

SPOUSES HORACIO AND FELISA BENITO, PETITIONERS, VS. AGAPITA SAQUITAN-RUIZ, RESPONDENT.

G.R. No. 149906. December 26, 2002

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Basic is the rule that the cause of action is determined from the allegations of a complaint, not from its caption. Since the allegations in the herein Complaint constitute a suit for reconveyance, not an action to invalidate certificates of title grounded on fraud, the prescriptive period is ten years, not one year from the entry of the decree of registration.

The Case

Before us is a Petition for Review on Certiorari of the June 6, 2001 Decision[1] and the September 17, 2001 Resolution of the Court of Appeals (CA) in CA-GR CV No. 65148. The assailed Decision disposed as follows:

“WHEREFORE, foregoing considered, the present appealed Order is hereby REVERSED and SET ASIDE. Plaintiff-appellant’s (1) [C]omplaint dated April 8, 1999 is REINSTATED; (2) Motion for Leave to Admit Amended Complaint is hereby GRANTED; and (3) Amended Complaint dated July 21, 1999 is hereby ADMITTED. The case is hereby ordered REMANDED x x x to the trial court for further proceedings.”[2]

Reconsideration of the assailed Decision was denied in the assailed Resolution.[3]

The Facts

The facts of the case are undisputed.

On April 1, 1999, Respondent Agapita Saquitán-Ruiz filed against Petitioner-Spouses Horacio and Felisa Benito a civil suit for “specific performance with declaration of nullity of titles and damages.” The Complaint alleged that the couple had sold in her favor Lot 1-B-2 of Subdivision Plan (LRC) Psf-28352 located in Pasig City. Despite repeated demands, they failed to deliver or cause the issuance of a new certificate of title in her name. Specifically, the Complaint stated, *inter alia*, as follows:

“3. On April 17, 1979 defendant Horacio Benito, with his wife defendant Felisa Benito’s marital consent, sold to plaintiff, her heirs and successors-in-interest for and in consideration of the amount of Six Thousand (P6,000.00) Pesos with the receipt of said amount duly acknowledged by defendant Horacio Benito to his entire and complete satisfaction, and further warranting the latter’s quiet and clean title, that parcel of land consisting of 60 square meters, more or less, located at Capasigan, Pasig City, Lot 1-B-2 of the subdivision plan (LRC) Psf-286352 under Transfer Certificate of Title No. 17136-T-86-D-II of the Registry of Deeds of Pasig City x x x.

“4. Defendants are legally obliged to cause the issuance of and/or deliver a new title under plaintiff’s name by virtue of the parties’ deed of absolute sale but they failed to do so;

“5. Despite repeated demands, both verbally and in writing, and the long period of time that has lapsed, defendants failed and refused and up to the present still fail and refuse to cause the issuance and/or delivery of the corresponding certificate of title in favor of the plaintiff to the latter’s great damage and prejudice x x x.

“6. It turned out that instead of issuing and/or delivering to the [respondent] her certificate of title over the above-described parcel of land, [petitioners], in gross bad faith and with fraudulent intent, re-subdivided the whole parcel of land covered by Transfer Certificate of Title No. 17136/T-86-D-II from the original THREE (3) lots; Lot I-B-1 consisting of 80 square meters, Lot I-B-3 consisting of 60 square meters, and [petitioners’] Lot I-B-2 consisting of 60 square meters into FIVE (5) lots;

x x x x x x x x

“8. [Petitioners’] bad faith and fraudulent intent in causing the issuance under [Petitioner] Horacio Benito’s name of Transfer Certificate of Title Nos. PT-101743, PT-101744, PT-101745, PT-101746, and PT-101747 thereby also including therein in undetermined portion that part of the property consisting of 60 square meters they had previously sold in favor of the [respondent] has rendered said five (5) titles null and void thereby warranting their immediate cancellation[.]”[4] (Citations omitted)

On June 28, 1999, the Regional Trial Court (RTC) dismissed respondent’s Complaint on grounds of prescription and/or laches.[5] It held that from the moment the contract was perfected, the parties could reciprocally demand performance of their obligations. There was a breach of obligation when, despite repeated demands, petitioners failed to deliver to respondent the corresponding certificate of title to the lot. She, however, failed to file any action to compel performance until April 16, 1999, or 20 years from the time of the execution of the Deed of Absolute Sale on April 17, 1979. Moreover, the assailed Certificates of Title had been issued March 25, 1996, or more than one year before the Complaint was filed. An action to invalidate title certificates on the ground of fraud prescribes upon the expiration of one year from the entry of the decree of registration.

On July 22, 1999, respondent filed a Motion for Reconsideration and for Leave to Amend Complaint and/or Admit Amended Complaint,[6] which was denied on August 20, 1999. The RTC ruled that the amendment of the Complaint would change the theory of the case and subject petitioners to an entirely new liability.

Ruling of the Court of Appeals

Reversing the RTC, the CA held that respondent’s second cause of action was for reconveyance, not for the invalidation of certificates of title. As long as the property was still in the name of the person who had caused the wrongful registration, and as long as it had not yet passed to an innocent purchaser for value, an action for reconveyance was still available. Such cause of action prescribes in ten (10) years, counted from the date of the issuance of the assailed certificate of title. Since the Complaint alleged that the questioned titles had been issued on March 25, 1996, the cause of action for reconveyance has not prescribed.

Hence, this Petition.[7]

Issue

In their Memorandum, petitioners raise this lone issue:

“Whether or not the Court of Appeals has decided a question of substance in a way probably not in accord with law or with the applicable Decisions of the Honorable Supreme Court when it reinstated private respondent’s Complaint dated April 18, 1999, granted the amendment of the Complaint, admitting the same, and remanded x x x the case to the trial court for further proceeding?”[8]

This Court’s Ruling

The Petition has no merit.

Main Issue:

Reconveyance of Realty

Petitioners argue that the reinstatement of the action for reconveyance and its remand to the trial court are improper for the following reasons: (1) the disputed property was already transferred to a third person, (2) respondent did not pay the consideration for the contract, and (3) she allowed laches to set in by her inaction for more than 10 years.

In their Memorandum, petitioners add: (1) the parties used to be squatters on the land owned by a certain Francisco Valmores; (2) who had offered to sell the land to them, but only petitioners agreed to buy it; (3) after purchasing the land, they instituted ejectment proceedings against the other squatters; (4) respondent bought on installment the portion of the land where her property stood, a transaction for which petitioners issued a Deed of Absolute Sale; (5) however, she reneged on her promise to contribute P6,000 for the ejectment expenses, which was the consideration of the sale; (6) petitioners borrowed money from a certain Basilia dela Cruz, who sued them for collection; (7) they were ordered to pay dela Cruz P75,000; (8) a writ of execution was issued by the RTC and (9) the disputed portion of petitioners' land was sold to Dela Cruz at a public auction, in which she was the highest bidder.[9]

Sale of the Realty
to a Third Party

Petitioners contend that the action for reconveyance has been rendered moot and academic, because the disputed lot was already sold to Basilia dela Cruz at a public auction. They maintain that although the action for reconveyance may not have expired, the exercise of the right is no longer feasible, because the property was already transferred in good faith and for value to a third party.

We disagree. While a review of the decree of registration can no longer be done after the expiration of one year from the entry of the decree, those wrongfully deprived of their property may still initiate an action for its reconveyance.[10] In this suit, the purpose is the transfer of property, which has been wrongfully or erroneously registered in another person's name, to its rightful and legal owner or to one who has a better right.[11] Though the decree of registration is respected as incontrovertible, the reconveyance suit may still be pursued so that a wrongfully registered property may be placed under the name of its rightful owner or of one with a better right thereto.[12]

Furthermore, we note that the Complaint was seasonably filed on April 16, 1999, when the ownership of Dela Cruz had not yet been confirmed. As the third party purchaser, she allegedly acquired it through a judicial execution sale. This means that her right to its conveyance and possession was subject to the 12-month redemption period provided under Section 33,[13] Rule 39 of the Rules of Court. The Certificate of Sale[14] was issued on May 26, 1998; the Certificate of Final Deed of Sale,[15] only on May 27, 1999.

Section 16[16] of the same Rule also provides that nothing shall prevent the vindication of any third person's claim to a property subjected to execution in a separate action.

Finally, we note that respondent is in possession of the disputed property.[17] If a person claiming to be the owner of a wrongfully registered parcel of land is in actual possession, the right to seek reconveyance does not prescribe.[18] A petition for the quieting of title, although essentially an action for reconveyance, should not be dismissed on the ground of prescription, if it is alleged that the plaintiff is in possession of the property.[19]

Consideration and Laches

Petitioners likewise argue that respondent did not pay any consideration for the sale. According to them, this fact explains why, for twenty years, she did not bother to demand to be given the certificate of title. According to petitioners, a party's long inaction or passivity in asserting rights over a disputed property, precludes any recovery.

We are not persuaded. When the obligor fails to comply with a reciprocal obligation, the remedies of the injured party are (1) specific performance or (2) judicial rescission.[20] A seller cannot unilaterally and extrajudicially rescind a contract of sale where there is no express stipulation authorizing it.[21] Unilateral rescission will not be judicially favored or allowed if the breach is not substantial and fundamental to the fulfillment of the obligation, as in the present case.[22]

Laches, on the other hand, is the failure or neglect for an unreasonable and unexplained length of time to do that which, by the exercise of due diligence, could or should have been done earlier.[23] Using this guide, we ask: how can respondent be held guilty of laches when there is no showing that petitioners ever demanded the alleged unpaid consideration for the sale of the subject land?

Moreover, in the Motion to Dismiss that petitioners filed with the trial court, there was no hint of any form of nonpayment, breach of contract or extinguishment of the obligation. Hence, it would be a denial of due process not to require petitioners to back up their allegations with evidence and not to afford respondent any opportunity to dispute and refute these allegations. As a general rule, a complaint cannot be dismissed based on a ground not relied upon in a motion to dismiss and, therefore, not offering the plaintiff any chance to argue the point.[24]

Section 2[25] of Rule 16 of the Rules of Court requires that during the hearing of a motion to dismiss, the parties shall submit to the court their arguments on questions of law and their evidence on questions of fact, except those not available at that time. Without a doubt, the evidence for the alleged nonpayment of the consideration already existed at the time petitioners filed the Motion to Dismiss.

The external facts petitioners have brought forth herein are merely unsubstantiated allegations possessing neither persuasive nor evidentiary value. Elementary is the principle that this Court is not a trier of facts. For this reason, the continuation of the trial should be permitted, so that the parties can fully ventilate their claims and defenses.

The CA, therefore, correctly held that respondent's Complaint is in reality an action for reconveyance based on implied or constructive trust. This suit prescribes ten years from the issuance of the title over the property.[26]

WHEREFORE, the Petition is hereby DENIED and the assailed Decision AFFIRMED. Costs against petitioners.

SO ORDERED.

Puno (Chairman), Sandoval-Gutierrez, Corona, and Carpio Morales, JJ., concur.

[1] Promulgated by the Eighth Division composed of Justices Eugenio S. Labitoria, ponente and Division chairman; Eloy R. Bello Jr. and Perlita J. Tria Tirona, members.

[2] CA Decision, p. 10; rollo, p. 34.

[3] Rollo, p. 37.

[4] Complaint, pp. 1-4; rollo, pp. 61-64.

[5] See Order, pp. 1-6; rollo, pp. 39-44.

[6] Rollo, pp. 69-71.

[7] The case was deemed submitted for decision on April 18, 2002 upon this Court's receipt of respondent's Memorandum signed by Atty. Gallardo S. Tongohan. Petitioners' Memorandum, signed by Atty. Benjamin A. Moraleda Jr., was received by this Court on April 3, 2002.

[8] Petitioners' Memorandum, p. 10; rollo, p. 101. Original in upper case.

[9] Petitioners' Memorandum, pp. 3-7; rollo, pp. 94-98.

[10] Villanueva-Mijares v. Court of Appeals, 330 SCRA 349, 360, April 12, 2000.

[11] De la Cruz v. Court of Appeals, 286 SCRA 230, 234, February 11, 1998.

[12] De Ocampo v. Arlos, 343 SCRA 716, 727, October 19, 2000; Esquivias v. Court of Appeals, 272 SCRA 803, 816, May 29, 1997.

[13] "SEC. 33. Deed and possession to be given at expiration of redemption period; by whom executed or given. – If no redemption be made within one (1) year from the date of the registration of the certificate of sale, the purchaser is entitled to a conveyance and possession of the property; or, if so redeemed whenever sixty (60) days have elapsed and no other redemption has been made, and notice thereof given, and the time for redemption has expired, the last redemptioner is entitled to the conveyance and possession; but in all cases the judgment obligor shall have the entire period of one (1) year from the date of the registration of the sale to redeem the property. The deed shall be executed by the officer making the sale or by his successor in office, and in the latter case shall have the same validity as though the officer making the sale had continued in office and executed it."

"Upon the expiration of the right of redemption, the purchaser or redemptioner shall be substituted to and acquire all the rights, title, interest and claim of the judgment obligor to the property as of the time of the levy. The possession of the property shall be given to the purchaser or last redemptioner by the same officer unless a third party is actually holding the property adversely to the judgment obligor."

[14] Rollo, p. 60.

[15] *Id.*, p. 67.

[16] "SEC. 16. Proceedings where property claimed by third person. – If the property levied on is claimed by any person other than the judgment obligor or his agent, and such person makes an affidavit of his title thereto or right to the possession thereof, stating the grounds of such right or title, and serves the same upon the officer making the levy and a copy thereof upon the judgment obligee, the officer shall not be bound to keep the property, unless such judgment obligee, on demand of the officer, files a bond approved by the court to indemnify the third-party claimant in a sum not less than the value of the property levied on. In case of disagreement as to such value, the same shall be determined by the court issuing the writ of execution. No claim for damages for the taking or keeping of the property may be enforced against the bond unless the action therefor is filed within one hundred twenty (120) days from the date of the filing of the bond."

[17] Amended Complaint, p. 2; rollo, p. 73.

[18] *Vda. de Cabrera v. Court of Appeals*, 267 SCRA 339, 353, February 3, 1997; *Tan v. Court of Appeals*, 295 SCRA 247, 258-259, September 9, 1998.

[19] This Court ruled in *Faja v. Court of Appeals* (75 SCRA 441, 446, February 28, 1977) that those in actual

possession of a piece of land claiming to be its owner may wait until their possession is disturbed or their title attacked before taking steps to vindicate their right. Their undisturbed possession gives them a continuing right to seek the aid of a court to ascertain and determine the nature of the adverse claim of a third party and its effect on their own title.

[20] Art. 1191, Civil Code; *Development Bank of the Philippines v. Court of Appeals*, 344 SCRA 492, 509, October 30, 2000; *AFP Mutual Benefit Association, Inc. v. Court of Appeals*, 327 SCRA 203, 217, March 3, 2000.

[21] *Laforteza v. Machuca*, 333 SCRA 643, 661, June 16, 2000; *Co v. Court of Appeals*, 312 SCRA 528, 536, August 17, 1999.

[22] *Power Commercial and Industrial Corp. v. Court of Appeals*, 274 SCRA 597, 608, June 20, 1997; *Development Bank of the Philippines v. Court of Appeals*, *supra*.

[23] *De Vera v. Court of Appeals*, 305 SCRA 624, 632, April 14, 1999; *Stilianopulos v. City of Legaspi*, 316 SCRA 523, 539, October 12, 1999; *Sumbad v. Court of Appeals*, 308 SCRA 575, 597, June 21, 1999.

[24] *Malig v. Bush*, 28 SCRA 449, 452, May 31, 1969.

[25] “SEC. 2. Hearing of motion. – At the hearing of the motion, the parties shall submit their arguments on the questions of law and their evidence on the questions of fact involved except those not available at that time. Should the case go to trial, the evidence presented during the hearing shall automatically be part of the evidence of the party presenting the same.”

[26] *Villanueva-Mijares v. Court of Appeals*, *supra*, p. 359; *Marquez v. Court of Appeals*, 300 SCRA 653, 658, December 29, 1998.

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