SPOUSES RICARDO AND FERMA PORTIC, PETITIONERS, VS. ANASTACIA CRISTOBAL, RESPONDENT.

G.R. NO. 156171. April 22, 2005

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

An agreement in which ownership is reserved in the vendor and is not to pass to the vendee until full payment of the purchase price is known as a contract to sell. The absence of full payment suspends the vendors' obligation to convey title. This principle holds true between the parties, even if a transfer of title has already been registered. Registration does not vest, but merely serves as evidence of, title to a particular property. Our land registration laws do not give title holders any better ownership than what they actually had prior to registration.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, challenging the January 29, 2002 Decision[2] and the November 18, 2002 Resolution[3] of the Court of Appeals (CA) in CA-GR CV No. 66393. The assailed Decision disposed as follows:

> "WHEREFORE, foregoing considered, the appealed decision is hereby REVERSED and SET ASIDE. A new one is hereby entered ORDERING defendant-appellant to pay the unpaid balance of P55,000.00 plus legal interest of 6% per annum counted from the filing of this case. The ownership of defendant-appellant over the subject property is hereby confirmed.
>
> "No pronouncement as to costs."[4]

In the challenged Resolution,[5] the CA denied petitioners' Motion for Partial Reconsideration.

The Facts

The facts were summarized by the appellate court as follows:

> "Spouses Clodualdo Alcantara and Candelaria Edrosalam were the original registered owners of a parcel of land with three-door apartment, located at No. 9, 1[st] Street BBB, Marulas, Valenzuela City. Transfer Certificate of Title No. T-71316 was issued in the names of spouses Clodualdo Alcantara and Candelaria Edrosalam.
>
> "On October 2, 1968, spouses Clodualdo Alcantara and Candelaria Edrosalam sold the subject property in favor of [petitioners] with the condition that the latter shall assume the mortgage executed over the subject property by spouses Clodualdo Alcantara and Candelaria Edrosalam in favor of the Social Security System.
>
> "[Petitioners] defaulted in the payment of the monthly amortizations due on the mortgage. The Social Security System foreclosed the mortgage and sold the subject property at public auction with the Social Security System as the highest bidder.
>
> "On May 22, 1984, before the expiration of the redemption period, [petitioners] sold the subject property in

favor of [respondent] in consideration of P200,025.89. Among others, the parties agreed that [respondent] shall pay the sum of P45,025.89 as down payment and the balance of P155,000.00 shall be paid on or before May 22, 1985. The parties further agreed that in case [respondent] should fail to comply with the conditions, the sale shall be considered void and [petitioners] shall reimburse [respondent] of whatever amount already paid.

"On the same date, [petitioners] and [respondent] executed a 'Deed of Sale with Assumption of Mortgage' whereby [petitioners] sold the subject property in favor of [respondent] in consideration of P80,000.00, P45,000.00 thereof shall be paid to the Social Security System.

"On July 30, 1984, spouses Clodualdo Alcantara and Candelaria Edrosalam, the original owners of the subject property, sold the subject property in favor of [respondent] for P50,000.00.

"On the same date, [respondent] executed a 'Deed of Mortgage' whereby [respondent] constituted a mortgage over the subject property to secure a P150,000.00 indebtedness in favor of [petitioners].

"[Respondent] paid the indebtedness due over the subject property to the Social Security System.

"On August 6, 1984, Transfer Certificate of Title No. T-71316 in the names of spouses Clodualdo Alcantara and Candelaria Edrosalam was cancelled and in lieu thereof Transfer Certificate of Title No. T-113299 was issued in the name of [respondent].

"On May 20, 1996, [petitioners] demanded from [respondent] the alleged unpaid balance of P55,000.00. [Respondent] refused to pay.

"On June 6, 1996, [petitioners] filed this instant civil case against [respondent] to remove the cloud created by the issuance of TCT No. T-113299 in favor of [respondent]. [Petitioners] claimed that they sold the subject property to [respondent] on the condition that [respondent] shall pay the balance on or before May 22, 1985; that in case of failure to pay, the sale shall be considered void and [petitioners] shall reimburse [respondent] of the amounts already paid; that [respondent] failed to fully pay the purchase price within the period; that on account of this failure, the sale of the subject property by [petitioners] to [respondent] is void; that in spite of this failure, [respondent] required [petitioners] to sign a lease contract over the apartment which [petitioners] occupy; that [respondent] should be required to reconvey back the title to the subject property to [petitioners].

"[Respondent] on her part claimed that her title over the subject property is already indefeasible; that the true agreement of the parties is that embodied in the Deed of Absolute Sale with Assumption of Mortgage; that [respondent] had fully paid the purchase price; that [respondent] is the true owner of the subject property; that [petitioners'] claim is already barred by laches."[6]

After trial, the Regional Trial Court (RTC) of Valenzuela City rendered this judgment in favor of petitioners:

"WHEREFORE, premises considered, this Court hereby adjudicates on this case as follows:

1.) The Court hereby orders the quieting of title or removal of cloud over the [petitioners'] parcel of land and three (3) door apartment now covered by Transfer Certificate of Title No. T-113299 of the Registry of Deeds for Caloocan City and Tax Declaration Nos. C-018-00235 & C-031-012077 respectively, of Valenzuela City;

2.) The Court hereby orders the [respondent] to reconvey in favor of the [petitioners] the parcel of land and three (3) door apartment now covered by Transfer Certificate of Title No. T-113299 of the Registry of Deeds of Caloocan City after reimbursement by the [petitioners] of the amount actually paid by the [respondent] in the total amount of P145,025.89;

3.) The Court hereby DENIES damages as claimed by both parties."[7]

Ruling of the Court of Appeals

The Court of Appeals opined that the first Memorandum of Agreement (MOA) embodied the real agreement

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between the parties, and that the subsequent Deeds were executed merely to secure their respective rights over the property.[8] The MOA stated that Cristobal had not fully paid the purchase price. Although this statement might have given rise to a cause of action to annul the Deed of Sale, prescription already set in because the case had been filed beyond the ten-year reglementary period,[9] as observed by the CA. Nonetheless, in conformity with the principle of unjust enrichment, the appellate court ordered respondent to pay petitioners the remaining balance of the purchase price.[10]

In their Motion for Partial Reconsideration, petitioners contended that their action was not one for the enforcement of a written contract, but one for the quieting of title -- an action that was imprescriptible as long as they remained in possession of the premises.[11] The CA held, however, that the agreement between the parties was valid, and that respondent's title to the property was amply supported by the evidence.[12] Therefore, their action for the quieting of title would not prosper, because they failed to show the invalidity of the cloud on their title.

Hence, this Petition.[13]

The Issue

In its Memorandum, petitioners raise the following issues for our consideration:

> "(1) Whether or not the [petitioners'] cause of action is for quieting of title.
>
> "(2) Whether or not the [petitioners'] cause of action has prescribed."[14]

The main issue revolves around the characterization of the parties' agreement and the viability of petitioners' cause of action.

This Court's Ruling

The Petition has merit.

Main Issue:
Nature of the Action: Quieting of Title or
Enforcement of a Written Contract

Petitioners argue that the action they filed in the RTC was for the quieting of title. Respondent's demand that they desist from entering into new lease agreements with the tenants of the property allegedly attests to the fact of their possession of the subject premises.[15] Further, they point to the existence of Civil Case No. 7446, an action for unlawful detainer that respondent filed against them,[16] as further proof of that fact. Being in continuous possession of the property, they argue that their action for the quieting of title has not prescribed.[17]

On the other hand, respondent joins the appellate court in characterizing the action petitioners filed in the RTC as one for the enforcement of the MOA. Being based on a written instrument, such action has already prescribed, respondent claims.[18] She adds that petitioners could not have been in continuous possession of the subject property because, under a duly notarized lease agreement, they have been paying her a monthly rental fee of P500, which was later increased to P800.

Two questions need to be answered to resolve the present case; namely, (1) whether Cristobal's title to the property is valid; and (2) whether the Portics are in possession of the premises, a fact that would render the action for quieting of title imprescriptible.

Validity of Title

The CA held that the action for the quieting of title could not prosper, because Cristobal's title to the property was amply supported by evidence.

Article 476 of the Civil Code provides as follows:

> "Whenever there is a cloud on title to real property or any interest therein, by reason of any instrument, record, claim, encumbrance or proceeding which is apparently valid or effective but is in truth and in fact invalid, ineffective, voidable, or unenforceable, and may be prejudicial to said title, an action may be brought to remove such cloud or to quiet the title.
>
> "An action may also be brought to prevent a cloud from being cast upon title to real property or any interest therein."

Suits to quiet title are characterized as proceedings quasi in rem.[19] Technically, they are neither in rem nor in personam. In an action quasi in rem, an individual is named as defendant.[20] However, unlike suits in rem, a quasi in rem judgment is conclusive only between the parties.[21]

Generally, the registered owner of a property is the proper party to bring an action to quiet title. However, it has been held that this remedy may also be availed of by a person other than the registered owner because, in the Article reproduced above, "title" does not necessarily refer to the original or transfer certificate of title.[22] Thus, lack of an actual certificate of title to a property does not necessarily bar an action to quiet title. As will be shown later, petitioners have not turned over and have thus retained their title to the property.

On the other hand, the claim of respondent cannot be sustained. The transfer of ownership of the premises in her favor was subject to the suspensive condition stipulated by the parties in paragraph 3 of the MOA, which states as follows:

> "3. That while the balance of P155,000.00 has not yet been fully paid the FIRST PARTY OWNERS shall retain the ownership of the above described parcel of land together with its improvements but the SECOND PARTY BUYER shall have the right to collect the monthly rentals due on the first door (13-A) of the said apartment;"[23]

The above-cited provision characterizes the agreement between the parties as a contract to sell, not a contract of sale. Ownership is retained by the vendors, the Portics; it will not be passed to the vendee, the Cristobals, until the full payment of the purchase price. Such payment is a positive suspensive condition, and failure to comply with it is not a breach of obligation; it is merely an event that prevents the effectivity of the obligation of the vendor to convey the title.[24] In short, until the full price is paid, the vendor retains ownership.

The mere issuance of the Certificate of Title in favor of Cristobal did not vest ownership in her. Neither did it validate the alleged absolute purchase of the lot. Time and time again, this Court has stressed that registration does not vest, but merely serves as evidence of, title. Our land registration laws do not give the holders any better title than that which they actually have prior to registration. [25]

Under Article 1544 of the Civil Code, mere registration is not enough to acquire a new title. Good faith must concur.[26] Clearly, respondent has not yet fully paid the purchase price. Hence, as long as it remains unpaid, she cannot feign good faith. She is also precluded from asserting ownership against petitioners. The appellate court's finding that she had a valid title to the property must, therefore, be set aside.

Continuous Possession

The issue of whether the Portics have been in actual, continuous possession of the premises is necessarily a question of fact. Well-entrenched is the rule that findings of fact of the Court of Appeals, when supported by

substantial evidence, are final and conclusive and may not be reviewed on appeal.[27] This Court finds no cogent reason to disturb the CA's findings sustaining those of the trial court, which held that petitioners had been in continuous possession of the premises. For this reason, the action to quiet title has not prescribed.

WHEREFORE, the Petition is GRANTED. The challenged Decision and Resolution of the Court of Appeals are REVERSED and SET ASIDE. The Decision of the RTC of Valenzuela City in Civil Case No. 4935-V-96, dated September 23, 1999, is hereby REINSTATED. No pronouncement as to costs.

SO ORDERED.

Sandoval-Gutierrez, Corona, Carpio-Morales, and Garcia, JJ., concur.

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[1] Rollo, pp. 8-24.

[2] Id., pp. 51-66. Penned by Justice Eugenio S. Labitoria (Division chairman), with the concurrence of Justices Teodoro P. Regino and Rebecca de Guia-Salvador (members).

[3] Id., pp. 73-75.

[4] Assailed CA Decision, p. 16; rollo, p. 66.

[5] CA Resolution, p. 3; rollo, p. 75.

[6] Assailed CA Decision, pp. 4-6; rollo, pp. 54-56.

[7] Penned by Judge Jaime F. Bautista, RTC of Valenzuela City (Branch 75); rollo, p. 50.

[8] Assailed CA Decision, p. 13; rollo, p. 63.

[9] Id., pp. 15 & 65.

[10] Ibid.

[11] Assailed Resolution, p. 2; rollo, p. 74.

[12] Id., pp. 3 & 75.

[13] The case was deemed submitted for decision on February 16, 2004, upon this Court's receipt of Petitioners' Memorandum, signed by Atty. Danilo F. Villarica. Respondent's Memorandum, signed by Atty. Alejandro R. Abesamis, was received by this Court on February 6, 2004.

[14] Petitioner's Memorandum, p. 8; rollo, p. 170. Original in upper case.

[15] Id., pp. 13 & 175.

[16] Id., pp. 14 & 176.

[17] Ibid.

[18] Respondent's Memorandum, p. 11; rollo, p. 155.

[19] Realty Sales Enterprise, Inc. v. IAC, 154 SCRA 328, 348, September 28, 1987.

[20] Asiavest Limited v. Court of Appeals, 296 SCRA 539, September 25, 1998.

[21] Valmonte v. Court of Appeals, 252 SCRA 92, January 22, 1996.

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[22] Chacon Enterprises v. Court of Appeals, 124 SCRA 784, September 29, 1983; Mamadsual v. Moson, 190 SCRA 82, 89, September 27, 1990.

[23] Assailed CA Decision, p. 7; rollo, p. 57.

[24] Dawson v. Register of Deeds of Quezon City, 295 SCRA 733, 741-742, September 22, 1998; Salazar v. Court of Appeals, 258 SCRA 317, 325, July 5, 1996 (citing Luzon Brokerage Co., Inc. v. Maritime Building Co., Inc., 46 SCRA 381, 387, August 18, 1972; Jacinto v. Kaparaz, 209 SCRA 246, 254, May 22, 1992; Visayan Sawmill Co., Inc. v. Court of Appeals, 219 SCRA 378, 389, March 3, 1993; Pingol v. Court of Appeals, 226 SCRA 118, 126, September 6, 1993).

[25] Solid State Multi-Products Corp. v. Court of Appeals, 196 SCRA 630, May 6, 1991; De Guzman Jr. v. Court of Appeals, 156 SCRA 701, December 21, 1987.

[26] Vda. de Jomoc v. Court of Appeals, 200 SCRA 74, 79, August 2, 1991 (citing Bergado v. Court of Appeals, 173 SCRA 497, May 19, 1989; Concepcion v. Court of Appeals, 193 SCRA 586, February 6, 1991).

[27] Mallari v. Court of Appeals, 265 SCRA 456, December 9, 1996; Suplico v. Court of Appeals, 257 SCRA 397, June 17, 1996; De la Cruz v. Court of Appeals, 265 SCRA 299, December 4, 1996; Limketkai Sons Milling, Inc. v. Court of Appeals, 255 SCRA 626, March 29, 1996.

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