

HEIRS OF GAUDENCIO BLANCAFLOR, PETITIONER, VS. COURT OF APPEALS AND GREATER MANILA EQUIPMENT MARKETING CORPORATION, RESPONDENTS.

G.R. No. 130380. March 17, 1999

Ponente: DAVIDE, JR., C.J.

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DAVIDE, JR., C.J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Court of the 4 April 1997 decision[1] of the Court of Appeals, affirming in toto the 4 March 1992 decision[2] of the Regional Trial Court (RTC) of Iloilo City, Branch 36, in LRC Cadastral Record Nos. 5913 & 9739.

The factual antecedents were summarized by public respondent Court of Appeals as follows:[3]

On May 16, 1968, in Civil Case No. 10270 the then Court of First Instance [CFI] of Rizal, 7[th] Judicial District, Branch 8, Pasig, Rizal rendered judgment in favor of Sarmiento Trading Corporation and against defendant Gaudencio Blancaflor ordering the latter to pay to the former the amount of P9,994.05 with interest thereon at the rate of 12% per annum from June 21, 1967, until fully paid, P500 as attorney's fees and the costs.

On August 26, 1968, [a] writ was issued to execute the foregoing judgment, by reason of which at the auction sale conducted by the sheriff Lot No. 22 of the consolidation and subdivision plan Pcs-4577 in Iloilo City belonging to defendant Blancaflor, covered by TCT No. 14749, was sold to Sarmiento Trading Corporation. The certificate of sale was inscribed as a memorandum of encumbrance on TCT No. 14749 under Entry No. 39774 on December 19, 1968.

On January 13, 1970, after the one-year period from date of sale, the final deed was issued in favor of Sarmiento Trading Corporation.

On March 20, 1970, upon petition filed the then Court of First Instance of Iloilo in Cadastral Case No. 4, Record No. 9739, ordered [the] cancellation of TCT No. 14749 in the name of defendant Blancaflor and issuance of [a] new certificate of title in lieu thereof in the name of Sarmiento Trading Corporation, which was annotated on TCT No. 14749 as Entry No. 139381.

On June 2, 1972, Sarmiento Trading Corporation sold, transferred and conveyed unto Sarmiento Distributors Corporation Lot No. 22.

On September 26, 1988, the Deputy Registrar of Deeds of Iloilo City and Assistant Regional Registrar, Region VI, wrote to Gaudencio Blancaflor requesting him to surrender the owner's duplicate copy of TCT No. T-14749 in his possession.

On February 10, 1989, no new transfer certificate of title having been issued by the Registrar of Deeds, appellee Greater Manila Equipment Marketing Corporation (formerly Sarmiento Distributors Corporation), filed a petition and on May 25, 1989, an amended petition in the Regional Trial Court praying that the heirs of Gaudencio Blancaflor be ordered to surrender the owner's duplicate copy of TCT No. T-14749; that should they refuse to do so such owner's duplicate copy of the title be deemed cancelled; and that the notice of levy on

execution in Civil Case No. 11562, Philippine Commercial and Industrial Bank vs. Gaudencio Blancaflor and Agapito Labado, be cancelled.[4]

After due hearing, the RTC rendered a decision, with the dispositive portion reading as follows:

WHEREFORE, in the light of the foregoing, the instant petition is hereby GRANTED.

As prayed for, the respondent Heirs of Gaudencio Blancaflor are hereby ordered to surrender to this Court within Fifteen (15) days from receipt of copy of this Decision their owner's copy of Transfer Certificate of Title No. T-14749. Failure to do so within the said time will result in the nullification of the same without further orders from this Court in which case, it is already proper for the Register of Deeds for the City of Iloilo to issue a new Certificate of Title over Lot No. 22 in favor of the petitioner.

Moreover, Entry No. 81965 in favor of Philippine Commercial and Industrial Bank at the dorsal portion of TCT No. T-14749 is hereby ordered cancelled.[5]

Petitioners seasonably appealed to the Court of Appeals, which docketed the appeal as CA-G.R. CV No. 38838. Petitioners argued that the process of execution of the decision of the CFI of Rizal had not been completely carried out and that it was only 19 years after the issuance of the final certificate of sale that it was sought to be enforced through the filing of appellee's petition for the surrender of the owner's duplicate copy of TCT No. 14749. Hence, appellee's cause of action had already prescribed.

The Court of Appeals affirmed the challenged decision of the trial court, holding as follows:[6]

The judgment of the then Court of First Instance of Rizal against Gaudencio Blancaflor and in favor of Sarmiento Trading Corporation ordering the former to pay the latter the amount of P9,994.05 with interest thereon at the rate of 12% per annum from June 21, 1967 until fully paid, P500 as attorney's fees and the costs having become final, the writ to execute it was issued. At the auction sale conducted by the sheriff, the parcel of land, Lot No. 22, covered by TCT No. 14749, belonging to the judgment debtor was sold to the judgment creditor at an execution sale. The certificate of sale was inscribed as a memorandum of encumbrance on TCT No. 14747. After the lapse of one year from date of sale the final deed was issued in favor of the judgment creditor. Upon petition filed, the then Court of First Instance of Iloilo acting as a cadastral court ordered cancellation of TCT No. 14749 in the name of the judgment debtor and issuance of another in lieu thereof in the name of the judgment creditor, which was annotated on TCT No. 14749. The judgment creditor subsequently transferred and conveyed the parcel of land unto Sarmiento Distributors Corporation. To enable the Registrar of Deeds to issue the corresponding title in appellee's name, the judgment creditor's successor-in-interest, there is a need for the judgment debtor to surrender the owner's duplicate copy of TCT No. T-14749, now in the possession of his heirs, the herein appellants. Under Section 107 of the Property Registration Decree, Presidential Decree No. 1529, which provides:

Where it is necessary to issue a new certificate of title pursuant to any involuntary instrument which divests the title of the registered owner against his consent or where a voluntary instrument cannot be registered by reason of the refusal or failure of the holder to surrender the owner's duplicate certificate of title, the party in interest may file a petition in court to compel surrender of the same to the Register of Deeds. The court, after hearing, may order the registered owner or any person withholding the duplicate certificate to surrender the same, and direct the entry of a new certificate or memorandum upon such surrender. If the person withholding the duplicate certificate is not amenable to the process of the court, or if for any reason the outstanding owner's duplicate certificate cannot be delivered, the court may order the annulment of the same as well as the issuance of a new certificate of title in lieu thereof. Such new certificate and all duplicates thereof shall contain a memorandum of the annulment of the outstanding duplicate the Regional Trial Court, after hearing, is authorized and empowered to order the registered owner of the parcel of land in question or any person withholding the owner's duplicate copy of the certificate of title to surrender it and direct entry of a new

certificate or memorandum upon surrender thereof, otherwise if the person withholding said duplicate copy of the certificate is not amenable to the process, the trial Court may order annulment of the same and issuance of a new certificate of title in lieu thereof. That is what the Regional Trial Court did in this case. And that it did correctly and properly.[7]

In its Resolution[8] of 25 August 1997, the Court of Appeals denied, for lack of merit, petitioners' motion for reconsideration.[9]

In this appeal, petitioners aver that the causes of action of private respondent below were actually to enforce the following:

a)

the default decision dated 16 May 1968 in Civil Case No. 10270 of the then CFI of Rizal; the writ of execution dated 13 August 1968 enforcing said decision; and the 13 January 1970 Final Deed of Sale executed by the Sheriff covering TCT No. 14749 and TCT No. 19002; and

b)

the 20 March 1970 decision of the then CFI of Iloilo directing the Register of Deeds of Iloilo City to issue new Transfer Certificate of Title on favor of the petitioner Sarmiento Trading Corporation, cancelling Transfer Certificate of Title No. 14749.

Petitioners then argue that these causes of action had already prescribed under Art. 1144 of the New Civil Code, which provides that any action based upon an obligation created by law or upon a judgment must be brought within ten (10) years from the time of the right of action accrues. Petitioners point out that since private respondent belatedly sued to compel surrender of the owner's certificate of title, then either prescription or laches had already set in. Petitioners likewise speculate that private respondent merely waited for the demise of Gaudencio Blancaflor before filing the petition in court on 26 February 1989, when the latter could no longer refute the contentions of the former.

Private respondent Greater Manila Equipment Marketing Corporation, and its successor-in-interest, Sarmiento Trading Corporation, dispute petitioners' contentions, maintaining that prescription does not apply in this case because the judgment is not being executed but is merely being completed; moreover, they pursued their claim over the subject property through administrative proceedings under Section 78 of Act No. 496.

The petition is devoid of merit.

A closer examination of the facts discloses that enforcement of the decision in Civil Case No. 10270 of the CFI of Rizal was not the cause of action in private respondent's petition for the Surrender and/ or Cancellation of the Owner's Duplicate Copy of Transfer Certificate Title No. 14749. Plainly, the petition was merely a consequence of the execution of the judgment as the judgment in said Civil Case No. 10270 had already been fully enforced. A writ of execution was in fact issued on 26 August 1968, by virtue of which a "Notice of Attachment or Levy" was made by the Sheriff on the property of Blancaflor, including the lot covered by TCT No. 14749. This notice was duly inscribe at the back of TCT No. 14749, then an auction sale of the lot covered by TCT No. 14749 was conducted with Sarmiento Trading Corporation emerging as the highest bidder. The latter was awarded the bid and a certificate of sale in its favor was executed by the Sheriff and thereafter inscribed as a memorandum of encumbrance on TCT No. 14749. Subsequently, the Sheriff executed a final deed of sale in favor of Sarmiento Trading Corporation.

It is settled that execution is enforced by the fact of levy and sale.[10] The result of such execution sale -- with Sarmiento Trading Corporation as the highest bidder -- was that title to Lot No. 22 of TCT No. 14749 vested immediately in the purchaser subject only to the judgment debtor's right to repurchase.[11] Therefore, upon Sarmiento Trading Corporation's purchase of Lot No. 22 covered by TCT No. 14749 at the auction sale, private respondent's successor-in-interest had acquired a right over said title.

The right acquired by the purchaser at an execution sale is inchoate and does not become absolute until after the expiration of the redemption period without the right of redemption having been exercised. But inchoate though it be, it is like any other right, entitled to protection and must be respected until extinguished by redemption.[12] Gaudencio Blancaflor was not able to redeem his property after the expiration of the redemption period, which was 12 months after the entry or annotation of the certificate of sale made on the back of TCT No. 14749. Consequently, he had been divested of all his rights to the property.

Petitioners' reliance on prescription and laches is unavailing in this instance. It was proper for Sarmiento Trading Corporation to file a petition with the Court of First Instance of Iloilo, acting as a cadastral court, for the cancellation of TCT No. 14749 in the name of Gaudencio Blancaflor and the issuance of another in its name. This is a procedure provided for under Section 78 of Act No. 496[13] and Section 75 of P.D. 1529,[14] which read:

Sec. 78. Upon the expiration of the time, if any allowed by law for redemption after registered land has been sold on any execution, or taken or sold for the enforcement of any lien of any description, the person claiming under the execution or under any deed or other instrument made in the course of proceedings to levy such execution or enforce any lien, may petition the court for the entry of a new certificate to him, and the application may be granted: Provided, however, That every new certificate entered under this section shall contain a memorandum of the nature of the proceeding on which it is based: Provided, further, That at any time prior to the entry of a new certificate the registered owner may pursue all his lawful remedies to impeach or annul proceedings under execution or to enforce liens of any description.

Sec. 75. Application for new certificate upon expiration of redemption period. -- Upon the expiration of the time, if any, allowed by law for redemption after registered land has been sold on execution, or taken or sold for the enforcement of a lien on any description, except a mortgage lien, the purchaser at such sale or anyone claiming under him may petition the court for the entry of a new certificate of title to him.

Before the entry of a new certificate of title, the registered owner may pursue all legal and equitable remedies to impeach or annul such proceedings.

Contrary to the impression of petitioners, it is the certificate of sale issued by the sheriff after the auction sale which has to be registered for such involuntary conveyance to affect the land. On this note, Section 74 of P.D. 1529 clearly provides:

Section 74. Enforcement of liens on registered land -- Whenever registered land is sold on execution, or taken or sold for taxes or for any assessment or to enforce a lien of any character, or for any costs and charges incident to such liens, any execution or copy of execution, any officer's return, or any deed, demand, certificate, or affidavit, or other instrument made in the course of the proceedings to enforce such liens and required by law to be recorded, shall be filed with the Register of Deeds of the province or city where the land lies and registered in the registration book, and a memorandum made upon the proper certificate of title in each case as lien or encumbrance.

As held in *Agbulos v. Alberto*: [15]

It is the law in this jurisdiction that when property brought under the operation of the Land Registration Act is sold, the operative act is the registration of the deed of conveyance. The deed of sale does not "take effect as a conveyance, or bind the land" until it is registered (Section 50, Act No. 496; *Tuason v. Raymundo*, 28 Phil.

635; *Sikatuna v. Guevara*, 43 Phil. 371; *Worcester v. Ocampo*, 34 Phil. 646). Undoubtedly, to be in consonance with this well settled rule, Section 24, Rule 39 of the Rules of Court, provides that a duplicate of the certificate of sale given by the sheriff who made the auction sale to the purchaser must be filed (registered) in the office of the register of deeds of the province where the property is situated.

Neither are we persuaded by petitioners' argument that the Register of Deeds did not: (a) inform Gaudencio Blancaflor of the levy of TCT No. 14749 and the inscription of the Certificate of Sale on 19 December 1968; (b) notify him of the levy and subsequent sale at public auction; or (c) require Gaudencio Blancaflor to produce his owner's duplicate copy of the title for inscription. Section 52 of P.D. No. 1529 expressly provides:

SEC. 52. Constructive notice upon registration. -- Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land, shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing, or entering.

There was constructive notice of the levy on TCT No. 14749 and the subsequent auction sale, as evidenced by the inscription of both the Notice of Attachment or Levy and the Certificate of Sale at the back of TCT No. 14749. Petitioners are thus barred from claiming that their predecessor-in-interest was not notified of such levy and auction sale. As regards inscription in the owner's duplicate copy of the certificate of title, petitioners have overlooked the fact that what is involved herein is the involuntary conveyance of Lot 22 covered by TCT No. 14749 by way of levy upon execution. In such a case, title is transferred by involuntary alienation and by its very nature such transfer is carried out against the will of the owner. Section 71 of Presidential Decree No. 1529 thus provides:

Sec. 71. Surrender of certificate in involuntary dealings. -- If an attachment or other lien in the nature of involuntary dealing in registered land is registered, and the duplicate certificate is not presented at the time of registration, the Register of Deeds, shall, within thirty-six hours thereafter, send notice by mail to the registered owner, stating that such paper has been registered, and requesting him to send or produce his duplicate certificate so that a memorandum of the attachment or other lien may be made thereon. If the owner neglects or refuses to comply within a reasonable time, the Register of Deeds shall report the matter to the court, and it shall, after notice, enter an order to the owner to produce his certificate at a time and place named therein, and may enforce the order by suitable process.

WHEREFORE, the petition is DENIED and the challenged decision of the Court of Appeals is AFFIRMED in toto.

Costs against petitioners.

SO ORDERED.

Melo, Kapunan, and Pardo, JJ., concur.

[1] Annex "A" of Petition, Rollo, 20-28. Per Ramirez, P., J., with Montenegro, E. and Agcaoili, O., JJ., concurring.

[2] Annex "D" of Petition, Rollo, 38-45. Per Judge Quirico G. Defensor.

[3] Reference to exhibits have been deleted for convenience.

[4] Rollo, 21-22.

[5] Id., 44-45.

[6] Reference to exhibits have likewise been deleted for convenience.

[7] Id., 27-28.

[8] Annex "C" of Petition, Rollo, 37.

[9] Annex "B" of Petition, Rollo, 30-35.

[10] See *Jalandoni v. Philippine National Bank*, 108 SCRA 102, 104 [1981].

[11] See *U.S. v. Painaga*, 27 Phil 18, 22 [1914].

[12] *Bautista v. Fule*, 85 Phil 391, 393 [1950].

[13] The Land Registration Act.

[14] Amending and Codifying the Laws Relative to Registration of Property and for Other Purposes.

[15]© 5 SCRA 790, 793 [1962].

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