NATIONAL HOUSING AUTHORITY, PETITIONER, VS. JOSE EVANGELISTA, RESPONDENT.

G.R. NO. 140945. May 16, 2005

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

A person who was not impleaded in the complaint cannot be bound by the decision rendered therein, for no man shall be affected by a proceeding in which he is a stranger.[1]

This refers to the petition for review on certiorari filed by the National Housing Authority assailing the decision[2] of the Court of Appeals (CA) in CA-G.R. SP No. 51646, granting respondent's petition for annulment of judgment. The dispositive portion of the decision reads:

> WHEREFORE, the petition is granted. The assailed part of paragraph No. 3 of the dispositive portion of the decision dated November 29, 1995 of the Regional Trial Court, Br. CIII, Quezon City in Civil Case No. Q-91-10071 is hereby declared void, non-binding and inapplicable in so far as petitioner's TCT No. 122944 is concerned.
>
> Let a copy hereof be furnished the Register of Deeds of Quezon City for the proper annotation. No pronouncement as to costs.
>
> SO ORDERED.[3]

Petitioner now comes before the Court with the following assignment of errors allegedly committed by the CA:

> I
>
> THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT THE DECISION OF THE LOWER COURT IS NOT BINDING ON HEREIN RESPONDENT JOSE EVANGELISTA BECAUSE THE LOWER COURT DID NOT ACQUIRE JURISDICTION OVER HIS PERSON.
>
> II
>
> THE HONORABLE COURT LIKEWISE ERRED IN ANNULLING THE DECISION OF THE LOWER COURT ON THE GROUND OF LACK OF DUE PROCESS OF LAW BECAUSE RESPONDENT JOSE EVANGELISTA WAS NOT IMPLEADED AS A PARTY DEFENDANT IN PETITIONER'S ACTION FOR RECOVERY OF TITLE.[4]

The assailed decision of the CA originated from a civil case filed by petitioner before the Regional Trial Court of Quezon City (Branch CIII) for recovery of real property, docketed as Civil Case No. Q-91-10071.[5] Said case involves a real property measuring 915.50 square meters and located in V. Luna Road, Quezon City, originally awarded in 1968 by the People's Homesite and Housing Corporation (petitioner's predecessor) to a certain Adela Salindon. After the death of Salindon, her heirs executed an extra-judicial settlement where the property was transferred to Arsenio Florendo, Jr., Milagros Florendo, Beatriz Florendo and Eloisa Florendo-Kulphongpatana.

However, in a decision in G.R. No. L-60544, entitled "Arsenio Florendo, Jr., et al. vs. Hon. Perpetuo D. Coloma, Presiding Judge of Branch VII, City Court of Quezon City, et al.," rendered by the Court on May 19, 1984, the award in favor of Salindon was nullified and set aside for having been issued in excess of jurisdiction and with grave abuse of discretion, and petitioner was declared the owner of the property.

Despite said decision, the property was auctioned off by the Quezon City Treasurer's Office on April 23, 1986, for unpaid real property taxes by the Florendos. The highest bidder was Luisito Sarte. Because the Register of Deeds refused to register the final deed of sale issued by the City Treasurer, Sarte filed a petition for issuance of title and confirmation of sale, which was granted by the Regional Trial Court of Quezon City (Branch 84). Consequently, the Register of Deeds issued Transfer Certificate of Title (TCT) No. 28182 in the name of Sarte, who divided the property into Lot 1-A, measuring 570.50 square meters and covered by TCT No. 108070, and Lot 1-B, measuring 345 square meters and covered by TCT No. 108071.[6]

It was in 1991 that petitioner filed Civil Case No. Q-91-10071 with Sarte, the City Treasurer of Quezon City and the Quezon City Register of Deeds, as defendants. While the case was pending, Sarte executed in favor of respondent Jose Evangelista, a Deed of Assignment dated December 2, 1994, covering Lot 1-A.[7] TCT No. 108070 was cancelled and TCT No. 122944 was issued in the name of respondent on December 21, 1994. Subsequently, the Register of Deeds annotated on TCT No. 122944 an Affidavit of Adverse Claim of petitioner, to wit:

> Entry No. 7159/T-No. 122944: AFFIDAVIT OF ADVERSE CLAIM –
>
> Executed under oath by Manuel V. Fernandez (in behalf of NHA), adverse claimant, claiming among others that NHA has the right of the ownership of the property being the subject of controversy in Civil Case No. Q-91-10071, entitled "National Housing Authority vs. Luisito Sarte, et al.," now pending before RTC, Br. 103, Q.C., Doc. No. 76, page 16, Bk. I, s. of 1995 of Not. Pub. of Q.C. Belsie Cailipan Sy.
>
> Date of the instrument – May 4, 1995
> Date of the inscription – May 4, 1995.[8]

and Notice of Lis Pendens, to wit:

> Entry No. 1367/T-No. 122944: NOTICE OF LIS PENDENS –
>
> By virtue of a notice of lis pendens presented and filed by Oscar I. Garcia & Virgilio C. Abejo, notice is hereby given that a case has been pending RTC, Q.C. in Civil Case No. Q-95-23940 entitled "National Housing Authority, plaintiff, -vs.-Luistio Sarte, Jose Evangelista, Northern Star Agri-Business Corporation, BPI Agricultural Development Bank & the Register of Deeds of Quezon City, defendants," plaintiff praying for Annulment of the Deed of Assignment, Deed of Absolute Sale, Real Estate Mortgage, Cancellation of TCT Nos. 122944 and 126639 & damages.
>
> Date of the Instrument – May 24, 1995
> Date of the Inscription - May 31, 1995[9]

On May 1, 1995, petitioner filed a motion for leave to file supplemental complaint in Civil Case No. Q-91-10071, seeking to include respondent Evangelista, Northern Star Agri-Business Corporation and BPI Agricultural Development Bank as defendants. The proposed additional defendants were the subsequent purchasers of Lots 1-A and 1-B.[10] The trial court, however, denied the motion in its Order dated May 17, 1995.[11]

Thus, petitioner, on May 31, 1995, filed before the Regional Trial Court of Quezon City (Branch 82) a complaint for Annulment of Deed of Assignment, Deed of Absolute Sale, Real Estate Mortgage, Cancellation of TCT Nos. 122944 and 126639, and Damages, against Sarte, respondent Evangelista, Northern Star Agri-Business

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Corporation, BPI Agricultural Development Bank and the Register of Deeds of Quezon City, docketed as Civil Case No. Q-95-23940.[12] But the trial court dismissed without prejudice said case on October 23, 1995, on the ground of the pendency of Civil Case No. Q-91-10071.[13]

In a decision dated November 29, 1995, the trial court, in Civil Case No. Q-91-10071, rendered its decision in favor of petitioner, with the following dispositive portion:

> ACCORDINGLY, judgment is hereby rendered in favor of the plaintiff National Housing Authority as follows:
>
> - The auction sale conducted by the Quezon City Treasurer in 1986 of the parcel of land consisting of 915.50 sq. m. subject of this case previously covered by TCT No. 138007 of the Register of Deeds of Quezon City issued in the name of Adela Salindon and wherein defendant Luisito Sarte was the auction buyer and TCT No. 239729 in the name of Arsenio Florendo, Milagros Florendo, Beatriz Florendo and Eloisa F. Kulphongpatana is hereby declared null and void ab initio;
>
> - TCT No. 28182 subsequently issued in the name of defendant Luisito Sarte by the Quezon City Registry of Deeds is hereby declared null and void ab initio and the herein defendant Quezon City Register of Deeds is hereby ordered to cancel said TCT 28182 in the name of Luisito Sarte;
>
> - Any transfers, assignment, sale or mortgage of whatever nature of the parcel of land subject of this case made by defendant Luisito Sarte or his/her agents or assigns before or during the pendency of the instant case are hereby declared null and void, together with any transfer certificates of title issued in connection with the aforesaid transactions by the Register of Deeds of Quezon City who is likewise ordered to cancel or cause the cancellation of such TCTs;
>
> - The defendant Register of Deeds of Quezon City is hereby ordered to issue a new transfer certificate of title over the entire parcel of land (915.50 sq. m.) subject of this case in favor of the National Housing Authority by way of satisfying the Supreme Court in G.R. No. 50544 promulgated on May 1984;
>
> - The NHA is hereby required and authorized to put in place on the property at bar a notice, readable, bold, and stable, sufficiently signifying the essence of this court's decision so that no person may err as to the real ownership of the instant parcel of land and to fence the same to prevent entry of squatters or other illegal intruders.
>
> The court further renders judgment as follows:
>
> - No pronouncement as to attorney's fees, costs and other damages as fundamentally the main responsible character here are the public officers sued in their official capacity.
>
> - The complaint-in-intervention by Teresita Vasquez is held premature in view of the disposition herein made in favor of NHA which can only fully act with regard to the claim of said intervenor after this decision becomes final. Moreover, insofar as and to the extent in which intervenor Vasquez has joined the NHA in the case at bench, her assertions and prayers have already been adjudged in this decision in favor of the plaintiff National Housing Authority.
>
> SO ORDERED.[14] (Emphasis supplied)

Respondent then filed with the CA a petition for annulment of the trial court's judgment, particularly paragraph 3 of the dispositive portion, referring to the nullity of any transfer, assignment, sale or mortgage made by Sarte. In his petition, respondent alleged extrinsic fraud as ground. According to respondent, since he was not a party to Civil Case No. Q-91-10071, he was prevented from ventilating his cause, right or interest over the property, and the judgment was not binding on him, as the trial court did not acquire jurisdiction over his person.[15]

The CA granted the petition and declared null and void paragraph 3 of the dispositive portion of the trial court's decision insofar as petitioner's title to the property is concerned.[16] The CA found that respondent was not a party to Civil Case No. Q-91-10071 and the trial court did not acquire any jurisdiction over his person. The CA also ruled that the judgment violated respondent's right against deprivation of the property without due process of law.[17]

Its motion for reconsideration having been denied by the CA, petitioner took the present recourse.

Petitioner insists that it should not be faulted for the trial court's denial of its motion to include respondent as defendant in Civil Case No. Q-91-10071. Petitioner also claims that the auction sale of the property by the City Treasurer of Quezon City is void ab initio because it was never supposed to be included in the auction sale as petitioner, which has been declared by the Court in G.R. No. L-60544 as the owner of the property, is exempt from payment of taxes. Hence, Sarte cannot claim any right over the same and respondent, having bought it from Sarte, does not acquire any better right thereto. Petitioner also alleges that respondent is not a buyer in good faith because the latter was aware of the pending litigation involving the property.[18]

The sole issue in this case is whether or not the CA erred in annulling paragraph 3 of the trial court's decision on grounds of lack of jurisdiction and lack of due process of law.

Annulment of judgment is a recourse equitable in character, allowed only in exceptional cases as where there is no available or other adequate remedy.[19] Jurisprudence and Section 2, Rule 47 of the Rules of Court lay down the grounds upon which an action for annulment of judgment may be brought, i.e., (1) extrinsic fraud, and (2) lack of jurisdiction or denial of due process.[20]

Lack of jurisdiction refers to either lack of jurisdiction over the person of the defending party or over the subject matter of the claim, and in either case, the judgment or final order and resolution are void.[21] A trial court acquires jurisdiction over the person of the defendant either by his voluntary appearance in court and his submission to its authority or by service of summons.[22]

In this case, it is undisputed that respondent was never made a party to Civil Case No. Q-91-10071. It is basic that no man shall be affected by any proceeding to which he is a stranger, and strangers to a case are not bound by judgment rendered by the court.[23] Yet, the assailed paragraph 3 of the trial court's decision decreed that "(A)ny transfers, assignment, sale or mortgage of whatever nature of the parcel of land subject of this case made by defendant Luisito Sarte or his/her agents or assigns before or during the pendency of the instant case are hereby declared null and void, together with any transfer certificates of title issued in connection with the aforesaid transactions by the Register of Deeds of Quezon City who is likewise ordered to cancel or cause the cancellation of such TCTs." Respondent is adversely affected by such judgment, as he was the subsequent purchaser of the subject property from Sarte, and title was already transferred to him. It will be the height of inequity to allow respondent's title to be nullified without being given the opportunity to present any evidence in support of his ostensible ownership of the property. Much more, it is tantamount to a violation of the constitutional guarantee that no person shall be deprived of property without due process of law.[24] Clearly, the trial court's judgment is void insofar as paragraph 3 of its dispositive portion is concerned.

Petitioner argues that it should not bear the consequence of the trial court's denial of its motion to include respondent as defendant in Civil Case No. Q-91-10071. True, it was not petitioner's fault that respondent was not made a party to the case. But likewise, it was not respondent's fault that he was not given the opportunity to present his side of the story. Whatever prompted the trial court to deny petitioner's motion to include respondent as defendant is not for the Court to reason why. Petitioner could have brought the trial court's denial to the CA on certiorari but it did not. Instead, it filed Civil Case No. Q-95-23940 for Annulment of Deed of Assignment, Deed

of Absolute Sale, Real Estate Mortgage, Cancellation of TCT Nos. 122944 and 126639, and Damages, against herein respondent Sarte and others. Unfortunately for petitioner, this was dismissed by the Regional Trial Court of Quezon City (Branch 82) on the ground of litis pendentia. Be that as it may, the undeniable fact remains -- respondent is not a party to Civil Case No. Q-91-10071, and paragraph 3, or any portion of the trial court's judgment for that matter, cannot be binding on him.

Petitioner also claims that respondent is not a buyer in good faith, citing as badge of knowledge, respondent's alleged awareness of the pending lawsuit over the property. Petitioner claims that respondent had admitted that before TCT No. 122944 was issued to the latter, the notice of lis pendens was already annotated at the back of the title. Respondent, however, denied having made such admission.[25] There is merit to respondent's denial.

Based on petitioner's claim, one would assume that the notice of lis pendens was annotated on the title preceding TCT No. 122944, which is TCT No. 108070 in the name of Sarte. However, there is nothing in TCT No. 108070 which shows any annotation of a notice of lis pendens or adverse claim. The last entries on TCT No. 108070 were Entry No. 4172 made on May 24, 1994, canceling Entry No. 674, which is an annotation of a mortgage,[26] and a registration of the Deed of Assignment between Sarte and respondent, which was made on December 21, 1994.[27] It was already after respondent acquired the property and after TCT No. 122944 was issued in his name that petitioner's adverse claim (Entry No. 7159) and a notice of lis pendens (Entry No. 1367) were annotated.[28] It should also be pointed out that the notice of lis pendens annotated on the back of respondent's title refers to Civil Case No. Q-95-23940, and not Civil Case No. Q-91-10071. It was in petitioner's Affidavit of Adverse Claim that Civil Case No. Q-91-10071 was indicated.

To repeat, as records show, at the time the notice of lis pendens and adverse claim was annotated, the Deed of Assignment has already been entered into by respondent and Sarte, and TCT No. 122944 was already issued in respondent's name on December 21, 1994.

Petitioner filed Civil Case No. Q-91-10071 way back in 1991. TCT Nos. 108070 and 108071 were issued in Sarte's name on May 13, 1994;[29] TCT No. 122944 was issued in respondent's name on December 21, 1994.[30] Petitioner had enough opportunity to have its adverse claim and a notice of lis pendens annotated on Sarte's title before the latter assigned the property to Evangelista, but it did not do so. The adverse claim was annotated only on May 4, 1995 and the notice of lis pendens, on May 31, 1995.[31] While a notice of lis pendens "serves as a warning to a prospective purchaser or incumbrancer that the particular property is in litigation; and that he should keep his hands off the same, unless he intends to gamble on the results of the litigation," such constructive notice operates as such from the date of the registration of the notice of lis pendens,[32] which in this case, was, at the earliest, on May 4, 1995. This was long after title to the property was transferred to respondent.

Note also must be made that respondent was not furnished by petitioner of a copy of its motion for leave to file supplemental complaint.[33] Thus, it cannot be said that respondent knew of the existence of Civil Case No. Q-91-10071. Moreover, the filing of Civil Case No. Q-95-23940 against respondent and other defendants was made only on May 31, 1995, and at that point, TCT No. 122944 was already issued in respondent's name.

Lest it be misunderstood, the Court is not declaring that respondent is a purchaser of the property in good faith. This is an issue that cannot be dealt with by the Court in this forum, as the only issue in this case is whether or not the CA erred in annulling paragraph 3 of the trial court's decision on grounds of lack of jurisdiction and lack of due process of law. Whether or not respondent is a purchaser in good faith is an issue which is a different matter altogether that must be threshed out in a full-blown trial for that purpose in an appropriate case and in the proper forum. Also, CA-G.R. CV No. 52466, which is the appeal from the trial court's decision in Civil Case No. Q-91-10071, is pending before the CA, and it would be premature and unwarranted for the Court to render any

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resolution that would unnecessarily interfere with the appellate proceedings.

Insofar as this petition is concerned, what the Court declares is that the notice of lis pendens cannot serve as constructive notice to respondent for having been annotated after the transfer of the property to him and that he is entitled to have paragraph 3 of the trial court's decision annulled.

WHEREFORE, the petition for review on certiorari is DENIED for lack of merit and the assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 51646 are hereby AFFIRMED.

Costs against petitioner.

SO ORDERED.

Puno, (Chairman), Callejo, Sr., Tinga, and Chico-Nazario, JJ., concur.

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[1] Heirs of Antonio Pael vs. Court of Appeals, G.R. No. 133547, February 10, 2000, 325 SCRA 341, 366; Arcelona vs. Court of Appeals, G.R. No. 102900, October 2, 1997, 280 SCRA 20, 40.

[2] Penned by Associate Justice Ruben T. Reyes, with Associate Justices Jainal D. Rasul and Eloy R. Bello, Jr., concurring.

[3] CA Rollo, pp. 99-100.

[4] Rollo, p. 15.

[5] CA Rollo, pp. 23-29.

[6] CA Rollo, pp. 30-33.

[7] Id., pp. 34-35.

[8] Id., p. 37.

[9] CA Rollo, p. 37.

[10] Id., pp. 38-40.

[11] Id., p. 41.

[12] Id., pp. 42-49.

[13] Id., pp. 51-52.

[14] CA Rollo, pp. 20-21.

[15] Id., pp. 9-10.

[16] Id., pp. 99-100.

[17] Id., pp. 96-99.

[18] Rollo, pp. 16-20.

[19] Espinosa vs. Court of Appeals, G.R. No. 128686, May 28, 2004, 430 SCRA 96, 103.

[20] Pinlac vs. Court of Appeals, G.R. No. 91486, January 19, 2001, 249 SCRA 635, 650.

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[21] Capacete vs. Baroro, G.R. No. 154184, July 8, 2003, 405 SCRA 457, 463.

[22] Ancheta vs. Ancheta, G.R. No. 145370, March 4, 2004, 424 SCRA 725, 735.

[23] Heirs of Antonio Pael case, supra., note 1.

[24] Article III, Section 1, 1986 Constitution.

[25] Rollo, p. 80.

[26] CA Rollo, pp. 30-31.

[27] Id., p. 31.

[28] Id., p. 37.

[29] CA Rollo, pp. 30-33.

[30] CA Rollo, p. 36.

[31] Id., p. 37.

[32] Section 52, Property Registration Decree (P.D. No. 1529); San Lorenzo Development Corporation vs. Court of Appeals, G.R. No. 124242, January 21, 2005.

[33] CA Rollo, p. 40.

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