstances attending Mateo Tan Lu's acquisition, added insult to

injury when he in turn purchased the said property from Mateo Tan Lu. The Genguyons had no inkling that Mateo Tan Lu or petitioner Arlegui were even interested to buy the subject property. They trusted Mateo Tan Lu and the petitioner to negotiate in behalf of the other tenants, themselves included. They never suspected that Mateo Tan Lu and the petitioner would appropriate for themselves the apartment unit they were leasing. That there was abuse of confidence cannot be denied.

The petitioner denies that a constructive trust was created and maintains that there was no fraud committed. He neither received money from the Genguyons, nor was he unjustly enriched. However, the records show that the Genguyons, along with the other tenants and members of the association, contributed money to enable the officers to negotiate with the Barrettos. Besides, constructive trusts do not only arise out of fraud or duress,[17] but also by abuse of confidence, in order to satisfy the demands of justice.[18]

The petitioner also argues that the Genguyons' failed to prove the existence of an implied or constructive trust. We disagree. There is ample documentary and testimonial evidence to establish the existence of a fiduciary relationship between them, and that petitioner's subsequent acts betrayed the trust and confidence reposed on him. Petitioner points out that his lawyer wrote a letter informing the Genguyons that he had already bought the property and telling them to vacate the premises. This cannot be taken as evidence of good faith. Moreover, it is rather too late for petitioner to argue that the Genguyons could and should have negotiated directly with the Barrettos after he had already accepted the responsibility and authority to negotiate in their behalf.

Petitioner suggests that the Genguyons were not financially capable of buying the subject property anyway so they have no reason to complain. We are not persuaded by petitioner's contentions. The Court of Appeals' findings in this regard is more than convincing, to wit:

It is appellees' contention that the Genguyons never tendered the amount to make the payments for the unit, and that their indication of a willingness to make the purchase does not really show a capacity to make the necessary payment. However, we note that as early as 1987, when hearsay was preponderant among the tenants that some of the apartment units were purchased by some officers of the Association who were entrusted with the negotiations, the Genguyons, through Atty. Eriberto Guerrero, sent Mateo Tan Lu a letter verifying with him the truth to the information that he, Tan Lu, had bought their unit from the Barrettos; they also stated that they were not defaulting from the monthly rental payments, but since they did not know the true status of the negotiations, and since rumors were rife about the purchase of the different units, they had put the payment for that month in the bank, after which they informed Tan Lu of their continuing desire to buy their unit (in line with the Association's agreement with the Barrettos) if it is indeed true that he had bought it from the same. They also told him that they await communications from him regarding the amount of the purchase price. A xerox copy of their bank account accompanied their letter as proof of their capacity to pay (Records, Exh. H, p. 153).

We found no written response from Tan Lu who sold the unit to Josue Arlegui after one year. Defendants-appellees claim that Tan Lu had offered to sell the unit to Beatriz Genguyon (TSN, Ex Parte Proceedings of May 15, 1990, pp. 11-12). Yet, such allegation is self-serving and is corroborated only by the self-serving testimony of Josue Arlegui (Ibid., p. 21), which was in fact controverted by Beatriz Genguyon in her own testimony (TSN, September 6, 1990, p. 13).[19]

It is further argued that no implied trust, as defined under Article 1456 of the New Civil Code, was created because the petitioner did not acquire the subject property through mistake or fraud. Nevertheless, the absence of fraud or mistake on the part of the petitioner does not prevent the court from ruling that an implied or constructive trust was created nonetheless. In the case of *Roa, Jr. v. Court of Appeals*,[20] the Court held that:

While it is Our ruling that the compromise agreement between the parties did not create an express trust not an implied trust under Art. 1456 of the New Civil Code, We may, however, make recourse to the principles of the

general law of trusts, insofar as they are not in conflict with the New Civil Code, Code of Commerce, the Rules of Court and special laws which under Art. 1442 of the New Civil Code are adopted. While Articles 1448 to 1456 of the New Civil Code enumerates cases of implied trust, Art. 1447 specifically stipulates that the enumeration of the cases of implied trust does not exclude others established by the general law of trusts, but the limitations laid down in Art. 1442 shall be applicable.

In American law and jurisprudence, We find the following general principles:

A constructive trust, otherwise known as a trust ex maleficio, a trust ex delicto, a trust de son tort, an involuntary trust, or an implied trust, is a trust by operation of law which arises contrary to intention and in invitum, against one who, by fraud, actual or constructive, by duress or abuse of confidence, by commission of wrong, or by any form of unconscionable conduct, artifice, concealment, or questionable means, or who in any way against equity and good conscience, either has obtained or holds the legal right to property which he ought not, in equity and good conscience, hold and enjoy. It is raised by equity to satisfy the demands of justice. However, a constructive trust does not arise on every moral wrong in acquiring or holding property or on every abuse of confidence in business or other affairs; ordinarily such a trust arises and will be declared only on wrongful acquisitions or retentions of property of which equity, in accordance with its fundamental principles and the traditional exercise of its jurisdiction or in accordance with statutory provision, takes cognizance. It has been broadly ruled that a breach of confidence, although in business or social relations, rendering an acquisition or retention of property by one person unconscionable against another, raises a constructive trust. (76 Am. Jr. 2d, Sec. 221, pp. 446-447).

And specifically applicable to the case at bar is the doctrine that “A constructive trust is substantially an appropriate remedy against unjust enrichment. It is raised by equity in respect of property, which has been acquired by fraud, or where, although acquired originally without fraud, it is against equity that it should be retained by the person holding it.” (76 Am. Jur. 2d, Sec. 222, p. 447).

The above principle is not in conflict with the New Civil Code, Code of Commerce, Rules of Court and special laws. And since We are a court of law and of equity, the case at bar must be resolved on the general principles of law on constructive trust which basically rest on equitable considerations in order to satisfy the demands of justice, morality, conscience and fair dealing and thus protect the innocent against fraud. As the respondent court said, “It behooves upon the courts to shield fiduciary relations against every manner of chicanery or detestable design cloaked by legal technicalities.” (Underscoring ours)

Thirdly, it is of no moment that the Genguyons filed the action for reconveyance more than a year after the subject property was registered in favor of the petitioner. An action for reconveyance of registered land on an implied trust prescribes in ten (10) years even if the decree of registration is no longer open to review.[21] Besides, when the Genguyons filed the action for reconveyance, they were at that time in possession of the subject property. This Court has held that the 10-year prescription period applies only “when the plaintiff or the person enforcing the trust is not in possession of the property since if a person claiming to be the owner thereof is in actual possession of the property the right to seek reconveyance, which in effect seeks to quiet title to the property, does not prescribe.”[22]

Even though the Genguyons filed the action for reconveyance after the case for ejectment against them was instituted, the same was not rendered stale or improper. This Court has uniformly held that “the one who is in actual possession of a piece of land claiming to be the owner thereof may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right. His undisturbed possession gives him a continuing right to seek the aid of a court of equity to ascertain and determine the nature of the adverse claim of a third party and its effect on his own title, which right can be claimed only by one who is in possession.”[23]

Petitioner also assails the award of damages to the Genguyons, arguing that he should be the one awarded

damages. The Court of Appeals ordered Mateo Tan Lu and the petitioner to pay the Genguyons, jointly and solidarily, the amount of P35,000.00 as damages inclusive of attorney's fees. The award was justified by the appellate court thus:

There is no doubt that because of Tan Lu and Arlegui's violation of the trust and confidence reposed in them as officers and negotiators in behalf of the tenants-members of the Association, damages have accrued upon spouses Genguyons for which they must be indemnified.

Article 19 of the New Civil Code of the Philippines exhorts the citizens in the correct exercise of rights and performance of duties in this wise:

Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

This principle of abuse of rights is based upon the famous maxim *sum jus summa injuria* (the abuse of a right is the greatest possible wrong).

The acts of Tan Lu and Arlegui directly violate the principles enunciated in Art. 19 which declares that every person must practice justice, honesty and good faith in his dealings with his fellowmen. That there was a valid pact or agreement among the Association members and their entrusted officers charged with the negotiations, is an accepted fact. As two of the three entrusted officers charged with the negotiations, Tan Lu and Arlegui fall within the purview of Art. 19 which is also implemented by Art. 21, New Civil Code, a sequent of Art. 19, which declares that "[A]ny person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage." [24]

In addition, Articles 2221 and 2222 of the New Civil Code provide that the Court may award nominal damages: (1) in order that a right of the plaintiff, which has been violated or invaded, may be vindicated or recognized; or (2) in every case where any property right has been invaded. Under the circumstances, whether as compensatory or nominal damages, the amount of P35,000.00, inclusive of attorney's fees, is just and reasonable.

Finally, in the assailed Decision, the Court of Appeals ordered a permanent injunction directing the MTC of Mandaluyong, Branch 60 to dismiss the ejectment case [25] against the Genguyons. The records show that three (3) years before the Court of Appeals rendered its Decision, the ejectment case had already been decided with finality. Consequently, the Court of Appeals can no longer interfere in the said case. Besides, the outcome of the ejectment case has no adverse effect on the action for reconveyance which concerns title to the subject property. Neither will the said judgment be held conclusive of the facts therein found since the ejectment case between the same parties is based on a different cause of action involving possession. [26] For being moot and academic, it is no longer necessary to indulge in academic discussion on this matter. [27]

During these proceedings, counsel for the Genguyon spouses notified the Court of their untimely demise: Gil on April 16, 2001 and Beatriz on October 18, 2000, as evidenced by the Death Certificates [28] submitted by their surviving heirs. The said heirs moved that they be substituted as parties-respondents in this case. [29] There being no opposition on the part of petitioner Arlegui, this Court granted the motion for substitution in accordance with Rule 3, Section 17 of the Revised Rules of Court.

WHEREFORE, in view of all the foregoing, the petition is DENIED and the Decision of the Court of Appeals in CA-G.R. No. 32833 is hereby AFFIRMED and MODIFIED, as follows:

1)

Annuling the sale of the apartment unit at issue between Mateo Tan Lu and Josue Arlegui;

2)

Ordering Josue Arlegui to execute a corresponding Deed of Conveyance in favor of the heirs of Gil and Beatriz Genguyon (Gilda G. Genguyon, Ira G. Genguyon, Reylan G. Genguyon, Edwin G. Genguyon, Marilou Genguyon-Rodriguez, and Rosemarie Genguyon-Iwafe) involving Transfer Certificate of Title (TCT) No. 1286 covering the apartment unit at issue, upon payment by said heirs of the sum of P55,000.00, without any interest, to Arlegui;

Should Josue Arlegui fail to so execute the Deed of Conveyance herein ordered within fifteen (15) days from finality of judgment, the Branch Clerk of the court a quo shall execute the same and the Register of Deeds shall nullify the certificate of title in the name of Arlegui and shall issue another certificate of title in favor of the heirs;

3)

Ordering Mateo Tan Lu and Josue Arlegui to pay the heirs jointly and solidarily, the amount of P35,000.00, as nominal damages inclusive of attorney's fees;

4)

Dismissing the charges as to defendants-appellees Barrettos; and

5)

Costs against Mateo Tan Lu and Josue Arlegui, jointly and severally.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, and Kapunan, JJ., concur.

[1] Court of Appeals Decision, penned by Justice Bennie Adefuin-De la Cruz and concurred in by Justices Jorge Imperial and Lourdes Tayao-Jaguros, pp. 10-11; Records, pp. 33-34, Annex "A".

[2] Records, pp. 65-68.

[3] Annex "C", Rollo, pp. 37-43.

[4] CA-G.R. CV No. 32833.

[5] Decision in Civil Case No. 12647-(1654), Rollo, pp. 54-60.

[6] Decision in Special Civil Action No. 225, Rollo, pp. 60-68.

[7] Annex "B", Records, p. 393.

[8] Rollo, pp. 14-15.

[9] Records, pp. 178-179.

[10] TSN, September 19, 1990, p. 2.

[11] Section 6, P.D. No. 1517.

[12] 128 SCRA 428, 433 (1984).

[13] 214 SCRA 394, 398 (1992), citing *Nieves v. Court of Appeals*, 198 SCRA 63, 72 (1991).

[14] Rollo, pp. 27-28.

[15] *Ibid.*, at 28.

[16] Annex “E”, Letter dated January 27, 1987, Record, p. 145.

[17] *Marquez v. Court of Appeals*, 300 SCRA 653, 658 (1999).

[18] *Vda. de Esconde v. Court of Appeals*, 253 SCRA 66, 73 (1996).

[19] Rollo, pp. 31-32.

[20] 123 SCRA 1, 15-16 (1983).

[21] *Salvatierra v. CA*, 261 SCRA 45, 59 (1996); *Manangan v. De los Reyes*, 308 SCRA 139, 143 (1999).

[22] *Reyes v. Court of Appeals*, 315 SCRA 626, 632 (1999).

[23] *Reyes*, *supra*.

[24] Rollo, pp. 32-33.

[25] Civil Case No. 12647.

[26] *Del Rosario v. Court of Appeals*, 241 SCRA 519, 525 (1995).

[27] *Pepsi-Cola Products Phils., Inc. v. Sec. of Labor*, 312 SCRA 104, 114 (1999).

[28] Records, pp. 123-124.

[29] Records, pp. 119-122.

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