

**SPOUSES MANUEL CHU, SR. AND CATALINA B. CHU, THE FORMER
SUBSTITUTED BY THEANLYN B. CHU, THEAN CHING LEE B. CHU,
THEAN LEEWN B. CHU AND MARTIN LAWRENCE B. CHU, THE
LATTER REPRESE...***G.R. No. 142313. March 01, 2001*

Ponente: DE LEON, JR., J.

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Before us is a petition for review on certiorari of the Decision[1] and Resolution[2] of the Court of Appeals[3], dated November 29, 1999 and March 14, 2000, respectively, which reversed the Order[4] dated March 30, 1998 of the Regional Trial Court of Pampanga, Branch 52, denying respondent's motion to dismiss as well as the Order denying respondent's motion for reconsideration, dated May 26, 1998.

The petitioners spouses Manuel Chu, Sr. and Catalina Chu (the former substituted by Theanlyn Chu, Thean Ching Lee Chu, Thean Leewn Chu, and Martin Lawrence Chu) were the registered owners of five (5) parcels of land situated in Barrio Saguin, San Fernando, Pampanga, covered and described in Transfer Certificate of Title Nos. 198470-R, 198471-R, 198472-R, 198473-R and 199556-R of the Registry of Deeds of the province of Pampanga.

On September 30, 1986, the petitioners executed a deed of sale with assumption of mortgage in favor of Trinidad N. Cunanan in consideration of P5,161,090.00. Although Cunanan has actually an unpaid balance of P2,561,090.00, it was made to appear in the deed of sale that the total consideration had been fully paid to enable Cunanan to have the parcels of land registered in her name so that she could mortgage the same to secure a loan and thereupon pay from the proceeds of the loan the said balance of P2,561,090.00. Their agreement, however, was that the ownership of the properties shall remain with the petitioners until full payment of the balance of the total purchase price. Trinidad N. Cunanan was thus able to cause the cancellation of the said titles registered in the name of the petitioners spouses Manuel Chu, Sr. and Catalina Chu and in lieu thereof the issuance of TCTs No. 239278-R, No. 239376-R, No. 239279-R, No. 239277-R, and No. 239280-R which are all registered in her name.

Cunanan failed to pay the balance of the total purchase price to the petitioners. Without the knowledge of the petitioners, Cunanan sold the three (3) parcels of land to Cool Town Realty and Development Corporation, and the two (2) other parcels of land subject of the instant case and covered by TCT Nos. 239276-R and 239277-R to the spouses Amado and Gloria Carlos. The spouses Carlos, in turn, sold these two (2) properties to the respondent Benelda Estate Development Corporation.

Petitioners commenced Civil Case No. G-1936 before the Regional Trial Court of Pampanga against Trinidad N. Cunanan, Cool Town Realty and Development Corporation and the Register of Deeds of Pampanga. The petitioners amended their complaint to include respondent Benelda Estate Development Corporation as a defendant, alleging, insofar as the latter is concerned that:

- That in order to cause financial damage and irreparable injury to the original plaintiffs, defendant Trinidad N.

Cunanan without any lawful right and authority whatsoever sold the remaining two (2) parcels of land involved in this case previously covered by Transfer Certificates of Title Nos. 239276-R and 239277-R registered in her name (formerly embraced by Transfer Certificates of Titles Nos. 198471-R and 198472-R in the names of the original plaintiffs) in favor of the spouses AMADO E. CARLOS and GLORIA A. CARLOS, who like defendant Cool Town Realty and Development Corporation are not also buyers for value and in good faith of the subject two (2) parcels of land as shown by Transfer Certificates of Titles Nos. 247026-R and 246947-R both of the Register of Deeds of Pampanga, whose xerox copies are hereto attached respectively as Annexes "G", "G-1", "G-2", "H", and "H-1" hereof.

- That likewise in order to cause further financial damage and prejudice to the plaintiffs, the spouses AMADO E. CARLOS AND GLORIA A. CARLOS, who have never acquired valid titles over the two (2) parcels of land previously embraced by Transfer Certificates of Titles Nos. 247026-R and 246947-R both of the Registry of Deeds of Pampanga registered in their names referred to in the immediately preceding paragraph sold the same two (2) parcels of land on November 13, 1995 in favor of defendant BENELDA ESTATE DEVELOPMENT CORPORATION as shown by the corresponding Deed of Absolute Sale, whose xerox copy is hereto attached as Annexes "I" and "I-2" hereof.

- That in view of the fact that the ownership of the five (5) parcels of land in issue in this case legally remains with the plaintiffs, the deed of conveyances executed by defendant Trinidad N. Cunanan relative to the subject five (5) parcels of land in litigation in favor of defendant Cool Town Realty & Development Corporation and in favor of the spouses Amado L. Carlos and Gloria A. Carlos and the deed of absolute sale dated November 13, 1995 executed by the spouses Amado E. Carlos and Gloria A. Carlos on lot 4224-A-2 of the subdivision plan previously covered by Transfer Certificate of Title No. 246947-R and Lot 4224-A-3 of the subdivision plan formerly embraced by Transfer Certificate of Title No. 247026-R both of the Registry of Deeds of Pampanga in favor of defendant BENELDA ESTATE DEVELOPMENT CORPORATION, which are among the five (5) parcels of land involved in this case are all null and void, consequently the said deed of conveyances did not vest valid title of ownership over the said five (5) parcels of land in controversy in favor of defendant COOL TOWN REALTY DEVELOPMENT CORPORATION and BENELDA ESTATE DEVELOPMENT CORPORATION because defendant Trinidad N. Cunanan, who has never been an owner of any of the five (5) parcels of land in dispute cannot validly and legally transfer the ownership thereof in favor of any person whomsoever.

- That despite demands made by the plaintiffs to the defendants, the latter unjustifiably failed and refused as they still fail and refuse to reconvey the five (5) parcels of land to the said plaintiffs.[5]

The respondent filed its answer with a motion to dismiss on the ground, among others, that the amended complaint states no cause of action against herein respondent. It alleged that respondent corporation, through its officers, acted in good faith in buying the properties inasmuch as it exerted all efforts to verify the authenticity of the titles and that no defect was found therein. After the petitioner filed an opposition to the motion to dismiss, the trial court rendered a decision denying the motion to dismiss.

The respondent filed a petition for certiorari under Rule 65 of the Rules of Court before the Court of Appeals alleging that the trial court committed grave abuse of discretion in denying its motion to dismiss the amended complaint. The Court of Appeals reversed the order of the trial court and dismissed the case as against herein respondent on the ground of lack of cause of action and for failure of the petitioners to include the spouses Carlos as indispensable parties in the complaint.

Petitioner raises the following assignments of error:

I

WITH ALL DUE RESPECT TO THIS HONORABLE COURT - CONTRARY TO ITS CONCLUSION IN ITS DECISION SOUGHT TO BE SET ASIDE, PETITIONERS' AMENDED COMPLAINT DATED JUNE 9, 1997 STATES A VALID CAUSE OF ACTION AGAINST RESPONDENT BENELDA ESTATE DEVELOPMENT CORPORATION.

II

WITH ALL DUE RESPECT TO THIS HONORABLE COURT - THE SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS ARE NOT REAL AND INDISPENSABLE PARTIES IN THE CASE AT BENCH.

III

IT IS RESPECTFULLY SUBMITTED - THAT THE AVERMENTS MADE IN THAT DEED OF ABSOLUTE SALE, WHOSE XEROX COPY IS ATTACHED AS ANNEXES "1" AND "1-2" OF THE AMENDED COMPLAINT INVOLVED IN THIS CASE TO THE EFFECT THAT THE SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS WARRANTED "VALID TITLES TO AND POSSESSION OF THE PROPERTIES SOLD AND CONVEYED" AND THAT THEIR TITLES THERETO ARE "FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES OF ANY KIND WHATSOEVER" CANNOT BE VALIDLY CONSIDERED IN DETERMINING WHETHER OR NOT PETITIONERS' AMENDED COMPLAINT DATED JUNE 9, 1997 STATES A VALID CAUSE OF ACTION AGAINST RESPONDENT.

IV

IT IS RESPECTFULLY SUBMITTED THAT THE SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS CANNOT TRANSFER VALID TITLE TO THE TWO (2) PARCELS OF LAND INVOLVED IN THIS PETITION WHICH THEY THEMSELVES DO NOT HAVE.

V

IT IS RESPECTFULLY SUBMITTED THAT THE EXTRAORDINARY WRIT OF CERTIORARI IS NOT AVAILABLE TO CHALLENGE THE ASSAILED ORDERS OF MARCH 30, 1998 AND MAY 26, 1998 WHICH ARE BOTH INTERLOCUTORY IN CHARACTER.

A cause of action is defined as an act or omission by which a party violates a right of another.[6] The test of the sufficiency of the facts found in a petition as constituting a cause of action is whether or not, admitting the facts alleged, the court can render a valid judgment upon the same in accordance with the prayer thereof.[7]

In land title cases, this Court has time and again held that a person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property.[8] This person is considered in law as an innocent purchaser for value who is defined as one who buys the property of another, without notice that some other person has a right or interest in such property and pays a full price for the same, at the time of such purchase or before he has notice of the claims or interest of some other person in the property.[9] In this connection, Section 53 of Presidential Decree No. 1529, otherwise known as the Property Registration Decree, provides that:

Presentation of owner's duplicate upon entry of new certificates. -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.

The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under

him, in favor of every purchaser for value and in good faith. [Italics Supplied]

x x x

Thus, a title procured through fraud and misrepresentation can still be the source of a completely legal and valid title if the same is in the hands of an innocent purchaser for value.[10]

In a case for annulment of title, therefore, the complaint must allege that the purchaser was aware of the defect in the title so that the cause of action against him will be sufficient. Failure to do so, as in the case at bar, is fatal for the reason that the court cannot render a valid judgment against the purchaser who is presumed to be in good faith in acquiring the said property. Failure to prove, much less impute, bad faith on said purchaser who has acquired a title in his favor would make it impossible for the court to render a valid judgment thereon due to the indefeasibility and conclusiveness of his title.

We find that the Court of Appeals did not err in dismissing the amended complaint insofar as the respondent is concerned. The amended complaint and the annexes thereto did not allege bad faith on the part of the respondent corporation. In fact, respondent's claim that it bought the two (2) parcels of land in good faith are supported by the Annexes "I" and "I-2" (Deeds of Absolute Sale) attached to petitioner's amended complaint. These deeds executed by the spouses Carlos in favor of herein private respondent state that the spouses Carlos warranted "valid title(s) to and possession of the properties sold and conveyed," and furthermore declare that their titles thereto are "free and clear of all liens and encumbrances of any kind whatsoever." [11] There is no way for the trial court to render judgment against herein respondent whose title to the subject parcels of land remains indefeasible and conclusive, there being no allegation in the amended complaint that it allegedly acquired the said properties in bad faith.

Petitioners contend that since the ground of respondent's motion to dismiss is lack of cause of action, the allegations in the amended complaint are hypothetically assumed to be true or admitted, and consequently the respondent's claim of good faith is defeated by its knowledge of the allegedly admitted facts in the amended complaint regarding the fraudulent circumstances involving the passing of the titles. We find that the technical or assumed admission on the part of respondent, in such an event, does not defeat its status as an innocent purchaser for value. The defense of good faith of respondent is valid for the reason that such mental disposition was present at the time it purchased those two (2) parcels of land from the Carlos spouses up to the time the corresponding two (2) transfer certificates of title thereto were issued in its favor. What is important is that when respondent bought the subject properties, it was not aware of any defect in the covering certificates of title thereto at the time of such purchase. There is no allegation to the contrary in the amended complaint. Therefore, the title of respondent, being that of an innocent purchaser for value, remains valid.

By allowing the cancellation of their certificates of title and the issuance of new ones in lieu thereof in the name of Trinidad N. Cunanan despite alleged non-payment of the full purchase price for their subject two (2) parcels of land, the petitioners took the risk of losing their titles on the said properties inasmuch as the subject deed of sale with assumption of mortgage constitutes their consent and announcement to the whole world that Cunanan was indeed the legal owner of the properties by virtue of the said deed which is a public document.

Petitioners' reliance on *Mathay v. Court of Appeals* [12] which held that "No one can transfer a greater right to another than he himself has" is not applicable to the instant case for the reason that the said legal maxim, according to the same case, only holds true if the same land had already been registered and an earlier certificate for the same is in existence. In the case at bar, the petitioners no longer have any title to the subject two (2) parcels of land inasmuch as petitioners spouses Manuel Chu, Sr. and Catalina B. Chu, as sellers, have consented to the cancellation of their certificates of title in favor of Cunanan, as buyer. Thus, the conclusiveness of respondent's certificates of title is binding on the whole world including the petitioners.

Petitioners also claim that since the orders of the trial court denying their motion to dismiss are merely interlocutory, the same cannot be the subject of a petition for certiorari. However, as correctly pointed out by the respondent, the rule admits of an exception. Thus, where the denial of the motion to dismiss by the trial court was tainted with grave abuse of discretion amounting to lack or excess of jurisdiction, as in the case at bar, the aggrieved party may assail the order of denial on certiorari. A wide breadth of discretion is granted in certiorari proceedings in the interest of substantial justice and to prevent a substantial wrong.[13] The appellate court therefore was correct in entertaining the petition for the reason that the trial court committed a grave abuse of discretion when it refused to dismiss the case as against herein respondent, despite the obvious insufficiency of the amended complaint against the respondent. To implead the herein respondent in the case at bar, absent an allegation of bad faith on its part, is to undermine a well-settled rule protecting innocent purchasers for value and the indefeasibility and conclusiveness of certificates of title issued under the Torrens System.

In view of the foregoing, there is no need to discuss the assignment of error as to whether the spouses Amado E. Carlos and Gloria A. Carlos (sellers of the subject titled parcels of land to respondent) are real and indispensable parties in the case at bar.

WHEREFORE, the petition is DENIED for lack of cause of action. With costs against the petitioners.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Quisumbing, and Buena, JJ., concur.

[1] Penned by Associate Justice Salvador J. Valdez, Jr., and concurred in by Associate Justices Ma. Alicia Austria-Martinez and Renato C. Dacudao; Rollo, pp. 31-43.

[2] Rollo, p. 44.

[3] Seventh Division.

[4] Penned by Judge Jose G. Montemayor; Records, pp. 15-17.

[5] Rollo, pp. 33-34.

[6] Sec. 2, Rule 2, 1997 Revised Rules of Civil Procedure.

[7] Rava Development Corporation v. Court of Appeals, 211 SCRA 152, (1992).

[8] Republic v. Court of Appeals, 306 SCRA 81, 88-89 (1999).

[9] De Santos v. Intermediate Appellate Court, 157 SCRA 295, 301-302 (1988).

[10] Supra, Note 8, p. 88.

[11] Rollo, p. 40

[12] 295 SCRA 556, 577 (1998).

[13] Gutib v. Court of Appeals, 312 SCRA 365, 378 (1999); Dizon v. Court of Appeals, 210 SCRA 107 (1992); Quisumbing v. Gumban, 193 SCRA 520 (1991); National Investment and Development Corporation v. Aquino, 163 SCRA 153 (1988).

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