

SPOUSES ANSELMO AND PRISCILLA BULAONG, PETITIONERS, VS. VERONICA GONZALES, RESPONDENT.*G.R. No. 156318. September 05, 2011*

Ponente: BRION, J.

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Petitioners Anselmo Bulaong and Priscilla Bulaong - collectively referred to as the Bulaongs - seek, through their petition for review on certiorari, the reversal of the decision[2] of the Court of Appeals (CA) dated July 31, 2002 in CA-G.R. SP No. 55423 and the subsequent resolution of November 27, 2002[3] reiterating this decision. These CA rulings reversed and set aside the decision[4] of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 12, that ordered the cancellation of Transfer Certificate of Title (TCT) No. T-62002 and TCT No. T-62003.

FACTUAL ANTECEDENTS

This case traces its roots to the conflicting claims of two sets of parties over two parcels of land. The first parcel of land, with an area of 237 square meters and covered by TCT No. T-249639,[5] was originally registered in the name of Fortunato E. Limpo, married to Bertha Limpo.[6] The other parcel of land, with an area of 86 square meters and covered by TCT No. T-249641,[7] was originally registered in the names of Pacifica E. Limpo, married to Nicanor C. Sincionco, and Fortunato E. Limpo, married to Bertha Limpo.[8]

These parcels of land were mortgaged by the daughter of Fortunato and Bertha Limpo, Regina Christi Limpo, upon the authority of her father,[9] to the Bulaongs, to secure a loan in the amount of P4,300,000.00. The mortgage was evidenced by a Deed of Mortgage dated January 13, 1993.[10]

The Bulaongs alleged that before they executed the mortgage, Regina gave them the owner's duplicates of title of the two properties. In early January 1993 (the exact date is unknown but prior to the execution of the mortgage), Anselmo Bulaong, together with his counsel, Atty. Roberto Dionisio, allegedly went to the Office of the Register of Deeds of Bulacan to check the titles of the properties to be mortgaged. According to the Bulaongs, the Register of Deeds, Atty. Elenita Corpus, assured them that TCT Nos. T-249639 and T-249641 were completely clear of any liens or encumbrances from any party. Relying on this assurance, Anselmo Bulaong agreed to the execution of the mortgage over the two properties.[11]

After the execution of the mortgage, the Bulaongs once again went to the Office of the Register of Deeds of Bulacan to register and annotate the mortgage on the titles. They learned then that the Register of Deed's copies of the two titles were among the records that were burned in the fire that destroyed the entire office of the Register of Deeds of Bulacan on March 7, 1987. Atty. Elenita Corpus convinced them to cause the reconstitution of the originals of the titles, and further assured them that the mortgage over the properties would be protected since a copy of the Deed of Mortgage had already been given to her office for annotation.[12]

On February 4, 1993, the newly reconstituted titles were issued - TCT No. RT-29488 replaced TCT No. T-249639, and TCT No. RT-22489 replaced TCT No. T-249641, still in the names of Fortunato Limpo, and of

Pacifica Limpo and Fortunato Limpo, respectively.

Thereafter, on February 24, 1993, new titles were again issued upon the extrajudicial settlement of the estate of Regina's parents. Thus, TCT No. RT-29488 was cancelled and TCT No. T-30395 was issued in its place, with Regina replacing her parents as the registered owner; similarly, TCT No. RT-22489 was cancelled and TCT No. T-30396 was issued in the names of Pacifica Limpo and Regina Limpo, as her parents' heir.[13]

To the Bulaongs' astonishment, the new titles in Regina's name now contained the following entries:

TCT No. T-30395

Entry No. 5306; Kind: Condition: The property herein described is subject to the prov. of sec. 4, rule 74 of the rules of court. date of instrument: 1-13-93; date of inscription: 2-24-93 at 10:42 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds

Entry No. 5484; Kind: Mortgage: Exec. In favor of: Sps. Anselmo Bulaong & Priscilla Bulaong; Condition: Covering the parcel of land herein described, for the sum of P4,300,000.00 subject to all the conditions stipulated in the deed of mortgage on file in this office. Doc. No. 428, Page 86, Book XXX, S. of 1993, N.P. - Roberto Dionisio of Mal. Bul. Date of Instrument: 1-13-93; date of inscription - 3-1-93 at 9:20 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds

/5306

(NOTE: Proceed to Entry no. 5484)

Entry No. 7808: Kind: NOTICE OF LEVY ON EXECUTION: Conditions: Notice is hereby given that by virtue of the Writ of Execution, issued in Crim. Cases Nos. 9638 to 9646-M, entitled "People of the Philippines v. Reggie Christi Schaetchen Limpo and Maria Lourdes (Bong) Diaz y Gamir, et al., Accused" by the Regional Trial Court, Third Jud. Region, Branch 12, Malolos, Bulacan, under date of Dec. 29, 1992, and at the instance of the private complainant Veronica R. Gonzales, thru counsel, levy on execution is hereby made upon all the rights, shares, interests and participations of accused Reggie Christi Schaetchen[14] over the real properties described in T-249641 and T-249639, by virtue of Deeds of Absolute Sale executed by former registered owners in favor of Reggie Christi Schaetchen dated November 5, 1991, together with all the improvements existing thereon, was levied on execution preparatory to the sale of the same without prejudice to third persons having better right thereof and to any valid lien and encumbrances. Date of instrument - Jan. 4, 1993; Date of inscription - Jan. 4, 1993 at 11:50 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds/negm[15] (emphasis ours)

TCT No. T-30396

Entry No. 5306; Kind: Condition: One-half (1/2) of the property herein described is subject to the prov. of sec. 4, rule 74 of the rules of court. date of instrument: 1-13-93; date of inscription: 2-24-93 at 10:42 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds

Entry No. 5484; Kind: Mortgage: Exec. In favor of: Sps. Anselmo Bulaong & Priscilla Bulaong; Condition: Covering the parcel of land herein described, for the sum of P4,300,000.00 subject to all the conditions stipulated in the deed of mortgage on file in this office. Doc. No. 428, Page 86, Book XXX, S. of 1993, N.P. -

Roberto Dionisio of Mal. Bul. Date of Instrument: 1-13-93; date of inscription - 3-1-93 at 9:20 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds

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(NOTE: Proceed to Entry No. 5484)

Entry No. 7808: Kind: NOTICE OF LEVY ON EXECUTION: Conditions: Notice is hereby given that by virtue of the Writ of Execution, issued in Crim. Cases Nos. 9638 to 9646-M, entitled "People of the Philippines v. Reggie Christi Schaetchen Limpo and Maria Lourdes (Bong) Diaz y Gamir, et al., Accused" by the Regional Trial Court, Third Jud. Region, Branch 12, Malolos, Bulacan, under date of Dec. 29, 1992, and at the instance of the private complainant Veronica R. Gonzales, thru counsel, levy on execution is hereby made upon all the rights, shares, interests and participations of accused Reggie Christi Schaetchen over the real properties described in T-249641 and T-249639, by virtue of Deeds of Absolute Sale executed by former registered owners in favor of Reggie Christi Schaetchen dated Nov. 5, 1991, together with all the improvements existing thereon, was levied on execution preparatory to the sale of the same without prejudice to third persons having better right thereof and to any valid lien and encumbrances. Date of instrument - Jan. 4, 1993; Date of inscription - Jan. 4, 1993 at 11:50 a.m.

(SGD.) ELENITA E. CORPUS

Register of Deeds/negm[16] (emphasis ours)

It appears that a certain Veronica Gonzales had filed a criminal case for estafa against Regina with the RTC of Bulacan, Branch 12.[17] On October 28, 1991, the RTC rendered a decision acquitting Regina, but at the same time ordering her to pay Veronica actual damages in the total amount of P275,000.00.[18] By virtue of a writ of execution issued on December 29, 1992, the above-quoted notice of levy was recorded in the Primary Entry Book of the Registry of Bulacan on January 4, 1993. However, this was not annotated on the titles themselves because at the time of the levy, the properties had not yet been transferred to Regina, but were still registered in the name of her parents.[19]

Based on the annotation referring to the notice of levy, the subject of the levy was Regina's interest in the properties which, in turn, was anchored on a Deed of Absolute Sale allegedly executed by her parents on November 5, 1991 to transfer their interest in both properties to her. Notably, Regina never registered this sale with the Register of Deeds.

To satisfy Regina's judgment debt, the two lots were sold at public auction on June 8, 1993 to Veronica, the only bidder, for P640,354.14.[20] The Certificate of Sale was annotated on the titles on June 8, 1993 as Entry No. 2075. Upon the lapse of the one year redemption period on June 20, 1994, Veronica's titles over the properties were consolidated. A final deed of sale was issued in Veronica's name and annotated as Entry No. 40425 on TCT Nos. T-30395 and T-30396 on June 24, 1994.[21]

On the other hand, the Bulaongs also had the mortgage extrajudicially foreclosed, with the sheriff conducting the auction sale on August 22, 1994. The Bulaongs were the highest bidders, buying the properties for the sum of P4,300,000.00. They also paid the corresponding capital gains tax of P215,000.00, plus P64,500.00 for the documentary stamp tax, which were required before the titles to the lots could be transferred in their names. The Certificate of Sale in their favor was inscribed on August 23, 1994 on TCT No. T-30395 and TCT No. T-30396 as Entry No. 46739.[22]

Veronica thereafter filed a petition for the surrender to the Register of Deeds of the owner's copies of TCT Nos. T-30395 and T-30396 with the RTC of Malolos, docketed as LRC Case No. P-292. On December 16, 1994, the

RTC granted the petition and ordered Regina to surrender her owner's copies of the titles; should Regina fail to comply, the RTC ordered the Register of Deeds to cancel these titles and issue new ones in Veronica's name. Complying with this order, the Register of Deeds cancelled TCT Nos. T-30395 and T-30396, and issued TCT No. T-62002 in Veronica's name, and TCT No. T-62003 in the name of Veronica and Pacifica Limpo. These new titles were "clean" and did not contain any annotations, liens or encumbrances.

The Bulaongs thus filed a petition for mandamus with the RTC of Bulacan against Ramon Sampana, the incumbent Register of Deeds of Bulacan, and Veronica, praying that the court order Sampana to cancel TCT Nos. T-62002 and T-62003, and issue new titles in their names; and order the respondents therein to pay them moral and exemplary damages, and attorney's fees.

On July 30, 1999, the RTC ruled in favor of the Bulaongs. According to the RTC, allowing Veronica to levy on the properties worth at least P5,000,000.00 for a judgment of P275,000.00 would result in gross unjust enrichment. The RTC thus ordered the Register of Deeds of Bulacan to issue new titles in the name of the Bulaongs, but only after the Bulaongs had reimbursed the amount of P275,000.00 to Veronica, with interest. The RTC also ordered Veronica to pay the Bulaongs P50,000.00 as attorney's fees. The dispositive portion of the RTC decision reads:

WHEREFORE, conformably with all the foregoing, judgment is hereby rendered:

- - Annulling and cancelling Transfer Certificates of Title Nos. T-62002 in the name of defendant Veronica Gonzales, and T-62003 in the name of defendant Veronica Gonzales and Pacifica E. Limpo married to Nicanor C. Sincioco;
- - Ordering the Ex-Officio Sheriff of Bulacan to execute a final deed of sale in favor of petitioner spouses Anselmo Bulaong and Pr[i]scilla Bulaong on the basis of the registered Certificate of Sale executed by said court officer on August 23, 1994, in favor of said spouses-mortgagee, without the owner-mortgagors exercising the right of redemption since then;
- - Ordering the Register of Deeds of Bulacan to issue new titles, in place of Transfer Certificate of Title Nos. T-62002 and T-62003, this time in the name of petitioner spouses Anselmo Bulaong and Pr[is]cilla Bulaong, as soon as the aforesaid final deed of sale in their favor is executed by the Ex-Officio Sheriff of Bulacan and only after said spouses shall have paid and/or reimbursed Veronica Gonzales' lien as judgment creditor in the amount of P275,000.00, plus interests at the legal rate computed from November 19, 1995, until fully paid and satisfied;
- - Order[ing] herein defendants Veronica R. Gonzales and the Register of Deeds of Bulacan upon notice of this judgment, not to effect any transfer, encumbrance or any disposition whatsoever of the parcels of land covered by Transfer Certificates of Title Nos. 62002 and T-62003, or any part thereof, right or interest therein, either by sale or any form of conveyance, lien or encumbrance; and
- - Ordering only defendant Veronica R. Gonzales to pay herein petitioners P50,000.00 as just and equitable attorney's fees, and the costs of suit, defendant Ramon C. Sampana as the Register of Deeds of Bulacan having merely performed his ministerial duty of following the court order of issuing titles to defendant Gonzales.

No pronouncement as to moral and exemplary damages alleged in the petition but not even testified to by petitioners at the trial.[23]

Both parties appealed to the CA, with the case docketed as CA-G.R. SP No. 55423.

THE COURT OF APPEALS DECISION

In its July 31, 2002 decision, the CA upheld the validity of the Notice of Levy on Execution, noting that it created a lien in favor of the judgment creditor over the property. According to the CA, when the Bulaongs received the owners' copies of TCT Nos. T-30395 and T-30396, the Notice of Levy was already annotated on the titles and, thus, should have put them on guard. As mortgagees of the lots, the Bulaongs had the option to redeem the properties within the redemption period provided by law. Since they failed to avail of this remedy, the consolidation of titles in Veronica's name was proper.

THE PETITION

The Bulaongs filed the present petition, raising the following issues:

- a) Whether Entry No. 7808 is valid;
- b) Whether Veronica has a superior right over the properties; and
- c) Assuming the notice of levy earlier annotated in favor of Veronica to be valid, whether there was a valid foreclosure sale.

THE COURT'S RULING

We GRANT the petition.

Procedural issues

Time and again, we have stated that petitions for review on certiorari shall only raise questions of law, as questions of fact are not reviewable by this Court. The main issue of who has a better right over the disputed properties is not only a question of law but one that requires a thorough review of the presented evidence, in view particularly of the Bulaongs' allegation that fraud attended the annotation of Entry No. 7808 in the titles. Thus, in the usual course, we would have denied the present petition for violation of Section 1, Rule 45 of the Rules of Court, which provides:

Section 1. Filing of petition with Supreme Court. -- A party desiring to appeal by certiorari from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition shall raise only questions of law which must be distinctly set forth. (emphasis ours)

This rule, however, admits of several exceptions. Questions of fact may be reviewed, among others, when the lower court makes inferences that are manifestly mistaken, and when the judgment of the CA is based on a misapprehension of facts.[24] As will be apparent in the discussions below, these exceptional circumstances are present in the present case. A review of the evidence, therefore, is not only allowed, but is necessary for the proper resolution of the presented issues.

It has not escaped our attention that the Bulaongs appear to have erroneously filed a petition for mandamus for what is essentially an action to assail the validity of Veronica's certificates of title over the subject properties. This lapse, however, is not legally significant under the well-settled rule that the cause of action in a complaint is not the title or designation of the complaint, but the allegations in the body of the complaint. The designation or caption is not controlling as it is not even an indispensable part of the complaint; the allegations of the complaint control.[25] We thus proceed to resolve the case, bearing in mind that the relief the Bulaongs sought before the lower court was to nullify Veronica's certificates of title and to order the Register of Deeds to issue new titles in their name.

Redemption not the proper remedy

The CA faulted the Bulaongs for not redeeming the properties from Veronica when they had the option of doing so. For failing to exercise this right, the CA concluded that the consolidation of the titles to the lots in Veronica's name thus became a matter of course.

We disagree.

At the outset, we observe that this is not a simple case of determining which lien came first. A perusal of the Bulaongs' submissions to the Court shows that they have consistently maintained that the levy and the corresponding execution sale in Veronica's favor are null and void. Had the Bulaongs merely exercised the right of redemption, they would have been barred from raising these issues in court, pursuant to our ruling in *Cometa v. Intermediate Appellate Court*: [26]

The respondent appellate court's emphasis on the failure of the petitioner to redeem the properties within the period required by law is misplaced because redemption, in this case, is inconsistent with the petitioner's claim of invalidity of levy and sale. Redemption is an implied admission of the regularity of the sale and would estop the petitioner from later impugning its validity on that ground.[27] (emphasis ours)

The Bulaongs were thus justified in their refusal to redeem the properties.

Annotation is valid

The Bulaongs assail the validity of Entry No. 7808 (relating to the Notice of Levy on Execution in Veronica's favor) on the two titles, asserting that it is null and void for being a fraudulent entry. In support of this contention, they note the following suspicious circumstances: (a) although Entry No. 7808 has a higher number and appears after Entry No. 5484 (corresponding to the Bulaongs' mortgage) on the titles, Entry No. 7808 appeared in an earlier volume of the Book of Entries; and (b) although the Notice of Levy on Execution was purportedly presented to the Registry of Bulacan on January 4, 1993, or prior to the date when the Bulaongs' deed of mortgage was presented on January 13, 1993, the Notice of Levy on Execution, Entry No. 7808, was numbered and placed after the mortgage, Entry No. 5484, on the titles.

We agree that these circumstances render the Notice of Levy on Execution, annotated on the titles, highly suspicious. These circumstances, however, can be sufficiently explained when the records are examined.

The records show that on January 4, 1993, Veronica went to the Registry of Bulacan with the Notice of Levy on Execution, requesting that the notice be registered. While the Register of Deeds placed the Notice of Levy on Execution in the Primary Entry Book, she did not immediately make a registration when a question arose regarding the registrability of the notice; the question necessitated the submission of a consulta to the Land Registration Authority (LRA) on January 25, 1993.[28]

The LRA Administrator responded to the consulta only on February 10, 1993.[29] Thus, the Notice of Levy on Execution was not immediately annotated on the newly reconstituted titles, which were issued on February 4, 1993. It was only when new titles were again issued to reflect the extrajudicial settlement of the estate of Regina's parents on February 24, 1993 that the Notice of Levy on Execution appeared on the titles as Entry No. 7808.

The apparent discrepancy in the numbering of the Notice of Levy on Execution and the date of inscription on the certificates of title is suitably explained by Section 56 of Presidential Decree No. 1529 whose pertinent portion states:

Section 56. Primary Entry Book; fees; certified copies. - Each Register of Deeds shall keep a primary entry book in which, upon payment of the entry fee, he shall enter, in the order of their reception, all instruments

including copies of writs and processes filed with him relating to registered land. He shall, as a preliminary process in registration, note in such book the date, hour and minute of reception of all instruments, in the order in which they were received. They shall be regarded as registered from the time so noted, and the memorandum of each instrument, when made on the certificate of title to which it refers, shall bear the same date: Provided, that the national government as well as the provincial and city governments shall be exempt from the payment of such fees in advance in order to be entitled to entry and registration. [emphases ours]

In other words, the order of entries in the Primary Entry Book determines the priority in registration. Thus, the Register of Deeds merely complied with the law when she fixed Entry No. 7808's date of inscription as January 4, 1993, to coincide with the date when the Notice of Levy on Execution was presented and inscribed in the Primary Entry Book.

The late annotation of the levy on execution on the titles did not at all lessen its effectivity. Jurisprudence has already established the rule that the entry of the notice of levy on execution in the Primary Entry Book, even without the corresponding annotation on the certificate of titles, is sufficient notice to all persons that the land is already subject to the levy.[30] As we explained in *Armed Forces and Police Mutual Benefit Association, Inc. v. Santiago*:[31]

The notice of levy on attachment in favor of petitioner may be annotated on TCT No. PT-94912. *Levin v. Bass* (91 Phil. 420 [1952]; see also *Dr. Caviles, Jr. v. Bautista*, 377 Phil. 25; 319 SCRA 24 [1999]; *Garcia v. Court of Appeals*, 184 Phil. 358; 95 SCRA 380 [1989]) provided the distinction between voluntary registration and involuntary registration. In voluntary registration, such as a sale, mortgage, lease and the like, if the owner's duplicate certificate be not surrendered and presented or if no payment of registration fees be made within fifteen (15) days, entry in the day book of the deed of sale does not operate to convey and affect the land sold. In involuntary registration, such as an attachment, levy upon execution, *lis pendens* and the like, entry thereof in the day book is a sufficient notice to all persons of such adverse claim.

The entry of the notice of levy on attachment in the primary entry book or day book of the Registry of Deeds on September 14, 1994 is sufficient notice to all persons, including the respondent, that the land is already subject to an attachment. The earlier registration of the notice of levy on attachment already binds the land insofar as third persons are concerned.[32] (emphases ours)

Consequently, when the Register of Deeds placed the Notice of Levy on Execution in the Primary Entry Book on January 4, 1993, this entry already bound third persons to the notice entered.

Validity of the Levy

i. Regina's interest in the properties is not established

The levy on execution for judgment is "the act x x x by which an officer sets apart or appropriate[s,] for the purpose of satisfying the command of the writ, a part or the whole of the judgment debtor's property." [33] Every interest which the judgment debtor may have in the property may be subjected to levy on execution.[34] As established by the Court in *Reyes v. Grey*:[35]

The term "property" as here applied to lands comprehends every species of title, inchoate or complete; legal or equitable. This statute authorizes the sale under execution of every kind of property, and every interest in property which is, or may be, the subject of private ownership and transfer. It deals with equitable rights and interests as it deals with legal, without anywhere expressly recognizing or making any distinction between them. [emphases ours]

In *Reyes*, the Court set the standard to be applied in determining the kind of property that can be subject to attachment:

We think the real test, as to whether or not property can be attached and sold upon execution is -- does the judgment debtor hold such a beneficial interest in such property that he can sell or otherwise dispose of it for value? If he does, then the property is subject to execution and payment of his debts.[36] (emphasis and underscoring ours)

Applying the test in *Reyes*, the Court, in *Gotauco & Co. v. Register of Deeds of Tayabas*,^[37] recognized as valid the inscription of a notice of levy on execution on the certificates of title, even though the titles were not in the name of the judgment debtor (Rafael Vilar). According to the Court, while the certificates of title were still registered in the name of Florentino Vilar, since Rafael Vilar presented a copy of a petition filed with the lower court, from which it could be inferred that Florentino Vilar was dead and Rafael Vilar was one of his heirs, Rafael had an interest in Florentino's property that could properly be the subject of attachment, even if his participation in Florentino's property was indeterminable before the final liquidation of the estate.

Similarly, in *Pacific Commercial Co. v. Geaga*,^[38] the Court held that although the Register of Deeds may properly reject an attachment where it appears that the titles involved are not registered in the name of the defendants (debtors), that rule yields to a case where there is evidence submitted to indicate that the defendants have present or future interests in the property covered by said titles, regardless of whether they still stand in the names of other persons. The fact that the present interests of the defendants are still indeterminate, and even though there was no judicial declaration of heirship yet, is of no consequence for the purpose of registering the attachment in question. This is the case since what is being attached and what may be later sold at public auction in pursuance of the attachment cannot be anything more than whatever rights, titles, interests and participations which the defendants may or might have in the property so attached. In other words, if they had actually nothing in the property, then nothing is affected and the property will remain intact.^[39] This rule is expressed in Section 35, Rule 39 of the old Rules of Civil Procedure, which provides:

Upon the execution and delivery of said deed [of conveyance and possession], the purchaser, or redemptioner, or his assignee, shall be substituted to and acquire all the right, title, interest and claim of the judgment debtor to the property as of the time of the levy[.] [emphases ours]

Although we recognize the validity of the annotation of the levy on the execution in the present case, the question of whether the levy itself is valid remains to be determined. To do this, Regina's interest in the subject properties at the time of the levy has to be ascertained. To recall, Veronica's notice of levy on execution is based on Regina's interest in the two properties, which she acquired via the Deed of Absolute Sale purportedly executed by her parents in her favor on November 5, 1991. But is this Deed of Absolute Sale a sufficient evidence of Regina's interest in the subject properties?

After carefully reviewing the evidence on record, we rule in the negative.

To begin with, not only were the properties subject of the attachment not registered in Regina's name, the Deed of Absolute Sale on which Regina based her interest was not even annotated on these titles. While Regina purportedly purchased her parents' rights to the subject properties in 1991, she never asserted her rights over these properties by presenting the Deed of Absolute Sale to the Register of Deeds for registration and annotation on the titles. As a matter of fact, it was Veronica, and not Regina, who presented the Deed of Absolute Sale to the Register of Deeds.

More importantly, from the records, it is clear that the subject properties were finally registered in Regina's name, not by virtue of the 1991 Deed of Absolute Sale, but by virtue of succession, specifically by the "Adjudication" that Regina filed with the Register of Deeds on February 24, 1993,^[40] pursuant to Section 1, Rule 74 of the Rules of Court.^[41] The procedure by which the properties were registered in Regina's name suggests that when

Regina's parents died, the subject lots still formed part of Regina's parents' estate, and were not, as Veronica claims, sold to Regina in 1991, thereby casting doubt to the validity of the Deed of Absolute Sale. As the Bulaongs reason in their memorandum, if the subject properties had already been sold to Regina as early as 1991, why would they still be considered a part of her parents' estate in 1993?[42]

Another point to consider is that Regina dealt with the Bulaongs as her father's representative when they were negotiating the mortgage over the properties.[43] If she had already acquired her parents' interest in these properties in 1991, she would not have needed any authority from her father to execute the mortgage with the Bulaongs; she would have done so in her own capacity.

These facts, taken together, lead us to doubt that Regina had any interest in the properties at the time of the levy. Thus, unlike in the previously cited cases where the debtors, although possessing merely an inchoate interest in the properties at the time of the levy, had interests that were established with reasonable certainty and could be the subject of attachment; in the present case, the evidence on record fails to prove that Regina actually had any interest in the properties which could be the subject of levy.

The spring cannot rise higher than its source.[44] Since Regina had no established interest in the subject properties at the time of the levy, Veronica's levy had nothing to attach to in the subject properties.

ii. Unregistered sale of land cannot bind third parties

Even assuming that the Deed of Absolute Sale in Regina's favor was valid, we still cannot uphold the validity of the levy and execution sale in Veronica's favor.

The general rule in dealing with registered land is set forth in Section 51 of P.D. No. 1529:

Section 51. Conveyance and other dealings by registered owner. - An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies. [emphases ours]

From the standpoint of third parties, a property registered under the Torrens system remains, for all legal purposes, the property of the person in whose name it is registered, notwithstanding the execution of any deed of conveyance, unless the corresponding deed is registered.[45] Simply put, if a sale is not registered, it is binding only between the seller and the buyer, but it does not affect innocent third persons.

Undoubtedly, Veronica's claim on the properties is rooted in the unregistered Deed of Absolute Sale between Regina and her parents. The Bulaongs do not appear to have had any knowledge that this sale ever took place. To recall, Regina gave the Bulaongs the owner's duplicate certificates of the properties, which showed that the properties were registered in the names of her parents, Fortunato and Bertha Limpo. It thus appears that the Bulaongs first learned about the sale between Regina and her parents when they received the newly issued titles in Regina's name which contained the annotation of the levy in Veronica's favor.

One of the principal features of the Torrens system of registration is that all encumbrances on the land shall be shown, or at least intimated upon the certificate of title and a person dealing with the owner of the registered land is not bound to go behind the certificate and inquire into transactions, the existence of which is not there

intimated.[46] Since the Bulaongs had no knowledge of the unregistered sale between Regina and her parents, the Bulaongs can neither be bound by it, nor can they be prejudiced by its consequences. This is but the logical corollary to the rule set forth in Section 51 of P.D. No. 1529, in keeping with the basic legal maxim that what cannot be done directly cannot be done indirectly.

Execution sale in Veronica's favor was highly irregular

We also find that the execution sale in favor of Veronica is invalid because Regina's interest in both lots was sold together, in violation of Sections 15 and 21, Rule 39 of the old Rules of Court. The pertinent portions of these provisions provide:

Section 15. Execution of money judgments. - The officer must enforce an execution of a money judgment by levying on all the property, real and personal of every name and nature whatsoever, and which may be disposed of for value, of the judgment debtor not exempt from execution, or on a sufficient amount of such property, if there be sufficient, and selling the same, and paying to the judgment creditor, or his attorney, so much of the proceeds as will satisfy the judgment. Any excess in the proceeds over the judgment and accruing costs must be delivered to the judgment debtor, unless otherwise directed by the judgment or order of the court. When there is more property of the judgment debtor than is sufficient to satisfy the judgment and accruing costs, within the view of the officer, he must levy only on such part of the property as is amply sufficient to satisfy the judgment and costs.

Section 21. How property sold on execution. Who may direct manner and order of sale. - All sales of property under execution must be made at public auction, to the highest bidder, between the hours of nine in the morning and five in the afternoon. After sufficient property has been sold to satisfy the execution, no more shall be sold. When the sale is of real property, consisting of several known lots, they must be sold separately; or, when a portion of such real property is claimed by a third person, he may require it to be sold separately. [emphases ours]

Where the property to be sold consists of distinct lots, tracts or parcels, or is susceptible of division without injury, it should be offered for sale in parcels and not en masse, for the reason that a sale in that manner will generally realize the best price, and will not result in taking from the debtor any more property than is necessary to satisfy the judgment. It will also enable the defendant to redeem any one or more of the parcels without being compelled to redeem all the land sold. [47] A sale of additional land or personal property after enough has been sold to satisfy the judgment is unauthorized. [48]

While the general policy of the law is to sustain execution sales, the sale may be set aside where there is a resulting injury based on fraud, mistake and irregularity. [49] Where the properties were sold together when the sale of less than the whole would have been sufficient to satisfy the judgment debt, the sale may be set aside. [50]

In *Caja v. Nanquil*, [51] we took judicial notice of the fact that the value of a property was usually bigger than the amount for which it could be mortgaged. Since the two properties, taken together, were mortgaged to the petitioners to secure a loan worth P4,300,000.00, we can easily assume that these properties are worth at least this amount. Even Veronica does not contest this assumption.

From this premise, we can logically assume that the sale of just one of the lots would have been sufficient to satisfy the judgment debt. Yet no explanation was provided as to why the sheriff sold both parcels of land at the execution sale for the paltry sum of P 640,354.14. This act undoubtedly resulted in great prejudice to the Bulaongs. To our minds, this renders the execution sale defective, and provides sufficient ground for us to set the sale aside.

For the foregoing reasons, we rule and so hold that the levy and the corresponding execution sale in Veronica's favor are invalid, and must be set aside. Veronica, however, is not without recourse, as she may still seek to

enforce the judgment debt against Regina.

WHEREFORE, premises considered, we GRANT the petition and REVERSE the decision of the Court of Appeals dated July 31, 2002 in CA-G.R. SP No. 55423. We REINSTATE the decision of the Regional Trial Court, Branch 12, Malolos, Bulacan, dated July 30, 1999 in Civil Case No. 170-M-95, with the MODIFICATION that petitioners Anselmo Bulaong and Priscilla Bulaong are no longer required to reimburse Veronica Gonzales for her lien in the amount of P275,000.00, plus interest.

SO ORDERED.

Carpio, (Chairperson), Perez, Mendoza,[*] and Sereno, JJ., concur.

[1] Substituted by his heir Joel Bulaong, pursuant to the Court's January 31, 2005 Resolution.

[*] Designated as additional Member vice Associate Justice Bienvenido L. Reyes per Special Order No. 1066 dated August 23, 2011.

[2] Penned by Associate Justice Conchita Carpio Morales (a former member of this Court), and concurred in by Associate Justices Martin S. Villarama, Jr. and Mariano C. del Castillo, who are Members of this Court. Rollo, pp. 53-61.

[3] Id. at 63-64.

[4] Id. at 81-87.

[5] Id. at 81.

[6] Id. at 185.

[7] Id. at 81.

[8] Id. at 186.

[9] Id. at 185.

[10] Id. at 81.

[11] Id. at 186-187.

[12] Id. at 187.

[13] Id. at 188.

[14] Also known as Regina Limpo.

[15] Rollo, pp. 188-190.

[16] Id. at 190-191.

[17] Criminal Case Nos. 9638 to 9653-M; id. at 226.

[18] The dispositive portion of the decision stated:

WHEREFORE, the prosecution having failed to prove the guilt of any of the three (3) accused beyond reasonable doubt, they are hereby ACQUITTED and these cases against them DISMISSED. However, it appearing from the facts and the law that both accused Reggie Christi Schaetchen Limpo and Maria Lourdes (Bong) Gamir Diaz are

civilly liable for the amounts of their checks representing their due obligation to complainant Veronica R. Gonzales for the jewelry items they obtained from her still unpaid, judgment is hereby rendered ordering them to pay jointly and severally to said complainant the total amount of P275,000.00 as actual damages, plus interests at the legal rate computed from the date of first demand or on November 19, 1985, until fully paid and satisfied. (Id. at 82.)

[19] Ibid.

[20] We presume that this amount includes the P275,000.00 judgment debt, as well as the interest at the legal rate.

[21] Rollo, p. 83.

[22] Ibid.

[23] Id. at 86-87.

[24] Pagsibigan v. People, G.R. No. 163868, June 4, 2009, 588 SCRA 249.

[25] See Sumulong v. Court of Appeals, G.R. No. 108817, May 10, 1994, 232 SCRA 372.

[26] 235 Phil. 569 (1987).

[27] Id. at 574, citing Castillo v. Nagtalon, No. L-17079, January 29, 1962, 4 SCRA 48.

[28] Rollo, p. 82.

[29] Ibid.

[30] See Villasor v. Camon, 89 Phil. 404 (1951); Levin v. Bass, et al., 91 Phil. 420 (1952); Garcia v. Court of Appeals, 184 Phil. 358 (1980); Dr. Caviles, Jr. v. Bautista, 377 Phil. 25 (1999); and Autocorp Group and Autographics, Inc. v. Court of Appeals, 481 Phil. 298 (2004).

[31] G.R. No. 147559, June 27, 2008, 556 SCRA 46.

[32] Id. at 54-55.

[33] Vicente J. Francisco, The Revised Rules of Court in the Philippines, Civil Procedure, Volume II, p. 701, citing Llenares v. Valdeavella and Zoreta, 46 Phil. 358 (1924).

[34] Levy Hermanos, Inc. v. Ramirez and Casimiro, 60 Phil. 978 (1934).

[35] 21 Phil. 73, 75 (1911).

[36] Id. at 76.

[37] 59 Phil. 756 (1934).

[38] 69 Phil. 64. (1939), cited in Narciso Peña, Registration of Land Titles and Deeds, 1994 ed., p. 604.

[39] Narciso Peña, supra, citing LRC Consulta No. 65, Register of Deeds of Albay, pet., July 9, 1555.

[40] Rollo, p. 206.

[41] Section 1. Extrajudicial settlement by agreement between heirs. - xxx If there is only one heir, he may adjudicate to himself the entire estate by means of an affidavit filed in the office of the register of deeds. The parties to an extrajudicial settlement, whether by public instrument or by stipulation in a pending action for partition, or the sole heir who adjudicates the entire estate to himself by means of an affidavit shall file,

simultaneously with and as a condition precedent to the filing of the public instrument, or stipulation in the action for partition, or of the affidavit in the office of the register of deeds, a bond with the said register of deeds, in an amount equivalent to the value of the personal property involved as certified to under oath by the parties concerned and conditioned upon the payment of any just claim that may be filed under Section 4 of this rule. It shall be presumed that the decedent left no debts if no creditor files a petition for letters of administration within two (2) years after the death of the decedent.

[42] Rollo, p. 206.

[43] Supra note 9.

[44] Republic of the Phils. v. Hon. Mamindiara P. Mangotara, etc., et al., G.R. Nos. 170375, 170505, 173355-56, 173401, 173563-64, 178779, and 178894, October 13, 2010, citing Sanchez v. Quinio, 502 Phil. 40, 49 (2005).

[45] Narciso Peña, supra note 38, at 189.

[46] Bass v. Dela Rama, 73 Phil. 682 (1942), citing Quimson v. Suarez, 45 Phil. 901, 906 (1924).

[47] See Vicente J. Francisco, supra note 33, at 747, citing 33 C.J.S., 448.

[48] Ibid., citing 33 C.J.S., 440.

[49] Id. at 751, citing National Bank v. Gonzalez, 45 Phil. 693 (1924).

[50] Ibid., citing Herman v. La Urbana, 59 Phil. 621, 625 (1934).

[51] 481 Phil. 488 (2004).

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