

CELESTINO BALUS, PETITIONER, VS. SATURNINO BALUS AND LEONARDA BALUS VDA. DE CALUNOD, RESPONDENTS.

G.R. No. 168970. January 15, 2010

Ponente: PERALTA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-168970/>

PERALTA, J.:

Assailed in the present petition for review on certiorari under Rule 45 of the Rules of Court is the Decision[1] of the Court of Appeals (CA) dated May 31, 2005 in CA-G.R. CV No. 58041 which set aside the February 7, 1997 Decision of the Regional Trial Court (RTC) of Lanao del Norte, Branch 4 in Civil Case No. 3263.

The facts of the case are as follows:

Herein petitioner and respondents are the children of the spouses Rufo and Sebastiana Balus. Sebastiana died on September 6, 1978, while Rufo died on July 6, 1984.

On January 3, 1979, Rufo mortgaged a parcel of land, which he owns, as security for a loan he obtained from the Rural Bank of Maigo, Lanao del Norte (Bank). The said property was originally covered by Original Certificate of Title No. P-439(788) and more particularly described as follows:

A parcel of land with all the improvements thereon, containing an area of 3.0740 hectares, more or less, situated in the Barrio of Lagundang, Bunawan, Iligan City, and bounded as follows: Bounded on the NE., along line 1-2, by Lot 5122, Csd-292; along line 2-12, by Dodiongan River; along line 12-13 by Lot 4649, Csd-292; and along line 12-1, by Lot 4661, Csd-292. x x x [2]

Rufo failed to pay his loan. As a result, the mortgaged property was foreclosed and was subsequently sold to the Bank as the sole bidder at a public auction held for that purpose. On November 20, 1981, a Certificate of Sale[3] was executed by the sheriff in favor of the Bank. The property was not redeemed within the period allowed by law. More than two years after the auction, or on January 25, 1984, the sheriff executed a Definite Deed of Sale[4] in the Bank's favor. Thereafter, a new title was issued in the name of the Bank.

On October 10, 1989, herein petitioner and respondents executed an Extrajudicial Settlement of Estate[5] adjudicating to each of them a specific one-third portion of the subject property consisting of 10,246 square meters. The Extrajudicial Settlement also contained provisions wherein the parties admitted knowledge of the fact that their father mortgaged the subject property to the Bank and that they intended to redeem the same at the soonest possible time.

Three years after the execution of the Extrajudicial Settlement, herein respondents bought the subject property from the Bank. On October 12, 1992, a Deed of Sale of Registered Land[6] was executed by the Bank in favor of respondents. Subsequently, Transfer Certificate of Title (TCT) No. T-39,484(a.f.)[7] was issued in the name of respondents. Meanwhile, petitioner continued possession of the subject lot.

On June 27, 1995, respondents filed a Complaint[8] for Recovery of Possession and Damages against petitioner, contending that they had already informed petitioner of the fact that they were the new owners of the disputed

property, but the petitioner still refused to surrender possession of the same to them. Respondents claimed that they had exhausted all remedies for the amicable settlement of the case, but to no avail.

On February 7, 1997, the RTC rendered a Decision[9] disposing as follows:

WHEREFORE, judgment is hereby rendered, ordering the plaintiffs to execute a Deed of Sale in favor of the defendant, the one-third share of the property in question, presently possessed by him, and described in the deed of partition, as follows:

A one-third portion of Transfer Certificate of Title No. T-39,484 (a.f.), formerly Original Certificate of Title No. P-788, now in the name of Saturnino Balus and Leonarda B. Vda. de Calunod, situated at Lagundang, Bunawan, Iligan City, bounded on the North by Lot 5122; East by shares of Saturnino Balus and Leonarda Balus-Calunod; South by Lot 4649, Dodiongan River; West by Lot 4661, consisting of 10,246 square meters, including improvements thereon.

and dismissing all other claims of the parties.

The amount of P6,733.33 consigned by the defendant with the Clerk of Court is hereby ordered delivered to the plaintiffs, as purchase price of the one-third portion of the land in question.

Plaintiffs are ordered to pay the costs.

SO ORDERED.[10]

The RTC held that the right of petitioner to purchase from the respondents his share in the disputed property was recognized by the provisions of the Extrajudicial Settlement of Estate, which the parties had executed before the respondents bought the subject lot from the Bank.

Aggrieved by the Decision of the RTC, herein respondents filed an appeal with the CA.

On May 31, 2005, the CA promulgated the presently assailed Decision, reversing and setting aside the Decision of the RTC and ordering petitioner to immediately surrender possession of the subject property to the respondents. The CA ruled that when petitioner and respondents did not redeem the subject property within the redemption period and allowed the consolidation of ownership and the issuance of a new title in the name of the Bank, their co-ownership was extinguished.

Hence, the instant petition raising a sole issue, to wit:

WHETHER OR NOT CO-OWNERSHIP AMONG THE PETITIONER AND THE RESPONDENTS OVER THE PROPERTY PERSISTED/CONTINUED TO EXIST (EVEN AFTER THE TRANSFER OF TITLE TO THE BANK) BY VIRTUE OF THE PARTIES' AGREEMENT PRIOR TO THE REPURCHASE THEREOF BY THE RESPONDENTS; THUS, WARRANTING THE PETITIONER'S ACT OF ENFORCING THE AGREEMENT BY REIMBURSING THE RESPONDENTS OF HIS (PETITIONER'S) JUST SHARE OF THE REPURCHASE PRICE.[11]

The main issue raised by petitioner is whether co-ownership by him and respondents over the subject property persisted even after the lot was purchased by the Bank and title thereto transferred to its name, and even after it was eventually bought back by the respondents from the Bank.

Petitioner insists that despite respondents' full knowledge of the fact that the title over the disputed property was already in the name of the Bank, they still proceeded to execute the subject Extrajudicial Settlement, having in mind the intention of purchasing back the property together with petitioner and of continuing their co-ownership thereof.

Petitioner posits that the subject Extrajudicial Settlement is, in and by itself, a contract between him and respondents, because it contains a provision whereby the parties agreed to continue their co-ownership of the subject property by "redeeming" or "repurchasing" the same from the Bank. This agreement, petitioner contends, is the law between the parties and, as such, binds the respondents. As a result, petitioner asserts that respondents' act of buying the disputed property from the Bank without notifying him inures to his benefit as to give him the right to claim his rightful portion of the property, comprising 1/3 thereof, by reimbursing respondents the equivalent 1/3 of the sum they paid to the Bank.

The Court is not persuaded.

Petitioner and respondents are arguing on the wrong premise that, at the time of the execution of the Extrajudicial Settlement, the subject property formed part of the estate of their deceased father to which they may lay claim as his heirs.

At the outset, it bears to emphasize that there is no dispute with respect to the fact that the subject property was exclusively owned by petitioner and respondents' father, Rufo, at the time that it was mortgaged in 1979. This was stipulated by the parties during the hearing conducted by the trial court on October 28, 1996.[12] Evidence shows that a Definite Deed of Sale[13] was issued in favor of the Bank on January 25, 1984, after the period of redemption expired. There is neither any dispute that a new title was issued in the Bank's name before Rufo died on July 6, 1984. Hence, there is no question that the Bank acquired exclusive ownership of the contested lot during the lifetime of Rufo.

The rights to a person's succession are transmitted from the moment of his death.[14] In addition, the inheritance of a person consists of the property and transmissible rights and obligations existing at the time of his death, as well as those which have accrued thereto since the opening of the succession.[15] In the present case, since Rufo lost ownership of the subject property during his lifetime, it only follows that at the time of his death, the disputed parcel of land no longer formed part of his estate to which his heirs may lay claim. Stated differently, petitioner and respondents never inherited the subject lot from their father.

Petitioner and respondents, therefore, were wrong in assuming that they became co-owners of the subject lot. Thus, any issue arising from the supposed right of petitioner as co-owner of the contested parcel of land is negated by the fact that, in the eyes of the law, the disputed lot did not pass into the hands of petitioner and respondents as compulsory heirs of Rufo at any given point in time.

The foregoing notwithstanding, the Court finds a necessity for a complete determination of the issues raised in the instant case to look into petitioner's argument that the Extrajudicial Settlement is an independent contract which gives him the right to enforce his right to claim a portion of the disputed lot bought by respondents.

It is true that under Article 1315 of the Civil Code of the Philippines, contracts are perfected by mere consent; and from that moment, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.

Article 1306 of the same Code also provides that the contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided these are not contrary to law, morals, good customs, public order or public policy.

In the present case, however, there is nothing in the subject Extrajudicial Settlement to indicate any express stipulation for petitioner and respondents to continue with their supposed co-ownership of the contested lot.

On the contrary, a plain reading of the provisions of the Extrajudicial Settlement would not, in any way, support

petitioner's contention that it was his and his sibling's intention to buy the subject property from the Bank and continue what they believed to be co-ownership thereof. It is a cardinal rule in the interpretation of contracts that the intention of the parties shall be accorded primordial consideration.[16] It is the duty of the courts to place a practical and realistic construction upon it, giving due consideration to the context in which it is negotiated and the purpose which it is intended to serve.[17] Such intention is determined from the express terms of their agreement, as well as their contemporaneous and subsequent acts.[18] Absurd and illogical interpretations should also be avoided.[19]

For petitioner to claim that the Extrajudicial Settlement is an agreement between him and his siblings to continue what they thought was their ownership of the subject property, even after the same had been bought by the Bank, is stretching the interpretation of the said Extrajudicial Settlement too far.

In the first place, as earlier discussed, there is no co-ownership to talk about and no property to partition, as the disputed lot never formed part of the estate of their deceased father.

Moreover, petitioner's asseveration of his and respondents' intention of continuing with their supposed co-ownership is negated by no less than his assertions in the present petition that on several occasions he had the chance to purchase the subject property back, but he refused to do so. In fact, he claims that after the Bank acquired the disputed lot, it offered to re-sell the same to him but he ignored such offer. How then can petitioner now claim that it was also his intention to purchase the subject property from the Bank, when he admitted that he refused the Bank's offer to re-sell the subject property to him?

In addition, it appears from the recitals in the Extrajudicial Settlement that, at the time of the execution thereof, the parties were not yet aware that the subject property was already exclusively owned by the Bank. Nonetheless, the lack of knowledge on the part of petitioner and respondents that the mortgage was already foreclosed and title to the property was already transferred to the Bank does not give them the right or the authority to unilaterally declare themselves as co-owners of the disputed property; otherwise, the disposition of the case would be made to depend on the belief and conviction of the party-litigants and not on the evidence adduced and the law and jurisprudence applicable thereto.

Furthermore, petitioner's contention that he and his siblings intended to continue their supposed co-ownership of the subject property contradicts the provisions of the subject Extrajudicial Settlement where they clearly manifested their intention of having the subject property divided or partitioned by assigning to each of the petitioner and respondents a specific 1/3 portion of the same. Partition calls for the segregation and conveyance of a determinate portion of the property owned in common. It seeks a severance of the individual interests of each co-owner, vesting in each of them a sole estate in a specific property and giving each one a right to enjoy his estate without supervision or interference from the other.[20] In other words, the purpose of partition is to put an end to co-ownership,[21] an objective which negates petitioner's claims in the present case.

WHEREFORE, the instant petition is DENIED. The assailed Decision of the Court of Appeals, dated May 31, 2005 in CA-G.R. CV No. 58041, is AFFIRMED.

SO ORDERED.

Corona, (Chairperson), Velasco, Jr., Peralta, and Mendoza, JJ., concur.

[1] Penned by Associate Justice Arturo G. Tayag, with Associate Justices Rodrigo F. Lim, Jr. and Normandie B. Pizarro, concurring; CA rollo, pp. 69-76.

- [2] See Certificate of Sale and Definite Deed of Sale, Exhibits "A" and "B," respectively, records, pp. 74-75.
- [3] Exhibit "A," records, p. 74.
- [4] Exhibit "B," id. at 75.
- [5] Exhibit "C"/"4," id. at 76.
- [6] Exhibit "D," id. at 79.
- [7] Exhibit "E," id. at 80.
- [8] Records, pp. 1-6.
- [9] Id. at 131-140.
- [10] Id. at 139-140.
- [11] Rollo, p. 21.
- [12] See TSN, October 28, 1996 p. 2.
- [13] Exhibit "B," records, p. 75.
- [14] Civil Code, Art. 777.
- [15] Civil Code, Art. 781.
- [16] Aliño v. Heirs of Angelica A. Lorenzo, G.R. No. 159550, June 27, 2008, 556 SCRA 139, 148.
- [17] TSPIC Corporation v. TSPIC Employees Union (FFW), G.R. No. 163419, February 13, 2008, 545 SCRA 215, 226.
- [18] Tating v. Marcella, G.R. No. 155208, March 27, 2007, 519 SCRA 79, 87.
- [19] TSPIC Corporation v. TSPIC Employees Union (FFW), supra note 17.
- [20] Arbolario v. Court of Appeals, 449 Phil. 357, 369 (2003).
- [21] Cruz v. Court of Appeals, G.R. No. 122904, April 15, 2005, 456 SCRA 165, 171; Lopez v. Court of Appeals, 446 Phil. 722, 743 (2003).

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.