JOSE CAOIBES, JR., MELENCIO CAOIBES AND LOIDA CAOIBES, PETITIONERS, VS. CORAZON CAOIBES-PANTOJA, ASSISTED BY HER HUSBAND CONRADO PANTOJA, RESPONDENTS.

G.R. NO. 162873. July 21, 2006

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Petitioners Jose Caoibes, Jr., Melencio Caoibes and Loida Caoibes, as FIRST PARTY, and respondent Corazon Caoibes-Pantoja, as SECOND PARTY, forged on May 10, 1982 an agreement entitled "RENUNCIATION AND TRANSFER OF CLAIMS, RIGHTS, AND INTERESTS" (the agreement) covering a parcel of land, Lot 2 of plan Psd-162069 (Lot 2), situated in Calaca, Batangas containing an area of 54,665 sq. m., the pertinent portions of which agreement read:

> x x x x
>
> THAT under and by virtue of a court approved document entitled "Compromise Agreement" entered into by the parties in Special Proceeding No. 857 and Civil Case No. 861 of the Court of First Instance of Batangas, Branch VII, in particular Paragraph 4 (b) of aforesaid document, the FIRST PARTY are to receive, among others, in full ownership pro indiviso, and free from all liens and encumbrances, the following described real property, to wit:
> A parcel of land (Lot 2 of plan Psd-162069), situated in the sitio of Taklang-Anak, Barrio of Calantas, Municipality of Calaca, Province of Batangas. Bounded on the NW., along line 1-2, by center of Creek and property of Felimon Las Herras (Lot 1 of plan Psu-101302); on the SE., along lines 2, 3, 4 and 5, by Lot 1 of plan Psu-162069; on the S., along lines 5, 6, 7, 8 and 9, by Creek; on the NW., along lines 9, 10, 11, 12, 13 and 1, by center of Creek and property of Felimon Las Herras (Lot 1 of plan Psu-101302). x x x containing an area of FIFTY-FOUR THOUSAND SIX HUNDRED SIXTY-FIVE (54,665) square meters.

THAT issuance to the FIRST PARTY of the proper title to the aforesaid property is presently the subject of a land registration proceeding LRC No. N-411 pending before the Court of First Instance of Batangas, Branch VII, acting as a land registration court.

THAT for and in consideration of the payment by the SECOND PARTY[-herein respondent Corazon Caoibes-Pantoja] of the loan secured by a real estate mortgage constituted on the property described and delineated in Transfer Certificate of Title No. P-189 of the Registry of Deeds of Batangas, said loan in the principal amount of NINETEEN THOUSAND PESOS (P19,000.00) exclusive of accrued interest being presently outstanding in the name of GUILLERMO C. JAVIER with the LEMERY SAVINGS AND LOAN ASSOCIATION, Balayan Branch, and the further undertaking of the SECOND PARTY to forthwith deliver upon release to the FIRST PARTY aforesaid TCT No. P-189 free from all liens and encumbrances, the FIRST PARTY hereby RENOUNCE, RELINQUISH and ABANDON whatever rights, interests, or claims said FIRST PARTY may have over the real property in paragraph 1 hereof x x x [illegible] hereby TRANSFER, CEDE, and CONVEY said rights x x x [illegible] and claims, in a manner absolute and irrevocable, unto and in favor of the SECOND

PARTY, her heirs, successors and assigns;

THAT by virtue of aforestated renunciation and transfer, the SECOND PARTY is hereby subrogated and/or substituted to whatever rights, interests or representations the FIRST PARTY may have in the prosecution of the proper land registration proceeding mentioned elsewhere in this instrument.[1]

x x x x (Emphasis and underscoring supplied)

As reflected in the above-quoted agreement of the parties, petitioners, as FIRST PARTY, renounced, relinquished, abandoned and transferred, ceded and conveyed whatever rights "[they] may have" over Lot 2 in favor of respondent, as second party, and on account of the renunciation and transfer, petitioners transferred "whatever rights . . . [they] may have in the prosecution of the land registration proceeding," LRC No. N-411.

About 14 years after the execution of the parties' above-said agreement or in 1996, respondent filed a motion to intervene and be substituted as applicant in LRC Case No. N-411. The motion was opposed by petitioners who denied the authenticity and due execution of the agreement, they claiming that the same was without the consent and conformity of their mother, the "usufructuary owner [sic]" of the land. The land registration court, finding for petitioners, denied respondent's motion by Order of March 2, 1999.

Respondent thus filed on March 16, 2000 a Complaint for Specific Performance and Damages against petitioners before the Regional Trial Court (RTC) of Balayan, Batangas, docketed as Civil Case No. 3705, for the enforcement of petitioners' obligation under the agreement. To the complaint, petitioners filed a motion to dismiss anchored on prescription, laches and prematurity of action on account of respondent's failure to refer the case to the barangay lupon for conciliation.

On their defense of prescription, petitioners argued:

> It was clearly alleged in the complaint that the purported RENUNCIATION AND TRANSFER OF CLAIMS, RIGHTS AND INTERESTS was . . . entered into on or about May 10, 1982 - a period of almost 18 LONG YEARS [BEFORE] THE PRESENT ACTION. Under Article 1144 (1) of the New Civil Code, it is required that an action founded upon a written contract must be brought WITHIN TEN (10) YEARS FROM THE TIME THE RIGHT OF ACTION ACCRUES.[2] (Underscoring supplied)

Branch 9 of the Balayan RTC, by Resolution[3] dated July 12, 2000, granted petitioners' motion in this wise:

> The Court is of the view that immediately after the execution of the RENUNCIATION contract, herein defendants were deemed to have renounced and transferred their rights or whatever claim they may have on the subject property and the latter should have at once acted to make the renunciation effective by having herself substituted to petitioner in the land registration proceedings. Her failure to make immediately effective the terms of the said RENUNCIATION was constitutive of what is referred to as the requisite "cause of action" on the part of the plaintiff.
>
> A cause of action arises when that which should have been done is not done, or that which should not have been done is done, and in cases where there is no special provision for such computation, recourse must be had to the rule that the period must be counted from the day on which the corresponding action could have been instituted (Central Philippine University vs. CA, 246 SCRA 511).
>
> The fact, that, from the day immediately following the execution of the RENUNCIATION contract up to the present, with the defendants still continuing the land registration proceedings without any substitution of plaintiff, could only be interpreted as a clear manifestation of defendants' willful violation of the claimed RENUNCIATION contract. It is quite incorrect, therefore, to say that the violation happened only when the defendants objected that they be substituted by plaintiff in an intervention proceedings filed by the latter.

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> The added fact that plaintiff did not raise this glaring violation earlier is something that eludes the comprehension of this Court. What separates the execution of the contract and the filing of this case is a period of almost EIGHTEEN (18) long years - way beyond the prescriptive period set by law.[4] (Underscoring supplied)

On appeal by respondent, the Court of Appeals, by Decision[5] of December 4, 2003 subject of the present petition for review on certiorari, reversed the trial court's Resolution, it holding that prescription had not yet set in. The Court of Appeals reasoned:

> x x x It is not from the date of the instrument but from the date of the breach that the period of prescription of action starts. Since, it was only in 1996 when plaintiff-appellant moved to intervene and be substituted as the applicant in the land registration proceeding involving the subject property that defendants-appellees' raised the issue of genuineness and due execution of the instrument, it is only from this date that the cause of action of plaintiff-appellant accrued. The period should not be made to retroact to the date of the execution of the instrument on May 10, 1982 as claimed by the defendants-appellees for at that time, there would be no way for the plaintiff-appellant to know of the violation of her rights.[6] (Underscoring supplied)

The appellate court thus ordered the remand of the case to the trial court for further proceedings.

Petitioners' motion for reconsideration of the decision of the appellate court having been denied, the present petition for review on certiorari was filed, faulting said court to have

> - . . . ERRED IN REVERSING THE TRIAL COURT AND LABOR[ING] UNDER A GROSS MISAPPREHENSION OF FACTS IN HOLDING THAT THE ACTION OF RESPONDENT HAS NOT YET PRESCRIBED.
>
> - . . . ERRED IN RULING THAT RESPONDENT'S CAUSE OF ACTION ACCRUED ONLY IN 1996 WHEN SHE MOVED TO INTERVENE AND BE SUBSTITUTED AS AN APPLICANT, IN LIEU OF PETITIONERS IN THE LAND REGISTRATION PROCEEDING (LRC N-411) BEFORE THE REGIONAL TRIAL COURT, BRANCH 11 OF BALAYAN, BATANGAS.
>
> - . . . COMMITTED REVERSIBLE ERROR IN HOLDING THAT THE PERIOD OF PRESCRIPTION SHOULD NOT BE MADE TO RETROACT TO THE DATE OF THE EXECUTION OF THE INSTRUMENT ON MAY 10, 1982.
>
> - . . . ERRED IN NOT DISMISSING THE COMPLAINT JUST THE SAME BY NOT FINDING THAT LACHES HAD ALREADY SET IN.[7]

By the earlier-quoted pertinent portions of the agreement, petitioners renounced and transferred whatever rights, interests, or claims they had over Lot 2 in favor of respondent for and in consideration of her payment of the therein mentioned loan in the principal amount of P19,000 which was outstanding in the name of one Guillermo C. Javier.

Articles 1458, 1498 and 1307 of the Civil Code which are pertinent to the resolution of the petition provide:

> Art. 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.
>
> x x x x
>
> Art. 1498. When the sale is made through a public instrument, the execution thereof shall be equivalent to the delivery of the thing which is the object of the contract, if from the deed the contrary does not appear or cannot clearly be inferred.
>
> x x x x

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> Art. 1307. Innominate contracts shall be regulated by the stipulations of the parties, by the provisions of Title I and II of this Book, by the rules governing the most analogous nominate contracts, and by the customs of the place.
>
> (Emphasis and underscoring supplied)

The agreement of the parties is analogous to a deed of sale in favor of respondent, it having transferred ownership for and in consideration of her payment of the loan in the principal amount of P19,000 outstanding in the name of one Guillermo C. Javier. The agreement having been made through a public instrument, the execution was equivalent to the delivery of the property to respondent.[8]

In respondent's complaint for specific performance, she seeks to enforce the agreement for her to be subrogated and/or substituted as applicant in the land registration proceeding over Lot 2. The agreement is of course in consonance with Sec. 22 of P.D. 1529 (Property Registration Decree which became effective on June 11, 1978) reading:

> SEC. 22. Dealings with land pending original registration. - After the filing of the application and before the issuance of the decree of registration, the land therein described may still be the subject of dealings in whole or in part, in which case the interested party shall present to the court the pertinent instruments together with the subdivision plan approved by the Director of Lands in case of transfer of portions thereof, and the court, after notice to the parties, shall order such land registered subject to the conveyance or encumbrance created by said instruments, or order that the decree of registration be issued in the name of the person to whom the property has been conveyed by said instruments. (Underscoring supplied)

In Mendoza v. Court of Appeals,[9] this Court, passing on Sec. 29 of Art. No. 496, as amended (Land Registration Act), which is substantially incorporated in the immediately-quoted Sec. 22 of the Property Registration Decree, held:

> The law does not require that the application for registration be amended by substituting the "buyer" or the "person to whom the property has been conveyed" for the applicant. Neither does it require that the "buyer" or the "person to whom the property has been conveyed" be a party to the case. He may thus be a total stranger to the land registration proceedings. The only requirements of the law are: (1) that the instrument be presented to the court by the interested party together with a motion that the same be considered in relation with the application; and (2) that prior notice be given to the parties to the case. x x x (Emphasis supplied)

In light of the law and jurisprudence, the substitution by respondent of petitioners as applicant in the land registration case over Lot 2 is not even necessary. All respondent has to do is to comply with the requirements under the above-quoted Sec. 22 of the Property Registration Decree. Ergo, it was unnecessary for respondent to file the case for specific performance subject of the present petition against petitioners to honor their agreement allowing her to be substituted in their stead as applicant in the land registration proceeding.

WHEREFORE, the assailed decision of the Court of Appeals is REVERSED and SET ASIDE. The complaint of respondent, docketed by the Regional Trial Court of Balayan, Batangas as Civil Case No. 3705, Corazon Caoibes-Pantoja is, in light of the foregoing ratiocination, DISMISSED.

SO ORDERED.

Quisumbing, (Chairperson), Carpio, Tinga, and Velasco, Jr. JJ., concur.

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[1] RTC records at 6-7.

[2] Id. at 15.

[3]Id. at 36-43.

[4] Id. at 41-42.

[5] Penned by Justice Remedios A. Salazar-Fernando and concurred in by Justices Eubolo G. Verzola and Edgardo F. Sundiam, CA rollo at 57-64.

[6] Id. at 63.

[7] Rollo, pp. 7-8.

[8] Art. 1496 of the Civil Code provides:
The ownership of the thing is acquired by the vendee from the moment it is delivered to him in any of the ways specified in Articles 1497 to 1501, or in any other manner signifying an agreement that the possession is transferred from the vendor to the vendee.

[9]G.R. No. L-36637, July 14, 1978, 84 SCRA 67, 77.

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