ISAAC VILLEGAS, PETITIONER, VS. VICTOR LINGAN AND ATTY. ERNESTO CARREON RESPONDENTS.

G.R. NO. 153839. June 29, 2007

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

Before the Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court assailing the Decision[1] dated November 28, 2001 promulgated by the Court of Appeals (CA) in CA-G.R. CV No. 55837, which affirmed in toto the Decision dated December 19, 1996 of the Regional Trial Court (RTC), Branch 4, Tuguegarao, Cagayan in Civil Case No. 5036; and the CA Resolution[2] dated June 10, 2002, denying the Motion for Reconsideration filed by Isaac Villegas (petitioner).

This case originated from a Complaint for Annulment of Title and Instrument with Damages filed by the petitioner against Victor Lingan (respondent) and Atty. Ernesto Carreon as the Register of Deeds of Cagayan. The respondent filed his Answer and pre-trial ensued. The RTC issued a Pre-Trial Order wherein it declared that no factual issue exists and that the sole legal issue to be resolved is:

> Whether or not the power of attorney is a general power of attorney or a special power of attorney. Corrolarily, whether upon the terms thereof, the attorney-in-fact Gloria Roa Catral, had authority, or none at all, to execute the deed of sale in favor of [respondent] Victor Lingan.[3]

On the basis of the pre-trial order and upon motion of counsel for petitioner, without any objections from respondent, the case was submitted for summary judgment.

As found by the RTC and confirmed by the CA, the undisputed facts are as follows:

> [Petitioner] Isaac Villegas was the registered owner of a parcel of land in Tuguegarao, Cagayan, known as Lot 2637-C of the Subdivision plan Psd.2-01-019664, being a portion of Lot 2637, Cad. 151, containing an area of 1,267 square meters, more or less, situated at Bgy. Pengue, Tuguegarao, Cagayan, covered by Transfer Certificate of Title No. T-63809 of the Register of Deeds of Cagayan. In order to secure the payment of a loan from the Development Bank of the Philippines (DBP) the [petitioner] constituted a real estate mortgage over the said parcel of land in favor of DBP. The said loan and mortgage was subsequently transferred by the DBP to the Home Mutual Development Fund (HMDF). When the [petitioner] failed to settle his loan, the real estate mortgage he constituted over the property was foreclosed, the property was sold at public auction and, as the HMDF was itself the highest bidder at such public auction, a certificate of sheriff's sale was issued and, thereafter, registered with the Register of Deeds on March 8, 1996. By virtue of a power of attorney executed by [petitioner's] wife, Marilou C. Villegas in favor of Gloria Roa Catral, the latter redeemed the property from the HMDF. x x x[4]

On May 17, 1996, Gloria R. Catral (Catral), by virtue of the same power of attorney, executed a Deed of Sale in favor of respondent.[5]

Petitioner claims that the power of attorney executed in favor of Catral, petitioner's mother-in-law, created a

principal-agent relationship only between his wife, Marilou Catral-Villegas (Marilou) as principal, and Catral, as agent, and then only for the latter to administer the properties of the former; that he never authorized Catral to administer his properties, particularly, herein subject property; and that Catral had no authority to execute the Deed of Absolute Sale in favor of the respondent, since from the very wordings of the power of attorney, she had no special authority to sell or convey any specific real property.[6]

On December 19, 1996, the RTC dismissed the Complaint, ruling that the tenor of the power of attorney in question is broad enough to include the authority to sell any property of the principal, who, in this case, is the petitioner; that the act of the agent, Catral, in executing the Deed of Absolute Sale in favor of respondent was within her power or authority; that the power "to enter into any and all contracts and agreements" qualified the said power of attorney as a special power of attorney; that the Deed of Absolute Sale is valid and binds the principal, herein petitioner; that the authority to sell came from both the petitioner and his wife, Marilou, since the petitioner himself signed the power of attorney affirming the authority of the agent, Catral; and that even if Catral in fact exceeded her authority, the act is deemed to have been performed within the scope of the agent's authority if such is within the terms of the power of attorney as written.

Dissatisfied, the petitioner appealed the adverse judgment to the CA claiming that the trial court erred in finding that there was a principal-agent relationship between petitioner and Catral; and that the trial court erred in concluding that the power of attorney is a special power of attorney with an authority to sell.[7]

On November 28, 2001, the CA rendered the herein assailed Decision, affirming in toto the RTC Judgment and dismissing the appeal for lack of merit.[8]

The CA held that when the redemption of the property had been made by Catral by virtue of a General Power of Attorney executed in her favor by Marilou, it follows that the petitioner is no longer the owner of the subject property but his wife, Marilou; that the issue as to whether the power of attorney was a special or general one is of no moment, because the petitioner was no longer the owner of the property when it was sold; in other words, any disposition of the property needs no power of attorney from the petitioner himself; that the petitioner signed the General Power of Attorney above the word "conforme," connoting an implied admission that he was not anymore the owner of the said property; and, finally, that the Deed of Sale between Marilou (through Catral) and respondent is valid.

Hence, herein Petition, on the following grounds:

> I.
>
> IT IS SUBMITTED THAT THE COURT OF APPEALS DISREGARDED THE LAW AND APPLICABLE DECISIONS OF THE HONORABLE COURT WHEN IT DISMISSED THE COMPLAINT ON THE GROUND THAT PETITIONER WAS NO LONGER THE OWNER OF THE PROPERTY SUBJECT OF THE CASE. AS A CONSEQUENCE, IT DID NOT MATTER WHETHER OR NOT THE GENERAL POWER OF ATTORNEY OR A SPECIAL POWER OF ATTORNEY WAS ISSUED IN THIS INSTANT CASE.
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> II.
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> IT IS FURTHER SUBMITTED THAT THE COURT OF APPEALS DISREGARDED THE LAW AND THE APPLICABLE DECISIONS OF THE HONORABLE COURT WHEN IT UPHELD THE VALIDITY OF THE DEED OF ABSOLUTE SALE EXECUTED IN FAVOR OF VICTOR LINGAN.[9]

In his Memorandum, petitioner argues that the general power of attorney of Catral did not clothe her with authority to sell the property of petitioner; and that the Deed of Absolute Sale executed between the respondent

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and Catral was not valid.[10]

On the other hand, respondent, in his Memoranda, contends that the petitioner has no cause of action against him. He maintains that petitioner lost his ownership of the property after it was extra-judicially foreclosed and sold to HMDF; that what was left for petitioner was only the right of redemption, a right he shared with his wife; that if there was really a legal defect in the sale, the person who has the legal standing and the right to question the validity of the sale in his name is Marilou, the person who exercised the right of redemption and the person in whom the right to dispose legally resides; and that Marilou has all this time remained passive.[11]

The petition must fail.

There are two principal issues raised by the pleadings in the present petition that must be resolved: First, whether Marilou, the wife of the petitioner, as successor-in-interest, may validly redeem the property in question; and second, whether the petitioner has a cause of action against the respondent.

Was there a valid redemption effected by Marilou?

The answer is in the affirmative.

Section 6 of Act No. 3135 provides:

> Sec. 6. In all cases in which an extrajudicial sale is made under the special power hereinbefore referred to, the debtor, his successors-in-interest or any judicial creditor or judgment creditor of said debtor, or any person having a lien on the property subsequent to the mortgage or deed of trust under which the property is sold, may redeem the same at any time within the term of one year from and after the date of sale; and such redemption shall be governed by the provisions of section four hundred and sixty-four to four hundred and sixty-six, inclusive, of the Code of Civil Procedure, in so far as these are not inconsistent with the provisions of this Act. (emphasis supplied)

Section 27, Rule 39 of the 1997 Rules of Civil Procedure, provides:

> SEC. 27. Who may redeem real property so sold. – Real property sold as provided in the last preceding section, or any part thereof sold separately, may be redeemed in the manner hereinafter provided, by the following persons:
>
> (a) The judgment obligor, or his successor-in-interest in the whole or any part of the property;
>
> x x x x

The "successor-in-interest" of the judgment debtor referred to in the above provision includes a person who succeeds to his property by operation of law, or a person with a joint interest in the property, or his spouse or heirs.[12]

Section 33, Rule 39, Rules of Court, states:

> 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 at 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. (emphasis supplied)

Under the above provision, petitioner could have redeemed the property from Marilou after she had redeemed it. The pleadings filed and the records of this case do not show that petitioner exercised said right. Consequently, as correctly held by the CA, Marilou acquired ownership of the subject property. All rights and title of the judgment obligor are transferred upon the expiration of the right of redemption.[13]

And where the redemption is made under a property regime governed by the conjugal partnership of gains, Article 109 of the Family Code provides that property acquired by right of redemption is the exclusive property of the spouses redeeming the property.

Clearly, therefore, Marilou, as owner, had the right to sell the property to another.

This brings us to the resolution of the second issue -- whether petitioner has a cause of action against respondent -- and the answer is in the negative.

A cause of action is an act or omission of the defendant in violation of the legal right of the plaintiff. A complaint states a cause of action when it contains three essential elements: (1) a right in favor of the plaintiff by whatever means and under whatever law it arises; (2) an obligation of the defendant to respect such right; and (3) the act or omission of the defendant violates the right of the plaintiff.[14]

In the present case, there is no property right that exists in favor of the petitioner, and, with more reason, no such obligation arises in behalf of the defendant, herein respondent, to respect such right. There was no violation of a legal right of the petitioner.

It must be stressed that there is no allegation or proof that Marilou redeemed the property in behalf of the petitioner–Marilou did not act as agent of the petitioner. Rather, she exercised the right of redemption in her own right as successor-in-interest of the petitioner. Under the circumstances, should there be any right violated, the aggrieved party is Marilou, petitioner's wife. The property in question was the exclusive property of Marilou by virtue of her redemption. Thus, petitioner has no valid cause of action against the respondent.

Consequently, the question whether Catral had validly sold the subject property to respondent by virtue of the General Power of Attorney executed by Marilou, is not within the realm of the Court's jurisdiction to resolve in this case as said issue is not properly raised by the right person, Marilou.

Divested of all interest over the property, the petitioner has ceased to be the proper party who may challenge the validity of the sale. Moreover, since, as a rule, the agency, as a contract, is binding only between the contracting parties,[15] then only the parties, as well as the third person who transacts with the parties themselves, may question the validity of the agency or the violation of the terms and conditions found therein. This rule is a corollary of the foregoing doctrine on the rights of real parties in interest.

The Court cannot grant the relief prayed for in petitioner's Complaint as to damages, considering that the issue on damages was deemed waived when the parties limited themselves to the legal issue arrived at during the pre-trial in the RTC.[16]

WHEREFORE, the petition is DENIED. The Decision and Resolution of the Court of Appeals are AFFIRMED.

Costs against the petitioner.

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SO ORDERED.
Ynares-Santiago, (Chairperson), Chico-Nazario, and Nachura, JJ., concur.

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[1] Penned by Associate Justice B.A. Adefuin-de La Cruz (now retired), with Associate Justices Wenceslao I. Agnir, Jr. (now retired) and Rebecca de Guia-Salvador, concurring; rollo, pp. 29-33.

[2] Id. at 35-37.

[3] RTC Judgment, CA rollo, p. 21.

[4] Id. at 21-22.

[5] Exhibit "C" & Exhibit "2," rollo, p. 41.

[6] CA rollo, pp. 22-23.

[7] Rollo, p. 30.

[8] Id. at 32.

[9] Id. at 21.

[10] Id. at 293.

[11] Id. at 273.

[12] Castro v. Bague, 411 Phil. 532, 540 (2001); De Castro v. Intermediate Appellate Court, G.R. No. L-73859, September 26, 1988, 165 SCRA 654, 660.

[13] JOSE Y. FERIA & MARIA CONCEPCION S. NOCHE, CIVIL PROCEDUCRE ANNOTATED, 104 (2001).

[14] Barcelona v. Court of Appeals, 458 Phil. 626, 633 (2003).

[15] See Articles 1159 and 1868 of the Civil Code.

[16] See p. 2 of herein Decision.

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