SEVENTH DAY ADVENTIST CONFERENCE CHURCH OF SOUTHERN PHILIPPINES, INC., AND/OR REPRESENTED BY MANASSEH C. ARRANGUEZ, BRIGIDO P. GULAY, FRANCISCO M. LUCENARA, DIONICES O. TIPGOS, ...

G.R. NO. 150416. July 21, 2006

Ponente: CORONA, J.

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CORONA, J.:

This petition for review on certiorari assails the Court of Appeals (CA) decision[1] and resolution[2] in CA-G.R. CV No. 41966 affirming, with modification, the decision of the Regional Trial Court (RTC) of Bayugan, Agusan del Sur, Branch 7 in Civil Case No. 63.

This case involves a 1,069 sq. m. lot covered by Transfer Certificate of Title (TCT) No. 4468 in Bayugan, Agusan del Sur originally owned by Felix Cosio and his wife, Felisa Cuysona.

On April 21, 1959, the spouses Cosio donated the land to the South Philippine Union Mission of Seventh Day Adventist Church of Bayugan Esperanza, Agusan (SPUM-SDA Bayugan).[3] Part of the deed of donation read:

> KNOW ALL MEN BY THESE PRESENTS:
>
> That we Felix Cosio[,] 49 years of age[,] and Felisa Cuysona[,] 40 years of age, [h]usband and wife, both are citizen[s] of the Philippines, and resident[s] with post office address in the Barrio of Bayugan, Municipality of Esperanza, Province of Agusan, Philippines, do hereby grant, convey and forever quit claim by way of Donation or gift unto the South Philippine [Union] Mission of Seventh Day Adventist Church of Bayugan, Esperanza, Agusan, all the rights, title, interest, claim and demand both at law and as well in possession as in expectancy of in and to all the place of land and portion situated in the Barrio of Bayugan, Municipality of Esperanza, Province of Agusan, Philippines, more particularly and bounded as follows, to wit:
>
> - a parcel of land for Church Site purposes only.
>
> - situated [in Barrio Bayugan, Esperanza].
>
> - Area: 30 meters wide and 30 meters length or 900 square meters.
>
> - Lot No. 822-Pls-225. Homestead Application No. V-36704, Title No. P-285.
>
> - Bounded Areas
>
> North by National High Way; East by Bricio Gerona; South by Serapio Abijaron and West by Feliz Cosio xxx. [4]

The donation was allegedly accepted by one Liberato Rayos, an elder of the Seventh Day Adventist Church, on behalf of the donee.

Twenty-one years later, however, on February 28, 1980, the same parcel of land was sold by the spouses Cosio to

the Seventh Day Adventist Church of Northeastern Mindanao Mission (SDA-NEMM).[5] TCT No. 4468 was thereafter issued in the name of SDA-NEMM.[6]

Claiming to be the alleged donee's successors-in-interest, petitioners asserted ownership over the property. This was opposed by respondents who argued that at the time of the donation, SPUM-SDA Bayugan could not legally be a donee because, not having been incorporated yet, it had no juridical personality. Neither were petitioners members of the local church then, hence, the donation could not have been made particularly to them.

On September 28, 1987, petitioners filed a case, docketed as Civil Case No. 63 (a suit for cancellation of title, quieting of ownership and possession, declaratory relief and reconveyance with prayer for preliminary injunction and damages), in the RTC of Bayugan, Agusan del Sur. After trial, the trial court rendered a decision[7] on November 20, 1992 upholding the sale in favor of respondents.

On appeal, the CA affirmed the RTC decision but deleted the award of moral damages and attorney's fees.[8] Petitioners' motion for reconsideration was likewise denied. Thus, this petition.

The issue in this petition is simple: should SDA-NEMM's ownership of the lot covered by TCT No. 4468 be upheld?[9] We answer in the affirmative.

The controversy between petitioners and respondents involves two supposed transfers of the lot previously owned by the spouses Cosio: (1) a donation to petitioners' alleged predecessors-in-interest in 1959 and (2) a sale to respondents in 1980.

Donation is undeniably one of the modes of acquiring ownership of real property. Likewise, ownership of a property may be transferred by tradition as a consequence of a sale.

Petitioners contend that the appellate court should not have ruled on the validity of the donation since it was not among the issues raised on appeal. This is not correct because an appeal generally opens the entire case for review.

We agree with the appellate court that the alleged donation to petitioners was void.

Donation is an act of liberality whereby a person disposes gratuitously of a thing or right in favor of another person who accepts it. The donation could not have been made in favor of an entity yet inexistent at the time it was made. Nor could it have been accepted as there was yet no one to accept it.

The deed of donation was not in favor of any informal group of SDA members but a supposed SPUM-SDA Bayugan (the local church) which, at the time, had neither juridical personality nor capacity to accept such gift.

Declaring themselves a de facto corporation, petitioners allege that they should benefit from the donation.

But there are stringent requirements before one can qualify as a de facto corporation:

(a) the existence of a valid law under which it may be incorporated;
(b) an attempt in good faith to incorporate; and
(c) assumption of corporate powers.[10]

While there existed the old Corporation Law (Act 1459),[11] a law under which SPUM-SDA Bayugan could have been organized, there is no proof that there was an attempt to incorporate at that time.

The filing of articles of incorporation and the issuance of the certificate of incorporation are essential for the existence of a de facto corporation.[12] We have held that an organization not registered with the Securities and Exchange Commission (SEC) cannot be considered a corporation in any concept, not even as a corporation de

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facto.[13] Petitioners themselves admitted that at the time of the donation, they were not registered with the SEC, nor did they even attempt to organize[14] to comply with legal requirements.

Corporate existence begins only from the moment a certificate of incorporation is issued. No such certificate was ever issued to petitioners or their supposed predecessor-in-interest at the time of the donation. Petitioners obviously could not have claimed succession to an entity that never came to exist. Neither could the principle of separate juridical personality apply since there was never any corporation[15] to speak of. And, as already stated, some of the representatives of petitioner Seventh Day Adventist Conference Church of Southern Philippines, Inc. were not even members of the local church then, thus, they could not even claim that the donation was particularly for them.[16]

> "The de facto doctrine thus effects a compromise between two conflicting public interest[s]-the one opposed to an unauthorized assumption of corporate privileges; the other in favor of doing justice to the parties and of establishing a general assurance of security in business dealing with corporations."[17]
>
> Generally, the doctrine exists to protect the public dealing with supposed corporate entities, not to favor the defective or non-existent corporation.[18]

In view of the foregoing, petitioners' arguments anchored on their supposed de facto status hold no water. We are convinced that there was no donation to petitioners or their supposed predecessor-in-interest.

On the other hand, there is sufficient basis to affirm the title of SDA-NEMM. The factual findings of the trial court in this regard were not convincingly disputed. This Court is not a trier of facts. Only questions of law are the proper subject of a petition for review on certiorari.[19]

Sustaining the validity of respondents' title as well as their right of ownership over the property, the trial court stated:

> [W]hen Felix Cosio was shown the Absolute Deed of Sale during the hearing xxx he acknowledged that the same was his xxx but that it was not his intention to sell the controverted property because he had previously donated the same lot to the South Philippine Union Mission of SDA Church of Bayugan-Esperanza. Cosio avouched that had it been his intendment to sell, he would not have disposed of it for a mere P2,000.00 in two installments but for P50,000.00 or P60,000.00. According to him, the P2,000.00 was not a consideration of the sale but only a form of help extended.
>
> A thorough analysis and perusal, nonetheless, of the Deed of Absolute Sale disclosed that it has the essential requisites of contracts pursuant to xxx Article 1318 of the Civil Code, except that the consideration of P2,000.00 is somewhat insufficient for a [1,069-square meter] land. Would then this inadequacy of the consideration render the contract invalid?
> Article 1355 of the Civil Code provides:
>
> Except in cases specified by law, lesion or inadequacy of cause shall not invalidate a contract, unless there has been fraud, mistake or undue influence.

No evidence [of fraud, mistake or undue influence] was adduced by [petitioners].

xxx

Well-entrenched is the rule that a Certificate of Title is generally a conclusive evidence of [ownership] of the land. There is that strong and solid presumption that titles were legally issued and that they are valid. It is irrevocable and indefeasible and the duty of the Court is to see to it that the title is maintained and respected unless challenged in a direct proceeding. xxx The title shall be received as evidence in all the Courts and shall be conclusive as to all matters contained therein.

[This action was instituted almost seven years after the certificate of title in respondents' name was issued in 1980.][20]

According to Art. 1477 of the Civil Code, the ownership of the thing sold shall be transferred to the vendee upon the actual or constructive delivery thereof. On this, the noted author Arturo Tolentino had this to say:

> The execution of [a] public instrument xxx transfers the ownership from the vendor to the vendee who may thereafter exercise the rights of an owner over the same[21]

Here, transfer of ownership from the spouses Cosio to SDA-NEMM was made upon constructive delivery of the property on February 28, 1980 when the sale was made through a public instrument.[22] TCT No. 4468 was thereafter issued and it remains in the name of SDA-NEMM.

WHEREFORE, the petition is hereby DENIED.

Costs against petitioners.

SO ORDERED.

Puno, (Chairperson), Sandoval-Gutierrez, Azcuna, and Garcia, JJ., concur.

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[*] The Seventh Day Adventist Church of Northeastern Mindanao Mission (SDA-NEMM) is the ecclesiastical body and the Northern Mindanao Mission of Seventh Day Adventist, Inc. is the corporation managing SDA-NEMM's properties.

[1] Penned by Associate Justice Andres B. Reyes, Jr. and concurred in by Associate Justices B.A. Adefuin-de la Cruz (retired) and Rebecca de Guia-Salvador of the Sixteenth Division of the Court of Appeals; rollo, pp. 19-28.

[2] Id., p. 30.

[3] Id., p. 105.

[4] Id., p. 105.

[5] Id., p. 107.

[6] Id., p. 108.

[7] Penned by Judge Zenaida P. Placer of RTC Bayugan, Agusan del Sur, Branch VII; rollo, pp. 205-220.

> ACCORDINGLY, viewed from the above perceptions, the evidence having [preponderance] in favor of [SDA-NEMM], judgment is hereby rendered dismissing the above[-mentioned] petition and ordering [petitioners]:
>
> 1) to return to [SDA-NEMM] the litigated property, Lot No. 822 PLS-225 covered by [TCT] No. 4468;
> 2) to pay moral damages in the amount of P30,000.00;
> 3) to pay attorney's fees in the amount of P30,000.0;
> 4) to pay expenses of litigation in the sum of P66,860.00; and
> 5) to pay the costs.
>
> SO ORDERED.

[8] The Court had gone over the arguments propounded by each side and finds itself in agreement with [SDA-NEMM] that because [SPUM-SDA Bayugan] was not incorporated at the time of the donation in 1959, the

said [SPUM-SDA Bayugan] could not be the recipient of a donation. [Petitioners] had in fact admitted [that] the donee was not registered with the Securities and Exchange Commission. But neither can we uphold [SDA-NEMM's] position that because [SPUM-SDA Bayugan] could not have been the donee, [South Philippine Union Mission] was necessarily the donee. We had carefully gone over the Deed of Donation and [found] that the donee was "South Philippine Union Mission of Seventh Day Adventist Church of Bayugan Esperanza, Agusan."

To the mind of this Court, the intended donee was the local church of Bayugan-Esperanza, Agusan and not SPUM. [Had] the donors intended to donate the property to SPUM, they would not have specified the local church (i.e., the SDA Church of Bayugan, Esperanza, Agusan) as the donee. In fine, the Court finds that the Deed of Donation did not validly transfer the property to either [SPUM-SDA Bayugan] or to SPUM. (Rollo, pp. 24-25).

[9] Petition, rollo, p.12.

[10] Villanueva, PHILIPPINE CORPORATE LAW (1998), Rex Book Store, Manila, pp. 111-112. Agbayani added a fourth requisite to consider a corporation as de facto in status: good faith in claiming to be and in doing business as a corporation. This finds basis on Sec. 20, Corporation Code. "A group of persons may be in good faith in their attempt to incorporate, but subsequently they may discover that they have not substantially complied with the law. After such discovery, they could no longer claim in good faith to be a corporation, and therefore, ought not to be accorded the privilege of de facto existence." (Agbayani, Commentaries and Jurisprudence on the COMMERCIAL LAWS OF THE PHILIPPINES [1996], AFA Publications, Inc., Quezon City, p. 181).

[11] This was the law applicable at the time of the alleged donation. It became effective on April 1, 1906. The Corporation Code (BP 68), which took effect on May 1, 1980, is the general statute under which private corporations are organized today.

[12] See Hall v. Piccio, 86 Phil. 603 (1950).

[13] Agbayani, supra note 10, at 181 citing Albert v. University Publishing Co., Inc., 121 Phil. 87 (1965).

[14] "[T]he term 'organization' means simply the process of forming and arranging into suitable disposition the parties who are to act together in, and defining the objects of, the compound body, and that this process, even when complete in all its parts, does not confer a franchise either valid or defective, but, on the contrary, it is only the act of the individuals, and something else must be done to secure the corporate franchise." Organization refers to the "systematization and orderly arrangement of the internal and managerial affairs and organs" of the corporation. (Benguet Consolidated Mining Co. v. Pineda, 98 Phil. 711, 720 [1956]). Citations omitted.

[15] A corporation is an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence (Corporation Code, Sec. 2. See also CIVIL CODE, Art. 46). This is the legal basis of the main doctrine that a corporation, being a juridical person, has a personality separate and distinct from its members.

[16] Considering that we are treating properties of a supposed religious organization, it would not be amiss to be guided by the following:

> The confradias and capellanias of the Roman Catholic Church are also recognized as juridical persons if they were legally organized under the laws of the Spanish regime and have by-laws approved by the government existing at the time of their foundation; but if they were not so organized, they cannot be considered as juridical persons and cannot register properties in their own names. (Villanueva, supra note 10, at 180 citing Capellania de Tambobong v. Cruz, 9 Phil. 145 [1907]; Government of the Philippines v. Avila, 38 Phil. 383 [1918]). (emphasis ours)

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[17] Agbayani, supra note 10, at 180-181. See also Villanueva, supra note 10, at 110-111.

[18] "It has been stated that 'so long as it exists, a de facto corporation is a reality and has a substantial, legal existence, and an independent status, recognized by law, as distinct from that of its members. It is, as the term implies, a corporation, and enjoys at least for most purposes, the status of a corporation de jure until the state questions its existence.' This statement, however, has been criticized. Each case must be considered according to the specific point at issue. xxx [T]he recognition of de facto existence, which consists mainly of the 'denial of collateral attack,' is a device used by the courts to recognize certain corporate attributes in a defective organization where that seems advisable." (Agbayani, supra note 10, at 179-180, citations omitted).

[19] RULES OF COURT, Rule 45, Sec. 1.

[20] Rollo, pp. 216-220.

[21] Tolentino, COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES VOL. V. (1992), Central Professional Books, Inc., Quezon City, p. 53. See also Civil Code, Art. 1498.

[22] Rollo, p. 107.

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