

SPOUSES ISABELO AND ERLINDA PAYONGAYONG, PETITIONERS, VS. HON. COURT OF APPEALS, SPOUSES CLEMENTE AND ROSALIA SALVADOR, RESPONDENTS.

G.R. No. 144576. May 28, 2004

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Being assailed by petition for review on certiorari under Rule 45 of the Rules of Court[1] is the June 29, 2000 Decision[2] of the Court of Appeals in CA-G.R. CV No. 52917 affirming that of the Regional Trial Court (RTC), Branch 217, Quezon City dismissing Civil Case No. Q-93-16891,[3] the complaint of spouses Isabelo and Erlinda Payongayong (petitioners) against spouses Clemente and Rosalia Salvador (respondents).

Eduardo Mendoza (Mendoza) was the registered owner of a two hundred square meter parcel of land situated in Barrio San Bartolome, Caloocan, covered by and described in Transfer Certificate of Title No. 329509[4] of the Registry of Deeds of Quezon City.

On April 18, 1985, Mendoza mortgaged the parcel of land to the Meralco Employees Savings and Loan Association (MESALA) to secure a loan in the amount of P81,700.00. The mortgage was duly annotated on the title as Primary Entry No. 2872[5] on April 23, 1985.

On July 11, 1987, Mendoza executed a Deed of Sale with Assumption of Mortgage[6] over the parcel of land together with all the improvements thereon (hereinafter referred to as the property) in favor of petitioners in consideration of P50,000.00. It is stated in the deed that petitioners bound themselves to assume payment of the balance of the mortgage indebtedness of Mendoza to MESALA.[7]

On December 7, 1987, Mendoza, without the knowledge of petitioners, mortgaged the same property to MESALA to secure a loan in the amount of P758,000.00. On even date, the second mortgage was duly annotated as Primary Entry No. 8697[8] on Mendoza's title.

On November 28, 1991, Mendoza executed a Deed of Absolute Sale[9] over still the same property in favor of respondents in consideration of P50,000.00. The sale was duly annotated as Primary Entry No. 1005[10] on Mendoza's title. On even date, MESALA issued a Cancellation of Mortgage[11] acknowledging that for sufficient and valuable consideration which it received from Mendoza, it was cancelling and releasing the real estate mortgage over the property. The cancellation was annotated as Primary Entry No. 1003[12] on Mendoza's title.

Respondents caused the cancellation of Mendoza's title and the issuance of Transfer Certificate Title No. 67432[13] in their name.

Getting wind of the sale of the property to respondents, petitioners filed on July 16, 1993 a complaint[14] for annulment of deed of absolute sale and transfer certificate of title with recovery of possession and damages against Mendoza, his wife Sally Mendoza, and respondents before the Quezon City RTC.

In their complaint, petitioners alleged that the spouses Mendoza maliciously sold to respondents the property which was priorly sold to them and that respondents acted in bad faith in acquiring it, the latter having had knowledge of the existence of the Deed of Absolute Sale with Assumption of Mortgage between them (petitioners) and Mendoza.

Branch 217 of the Quezon City RTC, by Order[15] of December 3, 1993, archived the case in view of the failure to determine the whereabouts of the spouses Mendoza.

A motion[16] for the revival of the case as against respondents and its dismissal as against the spouses Mendoza was later filed on December 17, 1993 by petitioners, which motion was granted by the trial court by Order[17] of December 27, 1993.

By Decision of February 5, 1996, the trial court found for respondents.

Dissatisfied, petitioners appealed the decision to the Court of Appeals (CA) which, as stated early on, affirmed the same.

Petitioners' Motion for Reconsideration[18] having been denied by the CA by Resolution of August 25, 2000,[19] the petition at bar was lodged.

Petitioners assign to the CA the following errors:[20]

I

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING IN (sic) EXCESS OF JURISDICTION WHEN IT FAILED TO RULE THAT THE DEED OF SALE EXECUTED BY EDUARDO MENDOZA IN FAVOR OF PRIVATE RESPONDENTS WAS SIMULATED AND THEREFORE NULL AND VOID.

II

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING IN (sic) EXCESS OF JURISDICTION WHEN IT GAVE CREDENCE TO THE THEORY OF THE PRIVATE RESPONDENTS THUS FOUND TO BE INNOCENT PURCHASERS FOR VALUE.

III

THE HONORABLE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION AMOUNTING IN (sic) EXCESS OF ITS JURISDICTION BY HOLDING THAT PETITIONERS ARE BARRED BY LACHES.[21]

On procedural and substantive grounds, the petition fails.

The petition which was filed by registered mail was not accompanied by a written explanation why such service was not done personally, in contravention of Section 11, Rule 13 of the Revised Rules of Court which provides:

SEC. 11. Priorities in modes of service and filing. – Whenever practicable, the service and filing of pleadings and other papers shall be done personally. Except with respect to papers emanating from the court, a resort to other modes must be accompanied by a written explanation why the service or filing was not done personally. A violation of this Rule may be cause to consider the paper as not filed.

Under the above-quoted provision, service and filing of pleadings and other papers must, whenever practicable, be done personally. If they are made through other modes, the party concerned must provide a written explanation why the service or filing was not done personally. If only to underscore the mandatory nature of this innovation to the set of adjective rules requiring personal service whenever practicable, the provision gives the court the discretion to consider a pleading or paper as not filed if the other modes of service or filing were resorted to and

no written explanation was made as to why personal service was not done in the first place.[22] Strictest compliance is mandated, lest this provision be rendered meaningless and its sound purpose negated.[23]

On the merits, respondents' claim that they are entitled to the protection accorded to purchasers in good faith is well-taken.

It is a well-established principle 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.[24] He is charged with notice only of such burdens and claims as are annotated on the title.[25] He is considered in law as an innocent purchaser for value or one who buys the property of another without notice that some other person has a right to or interest in such property and pays a full and fair price for the same at the time of such purchase or before he has notice of the claim of another person.[26]

That petitioners did not cause the cancellation of the certificate of title of Mendoza and procure one in their names is not disputed. Nor that they had their claims annotated on the same title. Thus, at the time of the sale of the property to respondents on November 28, 1991, only the mortgages in favor of MESALA appeared on the annotations of encumbrances on Mendoza's title. Respondent Rosalia Salvador (Rosalia) so testified:

Q:

Now, according to you, you bought this property from the Mendoza's (sic), Eduardo and Sally Mendoza on November 28, 1991, is that correct?

A:

Yes, sir.

x x x

Q:

Now, Mrs. Sally Salvador, what did you do after buying the property from the Mendoza's (sic)?

A:

We renovated it, we constructed a concrete fence, sir.

Q:

When you bought the property, is this property encumbered or mortgaged?

A:

The property was mortgaged to Meralco Savings and Loan Association, sir.

x x x

Q:

And what did you do before buying the property?

A:

I verified with the City Hall if they are real owners of the property.

x x x

Q:

When you bought the property, mortgaged to Meralco, was this particular property titled in the name of Eduardo Mendoza?

A:

Yes, sir.

Q:

When you bought the property, Mrs. Sally Salvador, is this covered by any real property tax in the name of Eduardo Mendoza?

A:

In the name of Eduardo Mendoza the one given to me, sir.

x x x

Q:

Now, Mrs. Sally Salvador, when for the first time did you see Mr. Payongayong?

A:

On the third call of Honorable Judge Enriquez, sir.

x x x

Q:

Is it not a fact that before you bought that property, you made an ocular inspection of the premises, is that correct?

A:

Yes, sir.

x x x

Q:

And after you have inspected the premises in question, is it not a fact that you went to the Register of Deeds, is that correct?

A:

Yes, sir. Together with Sally Mendoza and the agent.

x x x

Q:

So, you went to the Office of the Register of Deeds of Quezon City, you, together with Benny Salvador and Mrs. Mendoza?

A:

Yes, sir.

Q:

What did you find out from your verification as to the authenticity of the title?

A:

That she is the real owner of the property registered in the Register of Deeds.

Q:

Who is the owner?

A:

Mr. and Mrs. Eduardo Mendoza.

Q:

Did you try to see if the property is free from any lien or encumbrance?

A:

Before we went to the Register of Deeds, she told us that the property is mortgaged at (sic) Meralco, sir.

Q:

Did you check it up, were you given a Xerox copy of the TCT, Transfer Certificate of Title No. 329509, in addition to the information given to you that the property in question is mortgaged in favor of Meralco Employees Savings?

A:

Yes, sir.

Q:

And when you went to the Register of Deeds, you saw that the mortgage in favor of the Meralco Employees Savings and Loan Association was duly annotated on the title which is being kept and intact in the Office of the Register of Deeds, is that correct?

A:

Yes, sir.[27]

Where innocent third persons rely upon the correctness of a certificate of title and acquire rights over the property, the court cannot just disregard such rights. Otherwise, public confidence in the certificate of title, and ultimately, the Torrens system, would be impaired, for everyone dealing with registered property would still have to inquire

at every instance whether the title has been regularly or irregularly issued.[28]

The real purpose of the Torrens system of registration is to quiet title to land and to put a stop to any question of legality of the title except to claims which have been recorded in the certificate of title at the time of registration or which may arise subsequent thereto. Every registered owner and every subsequent purchaser for value in good faith holds the title to the property free from all encumbrances except those noted in the certificate. Hence, a purchaser is not required to explore further what the Torrens title on its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto.[29]

In respondents' case, they did not only rely upon Mendoza's title. Rosalia personally inspected the property and verified with the Registry of Deeds of Quezon City if Mendoza was indeed the registered owner. Given this factual backdrop, respondents did indeed purchase the property in good faith and accordingly acquired valid and indefeasible title thereto.

The law is thus in respondents' favor. Article 1544 of the Civil Code so 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 first 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.

There being double sale of an immovable property, as the above-quoted provision instructs, ownership shall be transferred (1) to the person acquiring it who in good faith first recorded it in the Registry of Property; (2) in default thereof, to the person who in good faith was first in possession; and (3) in default thereof, to the person who presents the oldest title, provided there is good faith.[30]

The trial and appellate courts thus correctly accorded preferential rights to respondents who had the sale registered in their favor.

Petitioners claim, however, that the sale between Mendoza and respondents was simulated.

Simulation occurs when an apparent contract is a declaration of a fictitious will, deliberately made by agreement of the parties, in order to produce, for the purpose of deception, the appearance of a juridical act which does not exist or is different from that which was really executed.[31] Its requisites are: a) an outward declaration of will different from the will of the parties; b) the false appearance must have been intended by mutual agreement; and c) the purpose is to deceive third persons.[32]

The basic characteristic then of a simulated contract is that it is not really desired or intended to produce legal effects or does not in any way alter the juridical situation of the parties.[33]

The cancellation of Mendoza's certificate of title over the property and the procurement of one in its stead in the name of respondents, which acts were directed towards the fulfillment of the purpose of the contract, unmistakably show the parties' intention to give effect to their agreement. The claim of simulation does not thus lie.

That petitioners and respondents were forced to litigate due to the deceitful acts of the spouses Mendoza, this Court is not unmindful. It cannot be denied, however, that petitioners' failure to register the sale in their favor made it possible for the Mendozas to sell the same property to respondents.

Under the circumstances, this Court cannot come to petitioners' succor at the expense of respondents-innocent purchasers in good faith. Petitioners are not without remedy, however. They may bring an action for damages against the spouses Mendoza.[34]

WHEREFORE, the petition is DENIED.

SO ORDERED.

Vitug, (Chairman), Sandoval-Gutierrez, and Corona, JJ., concur.

[1] At the outset, this Court notes the petitioners' error in impleading the Court of Appeals as party respondent. The only parties in an appeal by certiorari under Rule 45 of the Rules of Court are the appellant as petitioner and the appellee as respondent. The court which rendered the judgment appealed from is not a party in said appeal. It is in the special civil action of certiorari under Rule 65 where the court or judge is required to be joined as party defendant or respondent.

[2] Rollo at 24-28.

[3] CA Rollo at 33-39.

[4] Exhibit "3", Records at 227-228.

[5] Exhibit "3-D", Records at 227-A.

[6] Exhibit "A", Records at 6-7.

[7] Id. at 6.

[8] Exhibit "3-C", Records at 228.

[9] Exhibit "1", Records at 224-225.

[10] Exhibit "3", Records at 228.

[11] Exhibit "2", Records at 226.

[12] Exhibit "3", Records at 228.

[13] Exhibit "G", Records at 200-201.

[14] Records at 1-9.

[15] Id. at 59.

[16] Id. at 60.

[17] Id. at 63.

[18] CA Rollo at 95-96.

[19] Id. at 113.

[20] This Court notes that while petitioners inappropriately allege grave abuse of discretion amounting to excess of jurisdiction in the assignment of errors, the body of the petition does in fact raise errors of judgment which are proper under Rule 45 of the Rules of Court.

[21] Rollo at 12.

[22] MC Engineering, Inc. v. National Labor Relations Commission, 360 SCRA 183, 191 (2001) (citation omitted), Solar Team Entertainment, Inc. v. Ricafort, 293 SCRA 661, 668 (1998).

[23] Solar Team Entertainment, Inc. v. Ricafort, 293 SCRA 661, 669-670 (1998).

[24] Chu, Sr. v. Benelda Estate Development Corporation, 353 SCRA 424, 430 (2001) (citation omitted), AFP Mutual Benefit Association, Inc. v. Court of Appeals, 327 SCRA 203, 218 (2000) (citation omitted), Cruz v. Court of Appeals, 281 SCRA 491, 496 (1997) (citation omitted).

[25] Legarda v. Court of Appeals, 280 SCRA 642, 655 (1997) (citations omitted).

[26] Hemedes v. Court of Appeals, 316 SCRA 347, 371 (1999) (citation omitted), Republic v. Court of Appeals, 306 SCRA 81, 87 (1999) (citation omitted).

[27] TSN, June 15, 1995 at 8-33, TSN, October 5, 1995 at 3-10.

[28] Hemedes v. Court of Appeals, 316 SCRA 347, 373 (1999) (citation omitted).

[29] Cruz v. Court of Appeals, 281 SCRA 491, 495-496 (1997) (citations omitted).

[30] Balatbat v. Court of Appeals, 261 SCRA 128, 141 (1996) (citation omitted).

[31] Villaflor v. Court of Appeals, 280 SCRA 297, 337 (1997) (citation omitted).

[32] Peñalosa v. Santos, 363 SCRA 545, 556 (2001) (citation omitted), Loyola v. Court of Appeals, 326 SCRA 285, 294 (2000) (citation omitted).

[33] Loyola v. Court of Appeals, 326 SCRA 285, 293 (2000), Tongoy v. Court of Appeals, 123 SCRA 99, 118 (1983), Rodriguez v. Rodriguez, 20 SCRA 908, 914 (1967).

[34] Pino v. Court of Appeals, 198 SCRA 434, 446 (1991), Ching v. Court of Appeals, 181 SCRA 9, 17 (1990) (citation omitted), Gonzales v. Intermediate Appellate Court, 157 SCRA 587, 600 (1988) (citation omitted).

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