

**JUAN BALBUENA AND TEODULFO RETUYA, PETITIONERS, VS.
LEONA APARICIO SABAY, DOROTEO SABAY, SEVERINO SABAY,
DESDICHADO SABAY, LEONARDA SABAY, VIRGILIO SABAY AND
NAPOLEON SABAY, RES...**

G.R. No. 154720. September 04, 2009

Ponente: BRION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-154720/>

BRION, J.:

The present petition[1] seeks the reversal of the decision of the Court of Appeals (CA) in CA-G.R. No. 37507,[2] declaring respondents Leona Aparicio Sabay, Doroteo Sabay, Severino Sabay, Desdichado Sabay, Leonarda Sabay, Virgilio Sabay and Napoleon Sabay (the respondents) the true and lawful owners of the lands subject of the complaint. The assailed CA decision granted the respondents' appeal from the decision of the Regional Trial Court (RTC), Branch 9, Cebu City, that in turn declared petitioners Juan Balbuena and Teodulfo Retuya (the petitioners) the true owners of the lands.

THE ANTECEDENTS

The case originated from a complaint filed on March 11, 1972 by the petitioners with the RTC for ownership and recovery of possession, with damages, of three parcels of agricultural land situated in Barrio Kaduldolan Manga, Municipality of Tuburan, Cebu (the lands). In their complaint, the petitioners described the disputed lands to be covered by tax declarations. The petitioners alleged that Leoncia Sabay (Leoncia) originally owned the lands which they acquired via an execution sale in a civil case where Leoncia was the losing party. They further alleged that they took possession of the lands after the Provincial Sheriff of Cebu issued a Definite Deed of Sale; they were subsequently deprived of possession by the respondents by means of force and intimidation, threat, stealth and strategy. The respondents' possession, on the other hand, was interrupted by a writ of injunction issued by the Municipal Trial Court of Tuburan, Cebu, and after the lands were placed under receivership.

In their Answer, the respondents (heirs of David Sabay) denied the petitioners' alleged possession, claiming that the late David Sabay was the possessor of the lands from 1947 to 1956. They also claimed that the Definite Deed of Sale was void as it conveyed lands that, at the time of sale, did not belong to Leoncia; the lands had been sold to David Sabay on June 14, 1947. They denied the other material allegations of the complaint.

The respondents then asked for leave of court to file and admit a third-party complaint against the Ex-Officio Provincial Sheriff of Cebu and the sureties in the Sheriff's Indemnity Bond - Tomas Figueroa and Lucrecia Tabotabo. The court granted leave and admitted the third-party complaint despite the petitioners' opposition. In their Answer, the third-party defendants asserted prescription - no one can legally contest the more than 20-year old acts of the Provincial Sheriff which are already *fait accompli* and, therefore, had *res adjudicata* effects.

At the trial of the case, the parties proceeded to prove their respective claims, presenting testimonial and documentary evidence. The petitioners presented all documents to prove their acquisition of the lands via an

execution sale. The respondents, on the other hand, presented: (1) the June 14, 1947 document of sale[3] between Leoncia and David Sabay, which pertinently described one of the lots then being sold to be subject of litigation and awaiting court decision and which stipulated that the sale was burdened with the condition that if Leoncia should lose the case, she would reimburse David Sabay with the purchase price of the lot; and (2) the December 31, 1950 deed of sale[4] between Leoncia and David Sabay that provided for a pacto de retro clause, that Leoncia can buy back the lands within 4 years from the signing of the deed of sale.

As it turned out (also during the trial), one of the three parcels of land was covered by a Torrens certificate of title - a fact not alleged in the respondents' answer. The RTC thus ordered the amendment of the Answer. The respondents complied with the RTC order and claimed in their Amended Answer with counterclaim that one of the disputed lands formed part of a larger tract covered by Transfer Certificate of Title (TCT) No. 19704 and was registered in the name of Felix C. Aves. They further claimed that Felix C. Aves sold the land covered by TCT No. 19704 to Leoncia, who in turn sold the land to David Sabay.

The RTC Decision

As mentioned above, the RTC rendered a decision in the petitioners' favor. It based its conclusion that the petitioners have a better right to the lands on the finding that the petitioners acquired the lands in good faith. To the RTC, the petitioners' purchase of the lands in good faith created a right that is superior to the unrecorded earlier sale of the lands to David Sabay. The RTC cited the familiar rule that where there was nothing in the title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore farther than what the Torrens title upon its face indicates in quest of any hidden defect or inchoate right that may subsequent defeat his right thereto. On this basis, the trial court considered the petitioners purchasers in good faith.

The RTC mentioned that while *Lanci v. Yangco*[5] holds that the purchaser at an auction sale only acquires the identical interest in the property of the judgment debtor or conveyances or alienation made by a judgment debtor via lawful contract before levy will be valid as against the purchaser at the auction sale, the conveyance and/or encumbrance of registered properties, however, must still be indicated or inscribed in the certificate of title. *Lanci*, the RTC said, was after all decided under a special circumstance - the earlier filing (prior to the execution sale) of a third-party claim by persons claiming to have already bought the property effectively charged the purchaser at public auction with actual notice of the prior sale. *Lanci* too, the RTC claims, has been reversed and revoked by the Supreme Court in *Philippine National Bank v. Camus*[6] where we ruled that, under Section 50 of Act No. 496, instruments executed by the owners purporting to transfer or encumber registered land shall operate only as evidence or authority for the Register of Deeds to effect registration; it is the act of registration that shall be the operative act to convey and affect the land. This ruling is now purportedly strengthened with the amendment of Sections 50 and 51 of Act No. 496 by Sections 51 and 52 of Presidential Decree No. 1529.

In short, the RTC concluded that the Sheriff's Definite Deed of Sale vested the petitioners with absolute right of ownership over the lands, as the law and jurisprudence in force at the time of the sale to David Sabay require the inscription of conveyances on the titles of lands to be binding and effective.

The CA Decision

As previously stated, the CA reversed the RTC decision on appeal. The CA pointed out that the RTC overlooked an important and determinative circumstance of the case - the Torrens titles of the lands were not in the name of the judgment debtor, Leoncia; they were still in the names of Felix Aves, Enrique Reroma and Hacienda Laurel from whom Leoncia bought the lands.

With this finding, the CA rejected the application of the RTC's cited doctrine that the person who buys from a registered owner need not inquire farther than what the certificate of title indicates. The protection accorded a purchaser in good faith, according to the CA, applies only to one who purchased the property from the registered owner, not to a person who bought the property from someone who could not show any title or evidence of his capacity to transfer the land; utmost caution and a higher degree of prudence are required when one buys from a person who is not a registered owner.

Thus, according to the CA, the petitioners should have been placed on guard, for they purchased the lands from a non-registered owner. With their admission that they examined the lands' papers in the Municipality of Tuburan, Cebu before participating in the public auction, the petitioners should be deemed to be in bad faith for failing to exercise caution in acquiring the lands.

The CA thus considered the RTC's declaration that the petitioners were purchasers in good faith to be without factual and legal basis. It accordingly ruled that the petitioners only acquired, at the auction sale, whatever interest the judgment debtor, Leoncia, had on the subject properties. In so ruling, the CA concluded, too, that the respondents' right over the lands - based on a prior unregistered sale - is superior to that of the petitioners who purchased the lands at an auction sale. As the petitioners failed to exercise due diligence in ascertaining the right, interest and claim of the judgment-debtor, Leoncia, to the lands at the time of the levy, they are bound to recognize the adverse rights and claims to the lands existing prior to the levy.

Unsuccessful at the CA, the petitioners are now before us, asking us to decide the following:

ISSUES

I. THE HONORABLE COURT OF APPEALS, SPECIAL ELEVENTH DIVISION, GRAVELY ABUSED ITS DISCRETION WHEN IT REVERSED THE DECISION OF THE REGIONAL TRIAL COURT OF CEBU, BRANCH 9, BY HOLDING THAT THE COURT A QUO'S DECLARATION THAT PETITIONERS WERE PURCHASERS IN GOOD FAITH HAS NO FACTUAL AND LEGAL BASIS

II. BY TOTALLY IGNORING THE ADMISSION OF RESPONDENTS THAT THEIR PREDECESSORS-IN-INTEREST HAVE AGREED TO THE CONDITION IN THE DEED OF SALE THAT HE BE REFUNDED OF THE CONSIDERATION IF THE VENDOR LOST HER CASE, THE HONORABLE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION IN HOLDING THAT RESPONDENTS RIGHT OVER THE SUBJECT PROPERTIES, AS A RESULT OF A PRIOR UNREGISTERED SALE, IS FAR MORE SUPERIOR TO PETITIONERS RIGHT AS PURCHASER AT AN AUCTION SALE.

OUR RULING

We find the petition devoid of merit.

As a preliminary matter, we note that the respondents' first objection to the present petition is that it did not properly raise issues of law and should therefore fail given that a Rule 45 petition requires that the appeal raise only questions of law.[7]

We disagree with this position, as our reading of the whole petition - setting aside and glossing over the petitioners' use of the phrase "grave abuse of discretion" in defining the issues - shows that the petition does not involve any factual issue. The facts when the case reached us were neither disputed nor challenged. We are, therefore, concerned with the legal issue, based on established facts, of which of the competing property rights of the parties - those of the purchaser at an execution sale or those derived from a sale or disposition prior to the levy on execution - shall prevail.

The issue raised in the petition is not entirely novel, as we have previously ruled on the same issue in *Panizales v. Palmares*.^[8] Briefly, the facts of this cited case are as follows: (1) on March 19, 1958, Geronimo Panizales bought the disputed lot in a private sale from the transferee of the original owner thereof; (2) on March 16, 1961, Valerio Palmares bought the same lot at the public auction sale conducted pursuant to a writ of execution issued at the instance of the judgment creditor who was the prevailing party in a suit against the original owner, the judgment debtor; and (3) when Panizales brought suit to vindicate his right, the lower court decided in his favor. In upholding the lower court, we ruled:

Deference to authoritative, pronouncements of this Tribunal as to what property may be levied on in execution calls for the affirmance of the appealed decision. From the stipulation of facts, it is undisputed that as far back as March 19, 1958, the lot in question had been disposed of. It ceased therefore as of that date to form part of the property of the judgment debtor. There is a strong intimation in the brief of appellant that such a sale could be objected to as having been made in fraud of creditors. If such indeed were the case, defendants ought to have introduced evidence to that effect. Good faith is presumed. After the express admission that such a transaction did take place, although there was no categorical proof that the judgment creditor was aware of such a sale, it was not unreasonable for the lower court to consider that the property, now the object of the suit, could not be levied upon. It could not close its eyes to what was so stipulated. Since only questions of law may appropriately be raised before us, there would seem to be an obstacle to the reversal sought.

The ruling in *Potenciano v. Dinero*, the opinion being penned by Justice Alex Reyes is illuminating. Thus: "The Rules of Court provide that a purchaser of real property at an execution sale 'shall be substituted to and acquire all the right, title, interest, and claim of the judgment debtor thereto.' (Rule 39, Section 24.) In other words, the purchaser acquires only such right or interest as the judgment debtor had on the property at the time of the sale. x x x It follows that if at that time the judgment debtor had no more right to or interest in the property because he had already sold it to another then the purchaser acquires nothing." One of the cases cited in the above opinion, *Barrido v. Barreto*, speaks to this effect: "Este Tribunal, en varias decisiones ha sentado la doctrina de que un acreedor Judicial, como lo era el aqui apelante solo adquiere en una venta en virtud de una ejecucion un derecho identico al del deudor judicial - en este caso, Francisco Cuenca - sobre los bienes que son objeto de la venta en subasta publica." The *Barrido* decision in turn makes reference to *Lanci v. Yangco*, where Justice Street, speaking for this Court, stated: "It is established doctrine that a judgment creditor only acquires at an execution sale the identical interest possessed by the judgment debtor in the property which is the subject of the sale. He therefore takes the property subject to all existing equities to which the property would have been subject in the hands of the debtor. It results, therefore, that, if the deed of the judgment debtor Agcaoili created a right enforceable against himself, that right can be enforced against the judgment creditor Yangco, and Ansaldo who stands in Yangco's shoes. It is true that in Section 50 of the Land Registration Law (Act No. 496) it is declared that the inscription is the act that gives validity to the transfer or creates a lien upon the land, but this is no obstacle to the giving due effect to anterior obligations, as between the parties and their successors other than bona fide purchasers for value." As a matter of fact, in *Laxamana v. Carlos*, which was likewise cited in the *Barrido* opinion, this Court, through Justice Villareal, affirmed "that the fact that the judgment debtor is in possession of the land upon which he holds rights which are to be sold at public auction, and that the purchaser did not know that a third party had acquired ownership thereof, does not protect the purchaser, because he is not considered a third party, and the rule of caveat emptor is applicable to him." The prevailing doctrine therefore, as set forth in *Isidro v. Dagdag*, through Justice Ozaeta, remains. As thus succinctly summarized: "Under the jurisprudence established by this Court a bona fide sale and transfer of real property, although not recorded, is good and valid against a subsequent attempt to levy execution on the same property by a creditor of the vendor." To repeat then, the right of plaintiff Geronimo Panizales to the disputed lot in question must be recognized. In thus ruling, the lower court committed no error.

Nothing is more settled than that a judgment creditor (or more accurately, the purchaser at an auction sale) only acquires at an execution sale the identical interest possessed by the judgment debtor in the auctioned property; in

other words, the purchaser takes the property subject to all existing equities applicable to the property in the hands of the debtor.[9] The fact, too, that the judgment debtor is in possession of the land to be sold at public auction, and that the purchaser did not know that a third-party had acquired ownership thereof, does not protect the purchaser, because he is not considered a third-party, and the rule of caveat emptor applies to him.[10] Thus, if it turns out that the judgment debtor has no interest in the property, the purchaser at an auction sale also acquires no interest therein.[11]

These are doctrines that we have long followed in our jurisdiction and are fully applicable to the present case whose factual antecedents developed at almost the same time the antecedents of Panizales did. Significantly, the Rules of Court is proof of the enduring validity of these doctrines, as its Section 33, Rule 39 provides:

Section 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.

In the present case, Leoncia's earlier sale of the lands to David Sabay via the two deeds was never disputed; the existence, genuineness and due execution of the two documents of sale are therefore facts considered established and uncontroverted.

For the first time, the petitioners ask us in their petition to consider new facts in their attempt to obtain a reversal of the CA decision. They assert in their petition that (1) the fact that the lands were mentioned in the first document of sale to be the subject of litigation and (2) that there was a related stipulation on reimbursement in case a decision adverse to Leoncia was rendered, commonly indicate David Sabay's bad faith when he acquired the lands. To the petitioners, David Sabay's bad faith should be appreciated in determining who, between them and the respondents, have superior rights over the property given that David Sabay acquired limited rights over the lands under the document of sale. This also holds true, according to the petitioners, with respect to the second deed of sale which provided for Leoncia's right of repurchase. The petitioners further claim in this regard that these documents of sale might have been fictitiously made to deprive a winning creditor of the remedy of going after the properties of the judgment debtor. Reverting back to their theory, the petitioners claim that David Sabay and his heirs' bad faith deprived them of the protection the law gives to a holder of a certificate of title; the law, they posit, should not be used as a shield for fraud.

The newly-alleged facts obviously give rise to issues that were never raised in the proceedings before the RTC and the CA, and should not therefore be allowed to be raised at this stage of litigation. The well-settled rule is that issues or grounds not raised below cannot be resolved on review by the Supreme Court, for to allow the parties to raise new issues is antithetical to the sporting idea of fair play, justice and due process.[12]

Despite this conclusion, we nevertheless look at the petitioners' belatedly-raised issues if only to complete our consideration of the case and definitely close it.

Good faith is always presumed, and upon him who alleges bad faith rests the burden of proof.[13] Bad faith is defined in jurisprudence as a state of mind affirmatively operating with furtive design or with some motive of self interest or ill will or for ulterior purpose.[14]

We believe and so hold that we cannot, under this evidentiary and jurisprudential standard, draw an inference of David Sabay's bad faith from the cited contract stipulations. The stipulations appear to us to be conditions in the contract that do not affect the issue of David Sabay's good or bad faith. Quite the contrary, the stipulations simply mean: (1) David Sabay was prepared to buy a property that he might lose if the stated contingency would happen; and (2) the parties have agreed to incorporate in their contract the implementation of one of the warranties usually implied in a contract of sale - the warranty against eviction.[15] We note with significance, too, that it is not clear in the records whether David Sabay eventually lost the lands because Leoncia lost the case alluded to in the contract - the situation that would have paved the way for the implementation of the reimbursement stipulation. Apparently, he did not.

Additionally, that Leoncia was given a right to repurchase the property does not militate against David Sabay's acquisition of full ownership rights over the lands. If at all, this is a limited right that the petitioners have acquired when they purchased the lands at public auction. This right is however irretrievably lost for Leoncia and the petitioners' failure to exercise it within the agreed period.[16] Neither is the presence of the right to purchase indicative of bad faith, as this is a stipulation allowed under the Civil Code.[17]

Finally, the petitioners' argument that the two contracts taken together were fictitious which involves questions of fact is beyond the review that the present Rule 45 petition covers. Suffice it to state that the petitioners presented no evidence on these issues before the lower court, as this is a claim made for the first time, belatedly at that, in this case.

All these lead to the conclusion that the respondents have indeed acquired a superior right to the lands. On the whole therefore, we find no reversible error of law in the decision of the Court of Appeals.

WHEREFORE, premises considered, the petition is hereby DENIED for lack of merit.

Quisumbing, (Chairperson), Carpio Morales, Del Castillo, and Abad, JJ., concur.

[1] Filed under Rule 45 of the Rules of Court; rollo, pp. 10-75.

[2] Decision penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justice Perlita J. Tria-Tirona and Associate Justice Eliezer R. Delos Santos, concurring.

[3] Rollo, p. 72.

[4] Id., p. 73.

[5] 52 Phil. 563 (1928).

[6] 70 Phil. 289 (1940).

[7] Rollo, pp. 76-77.

[8] G.R. No. L-32143, October 31, 1972, 47 SCRA 376.

[9] Lanci v. Yangco, 52 Phil. 563 (1928).

[10] Laxamana v. Carlos, 57 Phil. 722 (1932).

[11] Pacheco v. CA, G.R. No. L-48689, August 31, 1987, 153 SCRA 382.

[12] Cuenco v. Talisay Tourists Sports Complex, G.R. No. 174154, July 30, 2009.

[13] CIVIL CODE, Article 527.

[14] Air France v. Carrascoso, G.R. No. L-21438, September 28, 1966, 18 SCRA 166.

[15] See CIVIL CODE, Articles 1547(1), 1548-1560.

[16] See the cited Laxamana case; supra note 10.

[17] See CIVIL CODE, Article 1601.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.