

J.L.T. AGRO, INC., REPRESENTED BY ITS MANAGER, JULIAN L. TEVES, PETITIONER, VS. ANTONIO BALANSAG AND HILARIA CADAYDAY, RESPONDENTS.

G.R. NO. 141882. March 11, 2005

Ponente: TINGA, J.

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TINGA, J.:

Once again, the Court is faced with the perennial conflict of property claims between two sets of heirs, a conflict ironically made grievous by the fact that the decedent in this case had resorted to great lengths to allocate which properties should go to which set of heirs.

This is a Rule 45 petition assailing the Decision[1] dated 30 September 1999 of the Court of Appeals which reversed the Decision[2] dated 7 May 1993 of the Regional Trial Court (RTC), Branch 45, of Bais City, Negros Oriental.

The factual antecedents follow.

Don Julian L. Teves (Don Julian) contracted two marriages, first with Antonia Baena (Antonia), and after her death, with Milagros Donio Teves (Milagros Donio). Don Julian had two children with Antonia, namely: Josefa Teves Escaño (Josefa) and Emilio Teves (Emilio). He had also four (4) children with Milagros Donio, namely: Maria Evelyn Donio Teves (Maria Evelyn), Jose Catalino Donio Teves (Jose Catalino), Milagros Reyes Teves (Milagros Reyes) and Pedro Reyes Teves (Pedro).[3]

The present controversy involves a parcel of land covering nine hundred and fifty-four (954) square meters, known as Lot No. 63 of the Bais Cadastre, which was originally registered in the name of the conjugal partnership of Don Julian and Antonia under Original Certificate of Title (OCT) No. 5203 of the Registry of Deeds of Bais City. When Antonia died, the land was among the properties involved in an action for partition and damages docketed as Civil Case No. 3443 entitled “Josefa Teves Escaño v. Julian Teves, Emilio B. Teves, et al.”[4] Milagros Donio, the second wife of Don Julian, participated as an intervenor. Thereafter, the parties to the case entered into a Compromise Agreement[5] which embodied the partition of all the properties of Don Julian.

On the basis of the compromise agreement and approving the same, the Court of First Instance (CFI) of Negros Oriental, 12th Judicial District, rendered a Decision[6] dated 31 January 1964. The CFI decision declared a tract of land known as Hacienda Medalla Milagrosa as property owned in common by Don Julian and his two (2) children of the first marriage. The property was to remain undivided during the lifetime of Don Julian.[7] Josefa and Emilio likewise were given other properties at Bais, including the electric plant, the “movie property,” the commercial areas, and the house where Don Julian was living. The remainder of the properties was retained by Don Julian, including Lot No. 63.

Paragraph 13 of the Compromise Agreement, at the heart of the present dispute, lays down the effect of the eventual death of Don Julian vis-à-vis his heirs:

13. That in the event of death of Julian L. Teves, the properties hereinafter adjudicated to Josefa Teves EscaHo and Emilio B. Teves, (excluding the properties comprised as Hacienda Medalla Milagrosa together with all its accessories and accessions) shall be understood as including not only their one-half share which they inherited from their mother but also the legitimes and other successional rights which would correspond to them of the other half belonging to their father, Julian L. Teves. In other words, the properties now selected and adjudicated to Julian L. Teves (not including his share in the Hacienda Medalla Milagrosa) shall exclusively be adjudicated to the wife in second marriage of Julian L. Teves and his four minor children, namely, Milagros Donio Teves, his two acknowledged natural children Milagros Reyes Teves and Pedro Reyes Teves and his two legitimated children Maria Evelyn Donio Teves and Jose Catalino Donio Teves. (Emphasis supplied)

On 16 November 1972, Don Julian, Emilio and Josefa executed a Deed of Assignment of Assets with Assumption of Liabilities[8] in favor of J.L.T. Agro, Inc. (petitioner). Less than a year later, Don Julian, Josefa and Emilio also executed an instrument entitled Supplemental to the Deed of Assignment of Assets with the Assumption of Liabilities (Supplemental Deed)[9] dated 31 July 1973. This instrument which constitutes a supplement to the earlier deed of assignment transferred ownership over Lot No. 63, among other properties, in favor of petitioner.[10] On 14 April 1974, Don Julian died intestate.

On the strength of the Supplemental Deed in its favor, petitioner sought the registration of the subject lot in its name. A court, so it appeared, issued an order[11] cancelling OCT No. 5203 in the name of spouses Don Julian and Antonia on 12 November 1979, and on the same date TCT No. T-375 was issued in the name of petitioner.[12] Since then, petitioner has been paying taxes assessed on the subject lot.[13]

Meanwhile, Milagros Donio and her children had immediately taken possession over the subject lot after the execution of the Compromise Agreement. In 1974, they entered into a yearly lease agreement with spouses Antonio Balansag and Hilaria Cadayday, respondents herein.[14] On Lot No. 63, respondents temporarily established their home and constructed a lumber yard. Subsequently, Milagros Donio and her children executed a Deed of Extrajudicial Partition of Real Estate[15] dated 18 March 1980. In the deed of partition, Lot No. 63 was allotted to Milagros Donio and her two (2) children, Maria Evelyn and Jose Catalino. Unaware that the subject lot was already registered in the name of petitioner in 1979, respondents bought Lot No. 63 from Milagros Donio as evidenced by the Deed of Absolute Sale of Real Estate[16] dated 9 November 1983.

At the Register of Deeds while trying to register the deed of absolute sale, respondents discovered that the lot was already titled in the name of petitioner. Thus, they failed to register the deed.[17]

Respondents, as vendees of Lot No. 63, filed a complaint before the RTC Branch 45 of Bais City, seeking the declaration of nullity and cancellation of TCT No. T-375 in the name of petitioner and the transfer of the title to Lot No. 63 in their names, plus damages.[18]

After hearing, the trial court dismissed the complaint filed by respondents. The dispositive portion of the decision reads:

WHEREFORE, premises considered, by preponderance of evidence, this Court finds judgment in favor of the defendant and against the plaintiff, and thus hereby orders:

- (1) That complaint be dismissed;
- (2) That plaintiffs vacate the subject land, particularly identified as Lot No. 63 registered under Transfer Certificate of Title No. T-375;
- (3) That plaintiffs pay costs.

Finding no basis on the counterclaim by defendant, the same is hereby ordered dismissed.[19]

The trial court ruled that the resolution of the case specifically hinged on the interpretation of paragraph 13 of the Compromise Agreement.[20] It added that the direct adjudication of the properties listed in the Compromise Agreement was only in favor of Don Julian and his two children by the first marriage, Josefa and Emilio.[21] Paragraph 13 served only as an amplification of the terms of the adjudication in favor of Don Julian and his two children by the first marriage.

According to the trial court, the properties adjudicated in favor of Josefa and Emilio comprised their shares in the estate of their deceased mother Antonia, as well as their potential share in the estate of Don Julian upon the latter's death. Thus, upon Don Julian's death, Josefa and Emilio could not claim any share in his estate, except their proper share in the Hacienda Medalla Milagrosa which was adjudicated in favor of Don Julian in the Compromise Agreement. As such, the properties adjudicated in favor of Don Julian, except Hacienda Medalla Milagrosa, were free from the forced legitimary rights of Josefa and Emilio, and Don Julian was under no impediment to allocate the subject lot, among his other properties, to Milagros Donio and her four (4) children.[22]

The trial court further stressed that with the use of the words "shall be," the adjudication in favor of Milagros Donio and her four (4) children was not final and operative, as the lot was still subject to future disposition by Don Julian during his lifetime.[23] It cited paragraph 14[24] of the Compromise Agreement in support of his conclusion.[25] With Lot No. 63 being the conjugal property of Don Julian and Antonia, the trial court also declared that Milagros Donio and her children had no hereditary rights thereto except as to the conjugal share of Don Julian, which they could claim only upon the death of the latter.[26]

The trial court ruled that at the time of Don Julian's death on 14 April 1974, Lot No. 63 was no longer a part of his estate since he had earlier assigned it to petitioner on 31 July 1973. Consequently, the lot could not be a proper subject of extrajudicial partition by Milagros Donio and her children, and not being the owners they could not have sold it. Had respondents exercised prudence before buying the subject lot by investigating the registration of the same with the Registry of Deeds, they would have discovered that five (5) years earlier, OCT No. 5203 had already been cancelled and replaced by TCT No. T-375 in the name of petitioner, the trial court added.[27]

The Court of Appeals, however, reversed the trial court's decision. The decretal part of the appellate decision reads:

WHEREFORE, premises considered, the decision appealed from is hereby REVERSED and SET ASIDE and a new one is entered declaring the Transfer Certificate of Title No. T-375 registered in the name of J.L.T. Agro, Inc. as null and void.

With costs against defendant J.L.T. Agro, Inc. represented by its Manager, Julian L. Teves.

SO ORDERED.[28]

Per the appellate court, the Compromise Agreement incorporated in CFI decision dated 31 January 1964, particularly paragraph 13 thereof, determined, adjudicated and reserved to Don Julian's two sets of heirs their future legitimes in his estate except as regards his (Don Julian's) share in Hacienda Medalla Milagrosa.[29] The two sets of heirs acquired full ownership and possession of the properties respectively adjudicated to them in the CFI decision and Don Julian himself could no longer dispose of the same, including Lot No. 63. The disposition in the CFI decision constitutes *res judicata*. [30] Don Julian could have disposed of only his conjugal share in the Hacienda Medalla Milagrosa.[31]

The appellate court likewise emphasized that nobody in his right judgment would preterit his legal heirs by simply executing a document like the Supplemental Deed which practically covers all properties which Don Julian had

reserved in favor of his heirs from the second marriage. It also found out that the blanks reserved for the Book No. and Page No. at the upper right corner of TCT No. T-375, “to identify the exact location where the said title was registered or transferred,” were not filled up, thereby indicating that the TCT is “spurious and of dubious origin.”[32]

Aggrieved by the appellate court’s decision, petitioner elevated it to this Court via a petition for review on certiorari, raising pure questions of law.

Before this Court, petitioner assigns as errors the following rulings of the appellate court, to wit: (a) that future legitime can be determined, adjudicated and reserved prior to the death of Don Julian; (b) that Don Julian had no right to dispose of or assign Lot No. 63 to petitioner because he reserved the same for his heirs from the second marriage pursuant to the Compromise Agreement; (c) that the Supplemental Deed was tantamount to a preterition of his heirs from the second marriage; and (d) that TCT No. T-375 in the name of petitioner is spurious for not containing entries on the Book No. and Page No.[33]

While most of petitioner’s legal arguments have merit, the application of the appropriate provisions of law to the facts borne out by the evidence on record nonetheless warrants the affirmance of the result reached by the Court of Appeals in favor of respondents.

Being the key adjudicative provision, paragraph 13 of the Compromise Agreement has to be quoted again:

13. That in the event of death of Julian L. Teves, the properties herein adjudicated to Josefa Teves Escaño and Emilio B. Teves, (excluding the properties comprised as Hacienda Medalla Milagrosa together with all its accessories and accessions) shall be understood as including not only their one-half share which they inherited from their mother but also the legitimes and other successional rights which would correspond to them of the other half belonging to their father, Julian L. Teves. In other words, the properties now selected and adjudicated to Julian L. Teves (not including his share in the Hacienda Medalla Milagrosa) shall exclusively be adjudicated to the wife in second marriage of Julian L. Teves and his four minor children, namely, Milagros Donio Teves, his two acknowledged natural children Milagros Reyes Teves and Pedro Reyes Teves and his two legitimated children Maria Evelyn Donio Teves and Jose Catalino Donio Teves.” (Emphasis supplied)

With the quoted paragraph as basis, the Court of Appeals ruled that the adjudication in favor of the heirs of Don Julian from the second marriage became automatically operative upon the approval of the Compromise Agreement, thereby vesting on them the right to validly dispose of Lot No. 63 in favor of respondents.

Petitioner argues that the appellate court erred in holding that future legitime can be determined, adjudicated and reserved prior to the death of Don Julian. The Court agrees. Our declaration in *Blas v. Santos*[34] is relevant, where we defined future inheritance as any property or right not in existence or capable of determination at the time of the contract, that a person may in the future acquire by succession. Article 1347 of the New Civil Code explicitly provides:

ART. 1347. All things which are not outside the commerce of men, including future things, may be the object of a contract. All rights which are not intransmissible may also be the object of contracts.

No contract may be entered into upon future inheritance except in cases expressly authorized by law.

All services which are not contrary to law, morals, good customs, public order or public policy may likewise be the object of a contract.

Well-entrenched is the rule that all things, even future ones, which are not outside the commerce of man may be the object of a contract. The exception is that no contract may be entered into with respect to future inheritance, and the exception to the exception is the partition inter vivos referred to in Article 1080.[35]

For the inheritance to be considered “future,” the succession must not have been opened at the time of the contract.[36] A contract may be classified as a contract upon future inheritance, prohibited under the second paragraph of Article 1347, where the following requisites concur:

- (1) That the succession has not yet been opened;
- (2) That the object of the contract forms part of the inheritance; and
- (3) That the promisor has, with respect to the object, an expectancy of a right which is purely hereditary in nature.[37]

The first paragraph of Article 1080, which provides the exception to the exception and therefore aligns with the general rule on future things, reads:

ART. 1080. Should a person make a partition of his estate by an act inter vivos, or by will, such partition shall be respected, insofar as it does not prejudice the legitime of the compulsory heirs.

....

In interpreting this provision, Justice Edgardo Paras advanced the opinion that if the partition is made by an act inter vivos, no formalities are prescribed by the Article.[38] The partition will of course be effective only after death. It does not necessarily require the formalities of a will for after all it is not the partition that is the mode of acquiring ownership. Neither will the formalities of a donation be required since donation will not be the mode of acquiring the ownership here after death; since no will has been made it follows that the mode will be succession (intestate succession). Besides, the partition here is merely the physical determination of the part to be given to each heir.[39]

The historical antecedent of Article 1080 of the New Civil Code is Article 1056[40] of the old Civil Code. The only change in the provision is that Article 1080 now permits any person (not a testator, as under the old law) to partition his estate by act inter vivos. This was intended to abrogate the then prevailing doctrine that for a testator to partition his estate by an act inter vivos, he must first make a will with all the formalities provided by law.[41]

Article 1056 of the old Civil Code (now Article 1080) authorizes a testator to partition inter vivos his property, and distribute them among his heirs, and this partition is neither a donation nor a testament, but an instrument of a special character, sui generis, which is revocable at any time by the causante during his lifetime, and does not operate as a conveyance of title until his death. It derives its binding force on the heirs from the respect due to the will of the owner of the property, limited only by his creditors and the intangibility of the legitime of the forced heirs.[42]

The partition inter vivos of the properties of Don Julian is undoubtedly valid pursuant to Article 1347. However, considering that it would become legally operative only upon the death of Don Julian, the right of his heirs from the second marriage to the properties adjudicated to him under the compromise agreement was but a mere expectancy. It was a bare hope of succession to the property of their father. Being the prospect of a future acquisition, the interest by its nature was inchoate. It had no attribute of property, and the interest to which it related was at the time nonexistent and might never exist.[43]

Evidently, at the time of the execution of the deed of assignment covering Lot No. 63 in favor of petitioner, Don Julian remained the owner of the property since ownership over the subject lot would only pass to his heirs from the second marriage at the time of his death. Thus, as the owner of the subject lot, Don Julian retained the absolute right to dispose of it during his lifetime. His right cannot be challenged by Milagros Donio and her children on the ground that it had already been adjudicated to them by virtue of the compromise agreement.

Emerging as the crucial question in this case is whether Don Julian had validly transferred ownership of the subject lot during his lifetime. The lower court ruled that he had done so through the Supplemental Deed. The appellate court disagreed, holding that the Supplemental Deed is not valid, containing as it does a prohibited preterition of Don Julian's heirs from the second marriage. Petitioner contends that the ruling of the Court of Appeals is erroneous. The contention is well-founded.

Article 854 provides that the preterition or omission of one, some, or all of the compulsory heirs in the direct line, whether living at the time of the execution of the will or born after the death of the testator, shall annul the institution of heir; but the devises and legacies shall be valid insofar as they are not inofficious. Manresa defines preterition as the omission of the heir in the will, either by not naming him at all or, while mentioning him as father, son, etc., by not instituting him as heir without disinheriting him expressly, nor assigning to him some part of the properties.[44] It is the total omission of a compulsory heir in the direct line from inheritance.[45] It consists in the silence of the testator with regard to a compulsory heir, omitting him in the testament, either by not mentioning him at all, or by not giving him anything in the hereditary property but without expressly disinheriting him, even if he is mentioned in the will in the latter case.[46] But there is no preterition where the testator allotted to a descendant a share less than the legitime, since there was no total omission of a forced heir.[47]

In the case at bar, Don Julian did not execute a will since what he resorted to was a partition inter vivos of his properties, as evidenced by the court approved Compromise Agreement. Thus, it is premature if not irrelevant to speak of preterition prior to the death of Don Julian in the absence of a will depriving a legal heir of his legitime. Besides, there are other properties which the heirs from the second marriage could inherit from Don Julian upon his death. A couple of provisions in the Compromise Agreement are indicative of Don Julian's desire along this line.[48] Hence, the total omission from inheritance of Don Julian's heirs from the second marriage, a requirement for preterition to exist, is hardly imaginable as it is unfounded.

Despite the debunking of respondents' argument on preterition, still the petition would ultimately rise or fall on whether there was a valid transfer effected by Don Julian to petitioner. Notably, Don Julian was also the president and director of petitioner, and his daughter from the first marriage, Josefa, was the treasurer thereof. There is of course no legal prohibition against such a transfer to a family corporation. Yet close scrutiny is in order, especially considering that such transfer would remove Lot No. 63 from the estate from which Milagros and her children could inherit. Both the alleged transfer deed and the title which necessarily must have emanated from it have to be subjected to incisive and detailed examination.

Well-settled, of course, is the rule that a certificate of title serves as evidence of an indefeasible title to the property in favor of the person whose name appears therein.[49] A certificate of title accumulates in one document a precise and correct statement of the exact status of the fee held by its owner. The certificate, in the absence of fraud, is the evidence of title and shows exactly the real interest of its owner.[50]

To successfully assail the juristic value of what a Torrens title establishes, a sufficient and convincing quantum of evidence on the defect of the title must be adduced to overcome the predisposition in law in favor of a holder of a Torrens title. Thus, contrary to the appellate court's ruling, the appearance of a mere thumbmark of Don Julian instead of his signature in the Supplemental Deed would not affect the validity of petitioner's title for this Court has ruled that a thumbmark is a recognized mode of signature.[51]

The truth, however, is that the replacement of OCT No. 5203 in the name of Julian by T.C.T. No. T-375 is marred by a grave irregularity which is also an illegality, as it contravenes the orthodox, conventional and normal process established by law. And, worse still, the illegality is reflected on the face of both titles. Where, as in this case, the transferee relies on a voluntary instrument to secure the issuance of a new title in his name such instrument has to

be presented to the Registry of Deeds. This is evident from Sections 53 and 57 of Presidential Decree (P.D.) No. 1529 or the Property Registration Decree. The sections read, thus:

SEC. 53. Presentation of owner's duplicate upon entry of new certificate. – No voluntary instrument shall be registered by the Register of Deeds unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown. (Emphasis supplied)

....

SEC. 57. Procedure in registration of conveyances. – An owner desiring to convey his registered land in fee simple shall execute and register a deed of conveyance in a form sufficient in law. The Register of Deeds shall thereafter make out in the registration book a new certificate of title to the grantee and shall prepare and deliver to him an owner's duplicate certificate. The Register of Deeds shall note upon the original and duplicate certificate the date of transfer, the volume and page of the registration book in which the new certificate is registered and a reference by number to the last preceding certificate. The original and the owner's duplicate of the grantor's certificate shall be stamped "cancelled." The deed of conveyance shall be filed and endorsed with the number and the place of registration of the certificate of title of the land conveyed. (Emphasis supplied)

As petitioner bases its right to the subject lot on the Supplemental Deed, it should have presented it to the Register of Deeds to secure the transfer of the title in its name. Apparently, it had not done so. There is nothing on OCT No. 5203 or on the succeeding TCT No. T-375 either which shows that it had presented the Supplemental Deed. In fact, there is absolutely no mention of a reference to said document in the original and transfer certificates of title. It is in this regard that the finding of the Court of Appeals concerning the absence of entries on the blanks intended for the Book No. and Page No. gains significant relevance. Indeed, this aspect fortifies the conclusion that the cancellation of OCT No. 5203 and the consequent issuance of TCT No. T-375 in its place are not predicated on a valid transaction.

What appears instead on OCT No. 5203 is the following pertinent entry:

Entry No. 1374: Kind: Order: Executed in favor of J.L.T. AGRO, INC.

CONDITIONS: Lost owner's duplicate is hereby cancelled, and null and void and a new Certificate of Title No. 375 is issued per Order of the Court of First Instance on file in this office.

Date of Instrument: November 12, 1979

Date of Inscription: Nov. 12, 1979 4:00 P.M.

(SGD) MANUEL C. MONTESA
Acting Deputy Register of Deeds II
(Emphasis supplied)[52]

What the entry indicates is that the owner's duplicate of OCT No. 5203 was lost, a petition for the reconstitution of the said owner's duplicate was filed in court, and the court issued an order for the reconstitution of the owner's duplicate and its replacement with a new one. But if the entry is to be believed, the court concerned (CFI, according to the entry) issued an order for the issuance of a new title which is TCT No. T-375 although the original of OCT No. 5203 on file with the Registry of Deeds had not been lost.

Going by the legal, accepted and normal process, the reconstitution court may order the reconstitution and replacement of the lost title only, nothing else. Since what was lost is the owner's copy of OCT No. 5203, only that owner's copy could be ordered replaced. Thus, the Register of Deeds exceeded his authority in issuing not

just a reconstituted owner's copy of the original certificate of title but a new transfer certificate of title in place of the original certificate of title. But if the court order, as the entry intimates, directed the issuance of a new transfer certificate of title—even designating the very number of the new transfer certificate of title itself—the order would be patently unlawful. A court cannot legally order the cancellation and replacement of the original of the O.C.T. which has not been lost,[53] as the petition for reconstitution is premised on the loss merely of the owner's duplicate of the OCT

Apparently, petitioner had resorted to the court order as a convenient contrivance to effect the transfer of title to the subject lot in its name, instead of the Supplemental Deed which should be its proper course of action. It was so constrained to do because the Supplemental Deed does not constitute a deed of conveyance of the “registered land in fee simple” “in a form sufficient in law,” as required by Section 57 of P.D. No. 1529.

A plain reading of the pertinent provisions of the Supplemental Deed discloses that the assignment is not supported by any consideration. The provision reads:

....

WHEREAS, in the Deed of Assignment of Assets with the Assumption of Liabilities executed by Julian L. Teves, Emilio B. Teves and Josefa T. Escaño at Dumaguete City on 16th day of November 1972 and ratified in the City of Dumaguete before Notary Public Lenin Victoriano, and entered in the latter's notarial register as Doc. No. 367; Page No. 17; Book No. V; series of 1972, Julian L. Teves, Emilio B. Teves and Josefa T. Escaño, transferred, conveyed and assigned unto J.L.T. AGRO, INC., all its assets and liabilities as reflected in the Balance Sheet of the former as of December 31, 1971.

WHEREAS, on the compromise agreement, as mentioned in the Decision made in the Court of First Instance of Negros Oriental, 12th Judicial District Branch II, on Dec. 31, 1964 pertaining to Civil Case No. 3443 the following properties were adjudicated to Don Julian L. Teves. We quote.

From the properties at Bais Adjudicated to Don Julian L. Teves

....

Lot No. 63, Tax Dec. No. 33, Certificate of Title No. 5203, together with all improvements. Assessed value - P2,720.00

....

WHEREAS, this Deed of Assignment is executed by the parties herein in order to effect the registration of the transfer of the above corporation.

NOW, THEREFORE, for and in consideration of the above premises the ASSIGNOR hereby transfers, conveys, and assigns unto J.L.T. AGRO, INC., the above described parcel of land[s] with a fair market value of EIGHTY-FOUR THOUSAND PESOS (P84,000.00), Philippine Currency, and which transfer, conveyance and assignment shall become absolute upon signing.[54] (Emphasis supplied)

The amount of P84,000.00 adverted to in the dispositive portion of the instrument does not represent the consideration for the assignment made by Don Julian. Rather, it is a mere statement of the fair market value of all the nineteen (19) properties enumerated in the instrument, of which Lot No. 63 is just one, that were transferred by Don Julian in favor of petitioner. Consequently, the testimony[55] of petitioner's accountant that the assignment is supported by consideration cannot prevail over the clear provision to the contrary in the Supplemental Deed.

The Court of Appeals, on the other hand, apparently considered the 1948 mortgage which is annotated on the back

of the TCT No. T-375 as the consideration for the assignment.[56] However, the said annotation[57] shows that the mortgage was actually executed in favor of Rehabilitation Finance Corporation, not of petitioner.[58] Clearly, said mortgage, executed as it was in favor of the Rehabilitation Finance Corporation and there being no showing that petitioner itself paid off the mortgage obligation, could not have been the consideration for the assignment to petitioner.

Article 1318 of the New Civil Code enumerates the requisites of a valid contract, namely: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) Cause of the obligation which is established.

Thus, Article 1352 declares that contracts without cause, or with unlawful cause produce no effect whatsoever. Those contracts lack an essential element and they are not only voidable but void or inexistent pursuant to Article 1409, paragraph (2).[59] The absence of the usual recital of consideration in a transaction which normally should be supported by a consideration such as the assignment made by Don Julian of all nineteen (19) lots he still had at the time, coupled with the fact that the assignee is a corporation of which Don Julian himself was also the President and Director, forecloses the application of the presumption of existence of consideration established by law.[60]

Neither could the Supplemental Deed validly operate as a donation. Article 749 of the New Civil Code is clear on the point, thus:

Art. 749. In order that the donation of the immovable may be valid, it must be made in a public document, specifying therein the property donated and the value of the charges which the donee must satisfy.

The acceptance may be made in the same deed of donation or in a separate public document, but it shall not take effect unless it is done during the lifetime of the donor.

If the acceptance is made in a separate instrument, the donor shall be notified thereof in an authentic form, and this step shall be noted in both instruments.

In *Sumipat, et al v. Banga, et al.*, [61] this Court declared that title to immovable property does not pass from the donor to the donee by virtue of a deed of donation until and unless it has been accepted in a public instrument and the donor duly notified thereof. The acceptance may be made in the very same instrument of donation. If the acceptance does not appear in the same document, it must be made in another. Where the deed of donation fails to show the acceptance, or where the formal notice of the acceptance, made in a separate instrument, is either not given to the donor or else not noted in the deed of donation and in the separate acceptance, the donation is null and void.

In the case at bar, although the Supplemental Deed appears in a public document,[62] the absence of acceptance by the donee in the same deed or even in a separate document is a glaring violation of the requirement.

One final note. From the substantive and procedural standpoints, the cardinal objectives to write *finis* to a protracted litigation and avoid multiplicity of suits are worth pursuing at all times.[63] Thus, this Court has ruled that appellate courts have ample authority to rule on specific matters not assigned as errors or otherwise not raised in an appeal, if these are indispensable or necessary to the just resolution of the pleaded issues.[64] Specifically, matters not assigned as errors on appeal but consideration of which are necessary in arriving at a just decision and complete resolution of the case, or to serve the interest of justice or to avoid dispensing piecemeal justice.[65]

In the instant case, the correct characterization of the Supplemental Deed, i.e., whether it is valid or void, is unmistakably determinative of the underlying controversy. In other words, the issue of validity or nullity of the instrument which is at the core of the controversy is interwoven with the issues adopted by the parties and the

rulings of the trial court and the appellate court.[66] Thus, this Court is also resolute in striking down the alleged deed in this case, especially as it appears on its face to be a blatant nullity.

WHEREFORE, foregoing premises considered, the Decision dated 30 September 1999 of the Court of Appeals is hereby AFFIRMED. Costs against petitioner J.L.T. Agro, Inc.

SO ORDERED.

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

[1] Rollo, pp. 9-24. Decision penned by Justice B. Adefuin-De la Cruz and concurred in by Justices Fermin Martin, Jr. and Presbitero Velasco, Jr.

[2] Id. at 81-89. Decision penned by Judge Ismael Baldado.

[3] Id. at 82. Maria Evelyn and Jose Catalino are the legitimated children of Don Julian and Milagros Donio while Milagros Reyes and Pedro are their acknowledged natural children.[3]

[4] Id. at 82.

[5] Id. at 82-83.

[6] Rollo, pp. 69-75.

[7] Ibid.

[8] Rollo, p. 83.

[9] Records, pp. 77-79.

[10] Rollo, p. 84.

[11] RTC Records, p. 108.

[12] Id. at 109 and 162; Rollo, p. 84.

[13] Id. at 14.

[14] Balansag died on 16 January 1997.

[15] Records, p. 98; Exh. B.

[16] Id. at 102; Exh. D.

[17] Rollo, pp. 81-82.

[18] Supra note 12.

[19] Rollo, p. 89.

[20] Id. at 85.

[21] Id. at 87.

[22] Id. at 87.

[23] Id. at 87-88.

[24] 14. That, however, in the event Julian L. Teves or his heirs above-mentioned in the next preceding paragraph

would sell any of the properties adjudicated to the said Julian L. Teves in this agreement, his two children of the first marriage, Emilio B. Teves and Josefa Teves Escaño, shall be given the first option and preference to buy said properties at a price to be agreed upon by the parties only in case, when the latter two shall refuse to buy may Julian L. Teves or his heirs already mentioned sell the same to other third persons. (Emphasis added)

[25] *Id.* at 88.

[26] *Ibid.*

[27] *Id.* at 89.

[28] *Id.* at 24.

[29] *Id.* at 19.

[30] *Id.* at 22.

[31] *Id.* at 23.

[32] *Id.* at 24.

[33] *Id.* at 33.

[34] 111 *Phi.* 503 (1961).

[35] *Perillo, et al v. Perillo, et al.*, (CA) 48 O.G. 4444, cited in *Padilla*, Civil Law, Vol. IV-A, 221 (1988).

[36] *TOLENTINO, CIVIL CODE OF THE PHILIPPINES*, Vol. IV, 522 (1991).

[37] *Ibid.*

[38] *CIVIL CODE OF THE PHILIPPINES*, Vol. III, 556 (12th ed., 1989).

[39] *Ibid.*

[40] Art. 1056. If the testator should make a partition of his property by an act inter vivos, or by will, such partition shall stand in so far as it does not prejudice the legitime of the forced heirs.

[41] *Dizon-Rivera v. Dizon*, 144 *Phil.* 558 (1970); See also *Zaragoza v. Court of Appeals*, G.R. No. 106401, September 29, 2000, 341 *SCRA* 309, 315-316. A contrary opinion, however, is advanced by *Tolentino and Reyes and Puno*.

[42] *Albela and Aebuya v. Albela and Allones*, (CA) G.R. No. 5583-R, June 20, 1951.

[43] *Johnson v. Breeding*, 136 *Tenn* 528, 190 *SW* 545.

[44] *Aznar v. Duncan*, 123 *Phil.* 1450 (1966).

[45] Art. 854. The preterition or omission of one, some, or all of the compulsory heirs in the direct line, whether living at the time of the execution of the will or born after the death of the testator, shall annul the institution of heir; but the devises and legacies shall be valid insofar as they are not inofficious.

....

[46] *TOLENTINO, CIVIL CODE OF THE PHILIPPINES*, Vol. III, 187 (1992).

[47] *Reyes-Barreto v. Barretto-Datu*, 125 *Phil.* 501 (1967).

[48] Paragraph 13 of the Compromise Agreement provides in part:

. . . . In other words, the properties now selected and adjudicated to Julian L. Teves (not including his share in the Hacienda Medalla Milagrosa) shall exclusively be adjudicated to the wife in second marriage of Julian L. Teves and his four minor children, namely, Milagros Donio Teves, his two acknowledged natural children Milagros Reyes Teves and Pedro Reyes Teves and his two legitimated children Maria Evelyn Donio Teves and Jose Catalino Donio Teves. (Emphasis supplied)

Paragraph 7 thereof reads:

7. That the parties shall not demand the partition of the said Hacienda Medalla Milagrosa which shall remain undivided during the lifetime of Julian L. Teves and shall be under the joint administration of Julian L. Teves, Josefa T. Escaño and Emilio B. Teves. Monthly reports of the affairs and management of the hacienda shall be prepared and approved by all. In the event of death of Julian L. Teves, the Hacienda Medalla Milagrosa may then be partitioned and the one-half undivided share which in this agreement pertains to Julian L. Teves may be divided between his heirs, namely, Emilio B. Teves, Josefa Teves Escaño, the wife in second marriage of Julian L. Teves, Milagrosa Donio Teves and his four minor children, the two acknowledged natural, Milagros Reyes Teves and Pedro Reyes Teves and the other two legitimated children Maria Evelyn Donio Teves and Jose Catalino Teves, in the proportion established by law. (Emphasis supplied)

[49] NOBLEJAS AND NOBLEJAS, REGISTRATION OF LAND AND TITLES AND DEEDS, p. 178 (1986 ed.).

[50] Halili v. Court of Industrial Relations, 326 Phil. 982 (1996).

[51] Solar v. Diancin, 55 Phil. 479 (1930); De Gala v. Gonzales, 51 Phil. 480 (1928).

[52] Records, p. 108.

[53] A certified copy of the original OCT No. 5203 is part of the RTC Records. See p. 107.

[54] Records, pp. 167-168.

[55] Rollo, pp. 14-16.

[56] Id. at 22.

[57] Records, p. 108.

[58] Id. at 162. Rehabilitation Finance Corporation later became Development Bank of the Philippines.

[59] PADILLA, CIVIL LAW, Vol. IV-A, 247-248 (1988). Oejo, Perez and Co. v. Flores and Bas, 40 Phil. 921, Escutin v. Escutin, 60 Phil. 922.

Art. 1409. The following contracts are inexistent and void from the beginning:

. . . .

(2) Those which are absolutely simulated or fictitious;

. . . .

[60] Art. 1354. Although the cause is not stated in the contract, it is presumed that it exists and is lawful, unless the debtor proves the contrary.

[61] G.R. No. 155810, August 13, 2004.

[62] Records, p. 169.

[63] Sumipat, et al. v. Banga, et al, supra note 60.

[64] Villegas v. Court of Appeals, G.R. No. 129977, February 1, 2001, 351 SCRA 69, 74; Logronio v. Taleseo, 370 Phil. 452 (1999), citing Saura Import and Export Co., Inc. v. Philippine International Surety Co., Inc., 8 SCRA 143; Miguel v. Court of Appeals, 29 SCRA 760, October 30, 1969; Sociedad Europea de Financion, S.A. v. Court of Appeals, 193 SCRA 105, January 21, 1991; Larobis v. Court of Appeals, 220 SCRA 639, March 30, 1993; Hernandez v. Andal, 78 Phil. 196 citing 4 C.J.S. 1734 and 3 C.J.S. 1341; Barons Marketing Corp. v. Court of Appeals, 286 SCRA 96, 108; Korean Airlines Co., Ltd. v. Court of Appeals, G.R. No. 114061, August 3, 1994, 234 SCRA 717, 725; Vda. de Javellana v. Court of Appeals, G.R. No. L-60129, July 29, 1983, 123 SCRA 799, 805; Catholic Bishop of Balanga v. Court of Appeals, 332 Phil. 206 (1996) citing Section 16(b), Rule 46 of the Rules of Court.

[65] Catholic Bishop of Balanga v. Court of Appeals, supra note 63.

[66] Sumipat v. Banga, supra note 60 at 16.

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