SPOUSES AVELINO AND EXALTACION SALERA, PETITIONERS, VS. SPOUSES CELEDONIO AND POLICRONIA RODAJE, RESPONDENTS.

G.R. No. 135900. August 17, 2007

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Challenged in this Petition for Review on Certiorari is the Decision[1] dated October 9, 1998 of the Court of Appeals (Seventeenth Division) in CA-G.R. CV No. 51480, entitled Spouses Avelino Salera and Exaltacion Salera, plaintiffs-appellees, v. Spouses Celedonio Rodaje and Policronia Rodaje, defendants-appellants.

On May 7, 1993, spouses Avelino and Exaltacion Salera, now petitioners, filed with the Regional Trial Court (RTC), Branch 11, Calubian, Leyte, a complaint for quieting of title, docketed as Civil Case No. CN-27, against spouses Celedonio and Policronia Rodaje, herein respondents. Petitioners alleged that they are the absolute owners of a parcel of land situated at Basud, San Isidro, Leyte with an area of 448.98 square meters, more or less. They acquired the property from the heirs of Brigido Tonacao as shown by a Deed of Absolute Sale executed on June 23, 1986. They had the document registered in the Registry of Deeds of Iloilo on July 1, 1986. When they asked the Provincial Assessor to declare the property under their names for taxation purposes, they found that Tax Declaration No. 2994 (R-5) in the name of Brigido was already cancelled and another one, Tax Declaration No. 2408, was issued in the names of respondents. Petitioners further alleged that they have been in possession of the property and the house they built thereon because they had paid the purchase price even before the execution of the deed of sale.

In their answer to the complaint, respondents claimed that they are the absolute owners of the same property. They acquired it from Catalino Tonacao, the father of Brigido, in a Deed of Absolute Sale dated June 6, 1986. The sale was registered in the Registry of Deeds of Leyte on June 10, 1986 and Tax Declaration No. 2408 was issued in their names. Prior thereto, or on January 11, 1984, they had a verbal contract of sale with Catalino. They paid him P1,000.00 as downpayment. They agreed that the balance of P4,000.00 shall be paid upon execution of the deed of sale. Since then, they have been exercising their right of ownership over the property and the building constructed thereon peacefully, publicly, adversely and continuously. Apart from being the first registrants, they are buyers in good faith.

On July 17, 1995, the RTC rendered a Decision declaring petitioners the rightful and legal owners of the property, thus:

> In view of all the foregoing, judgment is hereby rendered in favor of the plaintiffs and against the defendants, declaring the plaintiffs the rightful and legal owners of the property described in paragraph 3 of the complaint; declaring as null and void the sale (Exhibits "1" and "2") made by Catalino Tonacao to herein defendants for lack of capacity to sell; and ordering the cancellation of Tax Declaration No. 2408 issued in favor of Sps. Celedonio Rodaje and Policronia Rodaje by the Provincial Assessor of Leyte and directing defendants to pay the costs.

In declaring null and void the Deed of Absolute Sale between Catalino and herein respondents and ordering the cancellation of Tax Declaration No. 2408 issued in the latter's names, the RTC ratiocinated as follows:

> Assessing the validity of the sale in favor of plaintiffs by the heirs of Brigido Tonacao vis-á-vis the sale by Catalino Tonacao, father of Brigido Tonacao, to the defendants of the property, the Court believes that the former must survive over the latter.
>
> To begin with, defendants admit that Brigido Tonacao was the declared owner of the land in question before defendants purchased such land from Catalino Tonacao. Defendants also admit that the wife and children of Brigido Tonacao indeed partitioned the land in question extrajudicially among themselves and that such wife and children of Brigido Tonacao sold the land to plaintiffs although defendants question the capacity of some children to sell the property for being minors.
>
> These admissions tend to establish ownership of the land in question by Brigido Tonacao. Upon his death, therefore, the property subject of the case at bar would by operation of law on succession, pass to the heirs of Brigido Tonacao, namely: to the surviving spouse and his children.
>
> Catalino Tonacao, the father of the deceased Brigido Tonacao, is excluded by operation of law by the presence of the compulsory heirs who are the children of Brigido Tonacao. Whatever sale Catalino Tonacao may have executed in favor of the defendants is a sale by one who has no legal personality or authority to do so. Thus, the sale by Catalino Tonacao to defendants is invalidated by his lack of personality to execute such sale, which conferred no rights to the defendants nor did it impair the right of Brigido Tonacao's heirs to dispose of their inheritance in favor of the plaintiffs.

On appeal, the Court of Appeals, in a Decision dated October 9, 1998, reversed and set aside the trial court's Decision, declaring respondents the true and lawful owners of the property in dispute, thus:

> WHEREFORE, the decision, dated July 17, 1995, of the Regional Trial Court (Branch 11) in Calubian, Leyte is hereby REVERSED AND SET ASIDE. Therewithal, another judgment is rendered declaring the order of the trial court null and void, hereby: declaring the defendants-appellants to have the superior right to the property in question and to be the true and lawful owners thereof; directing the Register of Deeds of Leyte to cancel the Deed of Absolute Sale, dated June 23, 1986, in favor of the plaintiffs-appellees and to reinstate the Deed of Absolute Sale in favor of the defendants-appellants and Tax Declaration No. 2408 be issued in favor of spouses Celedonio Rodaje and Policronia Rodaje; and directing the plaintiffs-appellees and other persons claiming rights under them, and residing in the premises of the land in question, to immediately vacate the same and to remove whatever improvements they had placed in the premises. No pronouncement as to costs.

Hence, this petition.

The issue before us is which of the two contracts of sale is valid.

Petitioners contend that the sale between Catalino and respondents is void because the former was not the owner of the lot, hence "had no legal capacity to sue." The true owner was Brigido as shown by Tax Declaration No. 2994 (R-5) in his name. Thus, his spouse and children, being his successors-in-interest, could validly sell the property to them (petitioners).

On the other hand, respondents insist that they are buyers in good faith. They bought the property, had the deed of sale registered, and took possession thereof ahead of petitioners. They also constructed a house thereon which they used as a store. They paid the real estate taxes corresponding to the period from 1974 up to 1993.

The Court of Appeals, in upholding the validity of the sale in favor of respondents, relied on Article 1544 of the Civil Code on double sale, thus:

> As between two purchasers, the one who registered the sale in his favor has a preferred right over the other

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> who has not registered his title, even if the latter is in actual possession of the immovable property (Tañedo v. Court of Appeals, 252 SCRA 80). A fortiori. the defendants-appellants have a superior right over the contested property inasmuch as they have both actual possession and prior registration of the conveyance (Exhibit "2"; page 6, TSN, August 9, 1994; page 5, TSN, August 23, 1994). Dominium a possessione cepisse dicitur. Right is said to have its beginning from possession.
>
> The applicable provision of the New Civil Code provides:
> Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have taken possession thereof in good faith, if it should be movable property.
>
> Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.
>
> Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith.

x x x

Since the controversy involves two deeds of sale over the same property, Article 1544 properly applies thereto (Vda. De Alcantara v. Court of Appeals, 252 SCRA 457). Following the above-quoted provision, the court a quo was not justified in according preferential rights to the plaintiffs-appellees, who had registered the sale in their favor later, as against the defendants-appellants.

The Court of Appeals is wrong. Article 1544 of the Civil Code contemplates a case of double sale or multiple sales by a single vendor. More specifically, it covers a situation where a single vendor sold one and the same immovable property to two or more buyers.[2] It cannot be invoked where the two different contracts of sale are made by two different persons, one of them not being the owner of the property sold.[3] In the instant case, the property was sold by two different vendors to different purchasers. The first sale was between Catalino and herein respondents, while the second was between Brigido's heirs and herein petitioners.

Settled is the principle that this Court is not a trier of facts. In Gabriel v. Mabanta[4] we said that "(t)his rule, however, is not an iron-clad rule." One of the recognized exceptions is when the findings of fact of the Court of Appeals are contrary to those of the trial court, as in this case.

Here, the trial court which had the opportunity to observe the demeanor of the parties and first to consider the evidence submitted by them, concluded that respondents are not purchasers in good faith, thus:

> The court finds no merit in the claim of good faith by the defendants in purchasing the land in question. Exhibit "14", which is Tax Declaration No. 2408, shows that such declaration is a transfer from Tax Declaration No. 2994 (R-5) in the name of Brigido Tonacao. Defendants, therefore, knew when they bought the property that they were buying the property from Catalino who is not the registered owner. The Deed of Sale (Exh. "2") showcases defendants' bad faith in that they purchased the property from Catalino Tonacao and Lourdes Tonacao and not from the declared owner, Brigido Tonacao.

In reversing the trial court's findings, the appellate court found, thus:

> Since the plaintiffs-appellees had prior knowledge of the sale of the questioned property to the defendants-appellants--and even recognized and respected the latter's possession thereof--they acted with gross and evident bad faith in perfecting a contract of sale in their favor. Accordingly, since it has been proven that the defendants-appellants were the anterior possessors in good faith, ownership of the questioned property vested in them by sheer force of law. Besides, the defendants-appellants subsequently registered the deed of sale in their favor on June 10, 1986. For all intents and purposes, they were the first to register the deed of conveyance. Irrefragably, since they were the first vendees, their registration enjoyed the presumption of good

faith.

Good faith is something internal. Actually, it is a question of intention. In ascertaining one's intention, this Court must rely on the evidence of one's conduct and outward acts.[5] Good faith, or want of it, is capable of being ascertained only from the acts of one claiming its presence, for it is a condition of the mind which can be judged by actual or fancied tokens or signs.[6] Good faith consists in the possessor's belief that the person from whom he received the thing was the owner of the same and could convey his title. Good faith, while it is always to be presumed in the absence of proof to the contrary, requires a well founded belief that the person from whom title was received was himself the owner of the land, with the right to convey it. There is good faith where there is an honest intention to abstain from taking any unconscientious advantage of another.[7]

Contrastingly, in Magat, Jr. v. Court of Appeals,[8] the Court explained that "[b]ad faith does not simply connote bad judgment or negligence. It imports a dishonest purpose or some moral obliquity and conscious doing of wrong. It means a breach of a known duty through some motive or interest or ill will that partakes of the nature of fraud." In Arenas v. Court of Appeals,[9] the Court held that the determination of whether one acted in bad faith is evidentiary in nature. Thus, "[s]uch acts (of bad faith) must be substantiated by evidence." Indeed, the unbroken jurisprudence is that "[b]ad faith under the law cannot be presumed; it must be established by clear and convincing evidence."

Evidence submitted to the court, oral and documentary, established that respondents knew beforehand that the property was declared in the name of Brigido Tonacao for taxation purposes. Respondent Celedonio Rodaje testified as follows:

Q: Mr. Celedonio Rodaje, you said the property you bought in this case was bought from Catalino Tonacao?

A: It was from Catalino Tonacao.

Q: And the Deed of Absolute Sale was executed in the year 1986?

A: Yes.

Q: It was likewise Catalino Tonacao who signed and executed the Deed of Absolute Sale?

A: Yes, including his wife.

Q: Before you purchased this property, did you find for yourself the ownership of the property you were supposed to buy?

A: Yes, I did.

Q: Did Catalino Tonacao presented to you a document showing that he really owns the property?

A: The Tax Declaration of his son Brigido Tonacao signed by Catalino Tonacao.

Q: It was presented to you, the Tax Declaration declared in the name of Brigido Tonacao?

A: It was presented to me.[10]

Respondents claim that they have been in possession of the lot even before the execution of the Deed of Absolute Sale on June 6, 1986. Catalino allowed them to take possession after they made an initial payment on January 11, 1984. They constructed a house thereon which they use as a store. They are the ones paying the electric bills and realty taxes.

However, a perusal of the records of the case shows that petitioners are the ones in prior possession of the

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property. After they purchased it from the heirs of Brigido in 1981, they started building a house thereon. The construction was completed in 1984. The house was declared in the name of their daughter Aida Salera[11] under Tax Declaration No. 4403 issued on October 11, 1984.[12] She occupied the house and used it as a sari-sari store until 1985 when she had to close it because business was bad.[13] Even the electrical connection of the house was registered in her name.[14] In fact, respondent Celedonio Rodaje testified that the electric bills are in the name of Aida Salera,[15] thus:

> Q: Aida Salera testified that she is the owner of the house, plaintiff's daughter in this case. She presented the electric bills in her name, what can you say to that?
>
> A: The electric bills are in her name, but I was the one paying.
>
> Q: How did it come that the electric bills are in her name?
>
> A: It was a time when the house was newly constructed where she lived for a while.
>
> Q: You said you were the one paying her electric bills, do you have any evidence to prove your allegation?
>
> A: I have.
>
> Q: What is your proof?
>
> A: A certification from the electric bill collector that I have paid the electric bills from the beginning.

The certification referred to by respondent Celedonio states that "Mr. Celedonio C. Rodaje, Jr. is the one paying the electric bills of Aida Salera whose dwelling unit is situated in barangay Basud, San Isidro, Leyte since 1986." The certification clearly shows that the house is owned by Aida Salera and that respondents started paying the electric bills only in 1986.[16]

Respondent Celedonio Rodaje likewise testified that he paid the realty taxes for the lot "from 1974 to 1984 up to the present."[17] However, it appears from his Realty Tax Clearance that he paid only in 1984 and that the payment was in lump sum.[18]

As stated earlier, respondents knew, prior to the sale to them, that the lot was declared for taxation purposes under the name of Brigido. Thus, respondents should have been wary in buying the property. Any lot buyer is expected to be vigilant, exercising utmost care in determining whether the seller is the true owner of the property and whether there are other claimants. There is no indication from the record that respondents first determined the status of the lot.

While tax declarations are not conclusive proofs of ownership, however, they are good indicia of possession in the concept of owner, for no one in his right mind would be paying taxes for a property that is not in his actual or at least constructive possession.[19] Hence, as between Brigido and Catalino, the former had better right to the property. In other words, Catalino, not being the owner or possessor, could not validly sell the lot to respondents.

The Court is convinced that respondents had knowledge that the disputed property was previously sold to petitioners by Brigido's heirs. Obviously, aware that the sale to petitioners was not registered, they purchased the property and have the sale registered ahead of petitioners, who although in possession, failed to have their contract of sale registered immediately in the Registry of Deeds.

WHEREFORE, the petition is GRANTED. The assailed Decision of the Court of Appeals in CA-G.R. CV No. 51480 is REVERSED and the Decision of the trial court is REINSTATED.
SO ORDERED.

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Puno, C.J., (Chairperson), Corona, Azcuna, and Garcia, JJ., concur.

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[1] Penned by Justice Ramon Mabutas, Jr. and concurred in by Justices Hilarion L. Aquino and Renato C. Dacudao (all retired).

[2] Consolidated Rural Bank (Cagayan Valley) Inc. v. Court of Appeals, G.R. No. 132161, January 17, 2004, 448 SCRA 347.

[3] Ibid.

[4] G.R. No. 142403, March 26, 2003, 399 SCRA 573, citing Alipoon v. Court of Appeals, 305 SCRA 118 (1999).

[5] Ibid.

[6] Philippine National Bank v. Heirs of Estanislao Militar, G.R. Nos. 164801 & 165165, June 30, 2006, 494 SCRA 308.

[7] Ibid., citing Sigaya v. Mayuga, 467 SCRA 341 (2005).

[8] G.R. No. 124221, August 4, 2000, 337 SCRA 298, cited in Philippine National Bank v. Heirs of Estanislao Militar, ibid.

[9] G.R. No. 126640, November 23, 2000, 345 SCRA 617.

[10] TSN, pp. 71-72 dated August 9, 1994.

[11] TSN, p. 7 dated November 23, 1993.

[12] Documentary Exhibits of Plaintiffs, p. 6.

[13] TSN, pp. 8-9 dated November 23, 1993.

[14] Documentary Exhibits of Plaintiffs, pp. 11-12.

[15] TSN, p. 69 dated August 9, 1994.

[16] Documentary Exhibits of Defendants, p. 13.

[17] TSN, p. 64 dated August 9, 1994.

[18] Documentary Exhibits of Defendants, p. 5.

[19] Palomo v. Court of Appeals, G.R. No. 95608, January 21, 1997, 266 SCRA 392; Heirs of Simplicio Santiago v. Heirs of Mariano Santiago, G.R. No. 151440, June 17, 2003, 404 SCRA 193; Heirs of Severo Legaspi, Sr. v. Vda. De Dayot, G.R. No. 83904, August 13, 1990, 188 SCRA 508, citing Ramos v. Court of Appeals, 112 SCRA 542 (1982).

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