MARIQUITA MACAPAGAL, PETITIONER, VS. CATALINA O. REMORIN, CORAZON CALUZA-BAMRUNGCHEEP, AND LAURELIA CALUZA-VALENCIANO, RESPONDENTS.

G.R. NO. 158380. May 16, 2005

Ponente: PUNO, J.

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PUNO, J.:

Assailed in this petition for review is the Decision dated March 8, 2002[1] of the Court of Appeals in CA-G.R. CV No. 44814[2] which reversed and set aside the Decision of the Regional Trial Court (RTC), Branch 88, of Quezon City in Civil Case No. Q-90-5384, as well as its Resolution dated May 7, 2003[3] which denied petitioner's motion for reconsideration.

Involved in the present controversy is a 105-square meter parcel of land located at No. 7, Serrano Laktaw Street, Galas, Quezon City, known as Lot 5. Lot 5, together with an adjacent 52.5-square meter lot known as Lot 4, forms part of the consolidated Lots 24 and 25, Block 12, of subdivision plan Psd-12586, LRC Record No. 16117.

Lots 24 and 25 were registered in the name of Candido Caluza under Transfer Certificate of Title (TCT) No. 160544. Purificacion Arce-Caluza (Purificacion) is his second wife. Corazon Caluza-Bamrungcheep (Corazon) is his legally adopted daughter during his first marriage. After Candido died in 1981, Corazon and Purificacion executed a Deed of Extrajudicial Settlement dated November 21, 1981[4] adjudicating between themselves the properties of Candido, as the latter's surviving heirs. Lots 24 and 25, together with Lot 23 which was registered in Candido's name under TCT No. 160543, were adjudicated to Corazon. Purificacion got Candido's land in Bulacan. However, administration of Lots 23, 24 and 25 were entrusted to Purificacion by Corazon as she had to leave for Thailand after her marriage to a Thai.

Unknown to Corazon and while she was in Thailand, the 74-year old Purificacion executed an Affidavit of Loss dated December 31, 1983 alleging that TCT Nos. 160543 and 160544 were lost and could no longer be found. She filed a petition with the RTC of Quezon City for the issuance of new owner's duplicates of title alleging that she was her deceased husband's sole heir. The petition was granted and TCT Nos. 326633 and 326634 were issued in Purificacion's name. In July 1986, Purificacion sold the lots to Catalina Remorin (Catalina) who was issued TCT Nos. 346876 and 347859. Catalina mortgaged Lots 24 and 25 to L & R Lending Corporation for two hundred thousand (P200,000.00) pesos.

After she learned of the foregoing, Corazon, through her attorney-in-fact Ramon Remorin, filed a complaint on December 29, 1986 for reconveyance and damages against Purificacion and Catalina before the RTC of Quezon City, docketed as Civil Case No. Q-49661. Plaintiff alleged that the two defendants connived with each other in transferring the three lots in their names through simulated sales. Corazon likewise filed a criminal complaint for falsification and perjury against the two before the Office of the City Fiscal of Quezon City, docketed as I.S. No. 87-07726.

On May 4, 1987, Catalina executed a Deed of Transfer, signed by Purificacion as witness, admitting the wrong

they did in illegally transferring the lots in their names and acknowledging Corazon to be the rightful owner under the Deed of Extrajudicial Settlement dated November 21, 1981. The document was presented by Corazon in a motion to dismiss Civil Case No. Q-49661 but the motion was withdrawn when counsel for Catalina and Purificacion objected on the ground that the Deed of Transfer was executed without his legal assistance. The Deed of Transfer, however, was presented by Corazon before the Register of Deeds of Quezon City. Catalina's TCT No. 347859 over Lots 24 and 25 was cancelled and TCT No. 375605 was issued in Corazon's name. Prior thereto, however, Catalina mortgaged Lots 24 and 25 to respondent Laurelia Caluza-Valenciano (Laurelia) for two hundred ninety-five thousand (P295,000.00) pesos to pay off her mortgage indebtedness to L & R Lending Corporation. The inscription of the mortgage in favor of Laurelia was carried over to Corazon's TCT No. 375605.

On March 21, 1988, Corazon, Purificacion, Catalina, and Laurelia executed a Memorandum of Agreement[5] to settle Civil Case No. Q-49661 and Criminal Charge No. I.S. 87-07726. The Agreement read -

> This memorandum of agreement, made and executed by and among -
>
> CORAZON CALUZA-BAMRUNGCHEEP, of legal age, married, citizen of Thailand by marriage but Filipino by birth, resident of Bangkok, Thailand, represented by her attorney-in-fact, CONSUELO R. CARUBIO;
>
> PURIFICACION ARCE-CALUZA and CATALINA OGOY-REMORIN, of legal ages, widow[s], Filipino citizens and residents at (sic) No. 7 Serrano Laktaw St., Quezon City; and
>
> LAURELIA VALENCIANO, of legal age, married, Filipino citizen, and resident of No. 98 Bayani St., Santol, Quezon City;
> witnesseth, that -
>
> Whereas, the above-named parties are involved in Civil Case No. Q-49661 of the Regional Trial Court of Quezon City and in Criminal Charge No. I.S. 87-07726 of the City Fiscal's Office of Quezon City;
>
> Whereas, said parties have decided to mutually resolve their differences out-of-court voluntarily and without any duress or undue influence on both (sic) of them;
>
> Now, therefore, for and in consideration of the foregoing premises, the above parties hereby agree and stipulate as follows:
>
> That the first party, Corazon Caluza-Bamrungcheep, hereby cedes and grants unto and in favor of Purificacion Arce-Caluza full ownership and other real rights over the southernmost apartment (garage) as well as the portion of the lot occupied thereby, described as Lot 25, Block 12 of the subdn. plan Psd-12586 covered by Transfer Certificate of Title No. 375605 of the Registry of Deeds for Quezon City; subject to the condition that said Purificacion Arce-Caluza shall assume satisfaction of the mortgage debt contracted by Catalina Ogoy-Remorin in favor of Mrs. Laurelia C. Valenciano annotated at the back of the title thereof; and shall cause transfer of said annotation to the title to be issued in her (Purificacion's) name; and furthermore that any and all expenses for segregation survey, re-titling and annotation of said mortgage shall be shouldered by said Purificacion Arce-Caluza;
>
> That the parties agree that they shall execute such formal requisites for the implementation of this agreement, and that henceforth they waive and renounce whatever conflicting claims they may have over the intestate estate of Candido Caluza, deceased.

Before the agreement could be implemented, however, Purificacion died on July 28, 1988. Consequently, another compromise agreement[6] was executed on September 9, 1988, viz.:

> PLAINTIFF AND DEFENDANTS (sic) respectfully submit for the kind consideration and approval of the Honorable Court this Compromise Agreement, which provides, thus:

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> - That they agreed, as they hereby agree, to dismiss the complaint of the plaintiff as well as the counterclaim of the defendants (sic);
>
> - That they bind themselves not to bring any further action, suit or complaint against each other in connection with this case and/or the property in question or the subject-matter hereof;
>
> - That pursuant to the parties' Memorandum of Agreement of March 21, 1986 (sic), a copy of which is attached as Annex "A" hereof, and with the death of defendant Purificacion Arce Caluza on July 28, 1988, in Quezon City, without an heir, plaintiff Corazon Caluza Bamrungcheep and defendant Catalina O. Remorin agreed, as they hereby agree, that title to the southernmost apartment (garage) as well as the portion of the lot occupied thereby, described as Lot 25, Block 12 of the subdivision plan Psd-12586 covered by Transfer Certificate of Title No. 375605 of the Registry of Deeds for Quezon City shall be transferred direct to its interested buyer with defendant Catalina O. Remorin assuming and paying (from the proceeds of the sale) her mortgage obligation with Mrs. Laurelia C. Valenciano annotated at the back of the title thereof; any and all expenses for segregation survey, re-titling, capital gains taxes and those connected with the annotation and/or release of said mortgage should now be shouldered by defendant Catalina O. Remorin; said defendant further agrees to execute such other documents or papers as are necessary to implement the aforementioned Memorandum of Agreement of March 21, 1986 (sic).

The Agreement was approved by Judge Benigno T. Dayaw in his Decision dated September 16, 1988.[7]

On May 24, 1989, Corazon sold the subject Lot 5 to Laurelia by virtue of a deed entitled "Sale of Unsegregated Portion of Land." Controversy erupted anew when Catalina sold the same lot to herein petitioner Mariquita Macapagal on August 24, 1989 claiming to be authorized under the Compromise Agreement. Laurelia demanded that petitioner and her family vacate the premises, to no avail. On November 28, 1989, Laurelia filed an ejectment suit against petitioner before the Metropolitan Trial Court (MeTC) of Quezon City, docketed as Civil Case No. 2244. In turn, petitioner filed a complaint for nullification of contract and damages with prayer for a temporary restraining order and/or writ of preliminary prohibitory injunction against Catalina, Corazon and Laurelia before the RTC of Quezon City, docketed as Civil Case No. Q-90-5384, root of the present petition. Petitioner sought to nullify the sale executed by Corazon in favor of Laurelia and to declare valid the one executed by Catalina in her favor. Plaintiff likewise asked that the MeTC of Quezon City be ordered to desist from hearing the ejectment suit.

On October 15, 1993, the RTC of Quezon City rendered judgment in favor of petitioner.[8] Corazon and Laurelia appealed to the Court of Appeals which reversed the decision of the trial court.[9] Hence, this petition for review.

Petitioner contends that the sale executed by Catalina in her favor should prevail over the one executed by Corazon in favor of Laurelia, as Catalina was the one authorized to sell the disputed property under the Compromise Agreement dated September 9, 1988.

Respondents, on the other hand, contend that Corazon, the registered owner of the disputed property, did not give Catalina authority to sell the lot considering Catalina's connivance with Purificacion in illegally transferring the lots in their names, in the first place. It was provided in the Agreement that Catalina shall pay off her mortgage obligation and incidental expenses from the proceeds of the sale only to reassure Catalina that her obligation would be paid in the event that Corazon sells the property.

We rule in favor of respondents.

As correctly pointed out by the appellate court, Corazon was the registered owner of the disputed Lot 5 at the time the two sales were executed. As owner, she had the right to enjoy and dispose of Lot 5 as well as to exclude any person from such enjoyment and disposal.[10] A waiver may not be casually attributed when the terms thereof do not explicitly and clearly prove an intent to abandon the right.[11]

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In the case at bar, the Compromise Agreement dated September 9, 1988 cannot be taken as a waiver of Corazon's authority to sell and grant thereof to Catalina considering that the Agreement merely provided that Catalina pay off her mortgage obligation and incidental expenses from the proceeds of the sale. Although it was imperative, as part of the compromise, that the money come from the proceeds of the sale, it was not expressly stated, nor did it necessarily mean, that Catalina herself be the one to directly sell the property. The money may merely be handed over to her for such payment. The rule is that any reasonable doubt that the language used conveys authority to sell will yield a construction that no such authority has been given.[12] Authority to sell must be couched in clear and unmistakable language.[13]

Moreover, intent to give Catalina authority to sell may not be easily attributed to Corazon considering that the latter had to file the reconveyance case as a result of Purificacion's and Catalina's acts of transferring the disputed lot in their names notwithstanding the clear terms of the Deed of Extrajudicial Settlement dated November 21, 1981. In contract interpretation, analysis is not to be limited to the words used in the contract, as they may not accurately reflect the parties' true intent.[14] Ambiguities are construed against the drafter only when justified by the operative facts and surrounding circumstances.[15] It is for this reason that the interpreter must look at the reason behind and the circumstances under which the contract was executed.[16] If the words of the contract appear to be contrary to the evident intention as revealed by the circumstances, the latter shall prevail over the former.[17]

Even assuming arguendo that the parties intended to confer upon Catalina authority to sell the disputed property, they clearly did not intend the Agreement to be the document itself considering that they agreed to execute such other documents or papers as are necessary to implement the agreement,[18] which they never did. Under Article 1878, paragraph 5 of the Civil Code, a special power of attorney is necessary for an agent to enter into any contract by which the ownership of an immovable property is transmitted or acquired either gratuitously or for a valuable consideration. Catalina admittedly did not have such a document in her favor.

Neither can petitioner demand enforcement of the Compromise Agreement on the ground that she was the "interested buyer" referred to therein to whom title to the disputed property shall be directly transferred. Being a stranger to the Agreement, petitioner cannot demand its enforcement for it is settled that a compromise agreement determines the rights and obligations only of the parties to it.[19] It cannot favor or prejudice a third person[20] even if he was aware of the contract and has acted with knowledge of it.[21] Moreover, if petitioner was indeed the interested buyer referred to in the Agreement and there was already a closed deal between her, Corazon and Catalina, even before the execution of the Compromise Agreement,[22] it is strange that petitioner was not identified outright as the buyer and that the Deed of Sale in her favor was executed only some twelve (12) months after or on August 24, 1989.

Petitioner cannot be considered a buyer in good faith considering that she did not buy the disputed lot from its registered owner. One who buys from a person who is not the registered owner is not a buyer in good faith.[23] Moreover, in double sales of real property, ownership passes to the vendee who, in good faith, first recorded it in the Registry of Property.[24] TCT No. 43235 was issued in Laurelia's name on July 21, 1989 by virtue of the "Sale of Unsegregated Portion of Land" executed in her favor by Corazon.

The fact that the deed of sale between respondents Corazon and Laurelia did not accurately reflect the true consideration thereof is not cause for declaration of its nullity. When the parties intended to be bound by the contract except that it did not reflect the actual purchase price of the property, there is only a relative simulation of the contract which remains valid and enforceable.[25] It cannot be declared null and void since it does not fall under the category of an absolutely simulated or fictitious contract.[26] The contract of sale is valid but subject to reformation.[27]

IN VIEW WHEREOF, the petition is DENIED. The assailed Decision of the Court of Appeals, dated March 8, 2002, as well as its Resolution dated May 7, 2003 in CA-G.R. CV No. 44814 is AFFIRMED.

SO ORDERED.

Austria-Martinez, Callejo, Sr., Tinga, and Chico-Nazario, JJ., concur.

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[1] Rollo, pp. 33-49.

[2] Entitled "Spouses Arturo and Mariquita Macapagal v. Laurelia C. Valenciano and Corazon Caluza-Bamrungcheep."

[3] Rollo, p. 50.

[4] Original Records, pp. 28-31.

[5] Original Records, p. 47.

[6] id., pp. 45-46.

[7] id., pp. 49-50.

[8] id., pp. 678-685.

[9] Supra at Note 1.

[10] Arts. 428 and 429, Civil Code of the Philippines.

[11] Tropical Homes, Inc. v. Court of Appeals, 272 SCRA 428 (1997).

[12] id.

[13] See Dizon v. Court of Appeals, 396 SCRA 151 (2003).

[14] Carceller v. Court of Appeals, 302 SCRA 718 (1999).

[15] See Philippine Airlines, Inc. v. Court of Appeals, 255 SCRA 48 (1996).

[16] Cuizon v. Court of Appeals, 260 SCRA 645 (1996).

[17] Lustan v. Court of Appeals, 266 SCRA 663 (1997).

[18] See Compromise Agreement, par. 3.

[19] California Bus Lines, Inc. v. State Investment House, Inc., 418 SCRA 297 (2003).

[20] id.

[21] Integrated Packaging Corporation v. Court of Appeals, 333 SCRA 170 (2000).

[22] See paragraphs 4 and 5 of petitioner's complaint filed before the trial court.

[23] Samonte v. Court of Appeals, 361 SCRA 173 (2001).

[24] Art. 1544, Civil Code. See Campillo v. Court of Appeals, 129 SCRA 513 (1984).

[25] Robleza v. Court of Appeals, 174 SCRA 354 (1989).

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[26] id.

[27] Buenaventura v. Court of Appeals, 416 SCRA 263 (2003).

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