

**SPS. VIRGILIO F. SANTOS & ESPERANZA LATI SANTOS,
SPS.VICTORINO F. SANTOS, & LAGRIMAS SANTOS, ERNESTO F.
SANTOS, AND TADEO F. SANTOS, PETITIONERS, VS. SPS. JOSE
LUMBAO AND PROSER...**

G.R. NO. 169129. March 28, 2007

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on Certiorari under Rule 45 of the 1997 Revised Rules of Civil Procedure seeking to annul and set aside the Decision[1] and Resolution[2] of the Court of Appeals in CA-G.R. CV No. 60450 entitled, Spouses Jose Lumbao and Proserfina Lumbao v. Spouses Virgilio F. Santos and Esperanza Lati, Spouses Victorino F. Santos and Lagrimas F. Santos, Ernesto F. Santos and Tadeo F. Santos, dated 8 June 2005 and 29 July 2005, respectively, which granted the appeal filed by herein respondents Spouses Jose Lumbao and Proserfina Lumbao (Spouses Lumbao) and ordered herein petitioners Spouses Virgilio F. Santos and Esperanza Lati, Spouses Victorino F. Santos and Lagrimas F. Santos, Ernesto F. Santos and Tadeo F. Santos to reconvey to respondents Spouses Lumbao the subject property and to pay the latter attorney's fees and litigation expenses, thus, reversing the Decision[3] of the Regional Trial Court (RTC) of Pasig City, dated 17 June 1998 which dismissed the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao for lack of merit.

Herein petitioners Virgilio, Victorino, Ernesto and Tadeo, all surnamed Santos, are the legitimate and surviving heirs of the late Rita Catoc Santos (Rita), who died on 20 October 1985. The other petitioners Esperanza Lati and Lagrimas Santos are the daughters-in-law of Rita.

Herein respondents Spouses Jose Lumbao and Proserfina Lumbao are the alleged owners of the 107-square meter lot (subject property), which they purportedly bought from Rita during her lifetime.

The facts of the present case are as follows:

On two separate occasions during her lifetime, Rita sold to respondents Spouses Lumbao the subject property which is a part of her share in the estate of her deceased mother, Maria Catoc (Maria), who died intestate on 19 September 1978. On the first occasion, Rita sold 100 square meters of her inchoate share in her mother's estate through a document denominated as "Bilihan ng Lupa," dated 17 August 1979.[4] Respondents Spouses Lumbao claimed the execution of the aforesaid document was witnessed by petitioners Virgilio and Tadeo, as shown by their signatures affixed therein. On the second occasion, an additional seven square meters was added to the land as evidenced by a document also denominated as "Bilihan ng Lupa," dated 9 January 1981.[5]

After acquiring the subject property, respondents Spouses Lumbao took actual possession thereof and erected thereon a house which they have been occupying as exclusive owners up to the present. As the exclusive owners of the subject property, respondents Spouses Lumbao made several verbal demands upon Rita, during her

lifetime, and thereafter upon herein petitioners, for them to execute the necessary documents to effect the issuance of a separate title in favor of respondents Spouses Lumbao insofar as the subject property is concerned. Respondents Spouses Lumbao alleged that prior to her death, Rita informed respondent Proserfina Lumbao she could not deliver the title to the subject property because the entire property inherited by her and her co-heirs from Maria had not yet been partitioned.

On 2 May 1986, the Spouses Lumbao claimed that petitioners, acting fraudulently and in conspiracy with one another, executed a Deed of Extrajudicial Settlement,[6] adjudicating and partitioning among themselves and the other heirs, the estate left by Maria, which included the subject property already sold to respondents Spouses Lumbao and now covered by TCT No. 81729[7] of the Registry of Deeds of Pasig City.

On 15 June 1992, respondents Spouses Lumbao, through counsel, sent a formal demand letter[8] to petitioners but despite receipt of such demand letter, petitioners still failed and refused to reconvey the subject property to the respondents Spouses Lumbao. Consequently, the latter filed a Complaint for Reconveyance with Damages[9] before the RTC of Pasig City.

Petitioners filed their Answer denying the allegations that the subject property had been sold to the respondents Spouses Lumbao. They likewise denied that the Deed of Extrajudicial Settlement had been fraudulently executed because the same was duly published as required by law. On the contrary, they prayed for the dismissal of the Complaint for lack of cause of action because respondents Spouses Lumbao failed to comply with the Revised Katarungang Pambarangay Law under Republic Act No. 7160, otherwise known as the Local Government Code of 1991, which repealed Presidential Decree No. 1508[10] requiring first resort to barangay conciliation.

Respondents Spouses Lumbao, with leave of court, amended their Complaint because they discovered that on 16 February 1990, without their knowledge, petitioners executed a Deed of Real Estate Mortgage in favor of Julieta S. Esplana for the sum of P30,000.00. The said Deed of Real Estate Mortgage was annotated at the back of TCT No. PT-81729 on 26 April 1991. Also, in answer to the allegation of the petitioners that they failed to comply with the mandate of the Revised Katarungang Pambarangay Law, respondents Spouses Lumbao said that the Complaint was filed directly in court in order that prescription or the Statute of Limitations may not set in.

During the trial, respondents Spouses Lumbao presented Proserfina Lumbao and Carolina Morales as their witnesses, while the petitioners presented only the testimony of petitioner Virgilio.

The trial court rendered a Decision on 17 June 1998, the dispositive portion of which reads as follows:

Premises considered, the instant complaint is hereby denied for lack of merit.

Considering that [petitioners] have incurred expenses in order to protect their interest, [respondents spouses Lumbao] are hereby directed to pay [petitioners], to wit: 1) the amount of P30,000.00 as attorney's fees and litigation expenses, and 2) costs of the suit.[11]

Aggrieved, respondents Spouses Lumbao appealed to the Court of Appeals. On 8 June 2005, the appellate court rendered a Decision, thus:

WHEREFORE, premises considered, the present appeal is hereby GRANTED. The appealed Decision dated June 17, 1998 of the Regional Trial Court of Pasig City, Branch 69 in Civil Case No. 62175 is hereby REVERSED and SET ASIDE. A new judgment is hereby entered ordering [petitioners] to reconvey 107 square meters of the subject [property] covered by TCT No. PT-81729 of the Registry of Deeds of Pasig City, Metro Manila, and to pay to [respondents spouses Lumbao] the sum of P30,000.00 for attorney's fees and litigation expenses.

No pronouncement as to costs.[12]

Dissatisfied, petitioners filed a Motion for Reconsideration of the aforesaid Decision but it was denied in the Resolution of the appellate court dated 29 July 2005 for lack of merit.

Hence, this Petition.

The grounds relied upon by the petitioners are the following:

- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN REVERSING THE DECISION OF THE TRIAL COURT, THEREBY CREATING A VARIANCE ON THE FINDINGS OF FACTS OF TWO COURTS.
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN ORDERING THE PETITIONERS TO RECONVEY THE SUBJECT [PROPERTY] TO THE RESPONDENTS [SPOUSES LUMBAO] AND IN NOT RULING THAT THEY ARE GUILTY OF LACHES, HENCE THEY CANNOT RECOVER THE LOT ALLEGEDLY SOLD TO THEM.
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING HEREIN PETITIONER[S] TO BE IN GOOD FAITH IN EXECUTING THE "DEED OF EXTRAJUDICIAL SETTLEMENT" DATED [2 MAY 1986].
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT PETITIONERS ARE NOT LEGALLY BOUND TO COMPLY WITH THE SUPPOSED BILIHAN NG LUPA DATED [17 AUGUST 1979] AND [9 JANUARY 1981] THAT WERE SUPPOSEDLY EXECUTED BY THE LATE RITA CATOC.
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO'S] ACTION FOR RECONVEYANCE WITH DAMAGES CANNOT BE SUPPORTED WITH AN UNENFORCEABLE DOCUMENTS, SUCH AS THE BILIHAN NG LUPA DATED [17 AUGUST 1979] AND [9 JANUARY 1981].
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO'S] COMPLAINT FOR RECONVEYANCE IS DISMISSABLE (SIC) FOR NON COMPLIANCE OF THE MANDATE OF [P.D. NO.] 1508, AS AMENDED BY Republic Act No. 7160.
- THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO] SHOULD BE HELD LIABLE FOR PETITIONERS' CLAIM FOR DAMAGES AND ATTORNEY[']S FEES.

Petitioners ask this Court to scrutinize the evidence presented in this case, because they claim that the factual findings of the trial court and the appellate court are conflicting. They allege that the findings of fact by the trial court revealed that petitioners Virgilio and Tadeo did not witness the execution of the documents known as "Bilihan ng Lupa"; hence, this finding runs counter to the conclusion made by the appellate court. And even assuming that they were witnesses to the aforesaid documents, still, respondents Spouses Lumbao were not entitled to the reconveyance of the subject property because they were guilty of laches for their failure to assert their rights for an unreasonable length of time. Since respondents Spouses Lumbao had slept on their rights for a period of more than 12 years reckoned from the date of execution of the second "Bilihan ng Lupa," it would be unjust and unfair to the petitioners if the respondents will be allowed to recover the subject property.

Petitioners allege they are in good faith in executing the Deed of Extrajudicial Settlement because even respondents Spouses Lumbao's witness, Carolina Morales, testified that neither petitioner Virgilio nor petitioner Tadeo was present during the execution of the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981. Petitioners affirm that the Deed of Extrajudicial Settlement was published in a newspaper of general circulation to

give notice to all creditors of the estate subject of partition to contest the same within the period prescribed by law. Since no claimant appeared to interpose a claim within the period allowed by law, a title to the subject property was then issued in favor of the petitioners; hence, they are considered as holders in good faith and therefore cannot be barred from entering into any subsequent transactions involving the subject property.

Petitioners also contend that they are not bound by the documents denominated as "Bilihan ng Lupa" because the same were null and void for the following reasons: 1) for being falsified documents because one of those documents made it appear that petitioners Virgilio and Tadeo were witnesses to its execution and that they appeared personally before the notary public, when in truth and in fact they did not; 2) the identities of the properties in the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981 in relation to the subject property in litigation were not established by the evidence presented by the respondents Spouses Lumbao; 3) the right of the respondents Spouses Lumbao to lay their claim over the subject property had already been barred through estoppel by laches; and 4) the respondents Spouses Lumbao's claim over the subject property had already prescribed.

Finally, petitioners claim that the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao was dismissible because they failed to comply with the mandate of Presidential Decree No. 1508, as amended by Republic Act No. 7160, particularly Section 412 of Republic Act No. 7160.

Given the foregoing, the issues presented by the petitioners may be restated as follows:

- Whether or not the Complaint for Reconveyance with Damages filed by respondents spouses Lumbao is dismissible for their failure to comply with the mandate of the Revised Katarungang Pambarangay Law under R.A. No. 7160.
- Whether or not the documents known as "Bilihan ng Lupa" are valid and enforceable, thus, they can be the bases of the respondents spouses Lumbao's action for reconveyance with damages.
- Whether or not herein petitioners are legally bound to comply with the "Bilihan ng Lupa" dated 17 August 1979 and 9 January 1981 and consequently, reconvey the subject property to herein respondents spouses Lumbao.

It is well-settled that in the exercise of the Supreme Court's power of review, the court is not a trier of facts and does not normally undertake the re-examination of the evidence presented by the contending parties during the trial of the case considering that the findings of fact of the Court of Appeals are conclusive and binding on the Court.[13] But, the rule is not without exceptions. There are several recognized exceptions[14] in which factual issues may be resolved by this Court. One of these exceptions is when the findings of the appellate court are contrary to those of the trial court. This exception is present in the case at bar.

Going to the first issue presented in this case, it is the argument of the petitioners that the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao should be dismissed for failure to comply with the barangay conciliation proceedings as mandated by the Revised Katarungang Pambarangay Law under Republic Act No. 7160. This argument cannot be sustained.

Section 408 of the aforesaid law and Administrative Circular No. 14-93[15] provide that all disputes between parties actually residing in the same city or municipality are subject to barangay conciliation. A prior recourse thereto is a pre-condition before filing a complaint in court or any government offices. Non-compliance with the said condition precedent could affect the sufficiency of the plaintiff's cause of action and make his complaint vulnerable to dismissal on ground of lack of cause of action or prematurity; but the same would not prevent a court of competent jurisdiction from exercising its power of adjudication over the case before it, where the

defendants failed to object to such exercise of jurisdiction.[16]

While it is true that the present case should first be referred to the Barangay Lupon for conciliation because the parties involved herein actually reside in the same city (Pasig City) and the dispute between them involves a real property, hence, the said dispute should have been brought in the city in which the real property, subject matter of the controversy, is located, which happens to be the same city where the contending parties reside. In the event that respondents Spouses Lumbao failed to comply with the said condition precedent, their Complaint for Reconveyance with Damages can be dismissed. In this case, however, respondents Spouses Lumbao's non-compliance with the aforesaid condition precedent cannot be considered fatal. Although petitioners alleged in their answer that the Complaint for Reconveyance with Damages filed by respondents spouses Lumbao should be dismissed for their failure to comply with the condition precedent, which in effect, made the complaint prematurely instituted and the trial court acquired no jurisdiction to hear the case, yet, they did not file a Motion to Dismiss the said complaint.

Emphasis must be given to the fact that the petitioners could have prevented the trial court from exercising jurisdiction over the case had they filed a Motion to Dismiss. However, instead of doing so, they invoked the very same jurisdiction by filing an answer seeking an affirmative relief from it. Worse, petitioners actively participated in the trial of the case by presenting their own witness and by cross-examining the witnesses presented by the respondents Spouses Lumbao. It is elementary that the active participation of a party in a case pending against him before a court is tantamount to recognition of that court's jurisdiction and a willingness to abide by the resolution of the case which will bar said party from later on impugning the court's jurisdiction.[17] It is also well-settled that the non-referral of a case for barangay conciliation when so required under the law is not jurisdictional in nature and may therefore be deemed waived if not raised seasonably in a motion to dismiss.[18] Hence, herein petitioners can no longer raise the defense of non-compliance with the barangay conciliation proceedings to seek the dismissal of the complaint filed by the respondents Spouses Lumbao, because they already waived the said defense when they failed to file a Motion to Dismiss.

As regards the second issue, petitioners maintain that the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981 are null and void for being falsified documents as it is made to appear that petitioners Virgilio and Tadeo were present in the execution of the said documents and that the identities of the properties in those documents in relation to the subject property has not been established by the evidence of the respondents Spouses Lumbao. Petitioners also claim that the enforceability of those documents is barred by prescription of action and laches.

It is the petitioners' incessant barking that the "Bilihan ng Lupa" documents dated 17 August 1979 and 9 January 1981 were falsified because it was made to appear that petitioners Virgilio and Tadeo were present in the executions thereof, and their allegation that even respondents Spouses Lumbao's witness Carolina Morales proved that said petitioners were not present during the execution of the aforementioned documents. This is specious.

Upon examination of the aforesaid documents, this Court finds that in the "Bilihan ng Lupa," dated 17 August 1979, the signatures of petitioners Virgilio and Tadeo appeared thereon. Moreover, in petitioners' Answer and Amended Answer to the Complaint for Reconveyance with Damages, both petitioners Virgilio and Tadeo made an admission that indeed they acted as witnesses in the execution of the "Bilihan ng Lupa," dated 17 August 1979.[19] However, in order to avoid their obligations in the said "Bilihan ng Lupa," petitioner Virgilio, in his cross-examination, denied having knowledge of the sale transaction and claimed that he could not remember the same as well as his appearance before the notary public due to the length of time that had passed. Noticeably, petitioner Virgilio did not categorically deny having signed the "Bilihan ng Lupa," dated 17 August 1979 and in support thereof, his testimony in the cross-examination propounded by the counsel of the respondents Spouses Lumbao is quoted hereunder:

ATTY. CHIU:

Q. Now, you said, Mr. Witness...Virgilio Santos, that you don't know about this document which was marked as Exhibit "A" for the [respondents spouses Lumbao]?

ATTY. BUGARING:

The question is misleading, your Honor. Counsel premised the question that he does not have any knowledge but not that he does not know.

ATTY. CHIU:

Q. Being... you are one of the witnesses of this document? [I]s it not?

WITNESS:

A. No, sir.

Q. I am showing to you this document, there is a signature at the left hand margin of this document Virgilio Santos, will you please go over the same and tell the court whose signature is this?

A. I don't remember, sir, because of the length of time that had passed.

Q. But that is your signature?

A. I don't have eyeglasses... My signature is different.

Q. You never appeared before this notary public Apolinario Mangahas?

A. I don't remember.[20]

As a general rule, facts alleged in a party's pleading are deemed admissions of that party and are binding upon him, but this is not an absolute and inflexible rule. An answer is a mere statement of fact which the party filing it expects to prove, but it is not evidence.[21] And in spite of the presence of judicial admissions in a party's pleading, the trial court is still given leeway to consider other evidence presented.[22] However, in the case at bar, as the Court of Appeals mentioned in its Decision, "[herein petitioners] had not adduced any other evidence to override the admission made in their [A]nswer that [petitioners Virgilio and Tadeo] actually signed the [Bilihan ng Lupa dated 17 August 1979] except that they were just misled as to the purpose of the document, x x x." [23] Virgilio's answers were unsure and quibbled. Hence, the general rule that the admissions made by a party in a pleading are binding and conclusive upon him applies in this case.

On the testimony of respondents Spouses Lumbao's witness Carolina Morales, this Court adopts the findings made by the appellate court. Thus -

[T]he trial court gave singular focus on her reply to a question during cross-examination if the [petitioners Virgilio and Tadeo] were not with her and the vendor [Rita] during the transaction. It must be pointed out that earlier in the direct examination of said witness, she confirmed that [respondents spouses Lumbao] actually bought the lot from [Rita] ("nagkabilihan"). Said witness positively identified and confirmed the two (2) documents evidencing the sale in favor of [respondents spouse Lumbao]. Thus, her subsequent statement that the [petitioners Virgilio and Tadeo] were not with them during the transaction does not automatically imply that [petitioners Virgilio and Tadeo] did not at any time sign as witnesses as to the deed of sale attesting to their mother's voluntary act of selling a portion of her share in her deceased mother's property. The rule is that testimony of a witness must be considered and calibrated in its entirety and not by truncated portions thereof or isolated passages therein.[24]

Furthermore, both "Bilihan ng Lupa" documents dated 17 August 1979 and 9 January 1981 were duly notarized before a notary public. It is well-settled that a document acknowledged before a notary public is a public document^[25] that enjoys the presumption of regularity. It is a prima facie evidence of the truth of the facts stated therein and a conclusive presumption of its existence and due execution.^[26] To overcome this presumption, there must be presented evidence that is clear and convincing. Absent such evidence, the presumption must be upheld.^[27] In addition, one who denies the due execution of a deed where one's signature appears has the burden of proving that contrary to the recital in the jurat, one never appeared before the notary public and acknowledged the deed to be a voluntary act. Nonetheless, in the present case petitioners' denials without clear and convincing evidence to support their claim of fraud and falsity were not sufficient to overthrow the above-mentioned presumption; hence, the authenticity, due execution and the truth of the facts stated in the aforesaid "Bilihan ng Lupa" are upheld.

The defense of petitioners that the identities of the properties described in the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981 in relation to the subject property were not established by respondents Spouses Lumbao's evidence is likewise not acceptable.

It is noteworthy that at the time of the execution of the documents denominated as "Bilihan ng Lupa," the entire property owned by Maria, the mother of Rita, was not yet divided among her and her co-heirs and so the description of the entire estate is the only description that can be placed in the "Bilihan ng Lupa, dated 17 August 1979 and 9 January 1981" because the exact metes and bounds of the subject property sold to respondents Spouses Lumbao could not be possibly determined at that time. Nevertheless, that does not make the contract of sale between Rita and respondents Spouses Lumbao invalid because both the law and jurisprudence have categorically held that even while an estate remains undivided, co-owners have each full ownership of their respective aliquots or undivided shares and may therefore alienate, assign or mortgage them.^[28] The co-owner, however, has no right to sell or alienate a specific or determinate part of the thing owned in common, because such right over the thing is represented by an aliquot or ideal portion without any physical division. In any case, the mere fact that the deed purports to transfer a concrete portion does not per se render the sale void. The sale is valid, but only with respect to the aliquot share of the selling co-owner. Furthermore, the sale is subject to the results of the partition upon the termination of the co-ownership.^[29]

In the case at bar, when the estate left by Maria had been partitioned on 2 May 1986 by virtue of a Deed of Extrajudicial Settlement, the 107- square meter lot sold by the mother of the petitioners to respondents Spouses Lumbao should be deducted from the total lot, inherited by them in representation of their deceased mother, which in this case measures 467 square meters. The 107-square meter lot already sold to respondents Spouses Lumbao can no longer be inherited by the petitioners because the same was no longer part of their inheritance as it was already sold during the lifetime of their mother.

Likewise, the fact that the property mentioned in the two "Bilihan ng Lupa" documents was described as "a portion of a parcel of land covered in Tax Declarations No. A-018-01674," while the subject matter of the Deed of Extrajudicial Settlement was the property described in Transfer Certificate of Title (TCT) No. 3216 of the Registry of Deeds of the Province of Rizal in the name of Maria is of no moment because in the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981, it is clear that there was only one estate left by Maria upon her death. And this fact was not refuted by the petitioners. Besides, the property described in Tax Declaration No. A-018-01674 and the property mentioned in TCT No. 3216 are both located in Barrio Rosario, Municipality of Pasig, Province of Rizal, and almost have the same boundaries. It is, thus, safe to state that the property mentioned in Tax Declaration No. A-018-01674 and in TCT No. 3216 are one and the same.

The defense of prescription of action and laches is likewise unjustifiable. In an action for reconveyance, the

decree of registration is respected as incontrovertible. What is sought instead is the transfer of the property or its title which has been wrongfully or erroneously registered in another person's name to its rightful or legal owner, or to the one with a better right. It is, indeed, true that the right to seek reconveyance of registered property is not absolute because it is subject to extinctive prescription. However, when the plaintiff is in possession of the land to be reconveyed, prescription cannot set in. Such an exception is based on the theory that registration proceedings could not be used as a shield for fraud or for enriching a person at the expense of another.[30]

In the case at bar, the right of the respondents Spouses Lumbao to seek reconveyance does not prescribe because the latter have been and are still in actual possession and occupation as owners of the property sought to be reconveyed, which fact has not been refuted nor denied by the petitioners. Furthermore, respondents Spouses Lumbao cannot be held guilty of laches because from the very start that they bought the 107-square meter lot from the mother of the petitioners, they have constantly asked for the transfer of the certificate of title into their names but Rita, during her lifetime, and the petitioners, after the death of Rita, failed to do so on the flimsy excuse that the lot had not been partitioned yet. Inexplicably, after the partition of the entire estate of Maria, petitioners still included the 107-square meter lot in their inheritance which they divided among themselves despite their knowledge of the contracts of sale between their mother and the respondents Spouses Lumbao.

Under the above premises, this Court holds that the "Bilihan ng Lupa" documents dated 17 August 1979 and 9 January 1981 are valid and enforceable and can be made the basis of the respondents Spouses Lumbao's action for reconveyance. The failure of respondents Spouses Lumbao to have the said documents registered does not affect its validity and enforceability. It must be remembered that registration is not a requirement for validity of the contract as between the parties, for the effect of registration serves chiefly to bind third persons. The principal purpose of registration is merely to notify other persons not parties to a contract that a transaction involving the property had been entered into. Where the party has knowledge of a prior existing interest which is unregistered at the time he acquired a right to the same land, his knowledge of that prior unregistered interest has the effect of registration as to him.[31] Hence, the "Bilihan ng Lupa" documents dated 17 August 1979 and 9 January 1981, being valid and enforceable, herein petitioners are bound to comply with their provisions. In short, such documents are absolutely valid between and among the parties thereto.

Finally, the general rule that heirs are bound by contracts entered into by their predecessors-in-interest applies in the present case. Article 1311[32] of the NCC is the basis of this rule. It is clear from the said provision that whatever rights and obligations the decedent have over the property were transmitted to the heirs by way of succession, a mode of acquiring the property, rights and obligations of the decedent to the extent of the value of the inheritance of the heirs.[33] Thus, the heirs cannot escape the legal consequence of a transaction entered into by their predecessor-in-interest because they have inherited the property subject to the liability affecting their common ancestor. Being heirs, there is privity of interest between them and their deceased mother. They only succeed to what rights their mother had and what is valid and binding against her is also valid and binding as against them. The death of a party does not excuse nonperformance of a contract which involves a property right and the rights and obligations thereunder pass to the personal representatives of the deceased. Similarly, nonperformance is not excused by the death of the party when the other party has a property interest in the subject matter of the contract.[34]

In the end, despite the death of the petitioners' mother, they are still bound to comply with the provisions of the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981. Consequently, they must reconvey to herein respondents Spouses Lumbao the 107-square meter lot which they bought from Rita, petitioners' mother. And as correctly ruled by the appellate court, petitioners must pay respondents Spouses Lumbao attorney's fees and litigation expenses for having been compelled to litigate and incur expenses to protect their interest.[35] On this

matter, we do not find reasons to reverse the said findings.

WHEREFORE, premises considered, the instant Petition is hereby DENIED. The Decision and Resolution of the Court of Appeals dated 8 June 2005 and 29 July 2005, respectively, are hereby AFFIRMED. Herein petitioners are ordered to reconvey to respondents Spouses Lumbao the subject property and to pay the latter attorney's fees and litigation expenses. Costs against petitioners.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Callejo, Sr., and Nachura, JJ., concur.

[1] Penned by Associate Justice Martin S. Villarama, Jr. with Associate Justices Lucas P. Bersamin and Lucenito N. Tagle, concurring, rollo, pp. 47-62.

[2] Id. at 64.

[3] Penned by Judge Ma. Cristina C. Estrada, rollo, pp. 103-114.

[4] Id. at 73-74.

[5] Id. at 77-78.

[6] Id. at 80-82.

[7] Id. at 83.

[8] Id. at 84-86.

[9] Id. at 66-72.

[10] A decree, "Establishing a System of Amicably Settling Disputes at the Barangay Level."

[11] Rollo, p. 114.

[12] Id. at 61.

[13] Almendrala v. Ngo, G.R. No. 142408, 30 September 2005, 471 SCRA 311, 322.

[14] Recognized exceptions to this rule are: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on misapprehension of facts; (5) when the finding of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellee and the appellant; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion [Langkaan Realty Development, Inc. v. United Coconut Planters Bank, G.R. No. 139437, 8 December 2000, 347 SCRA 542; Nokom v. National Labor Relations Commissions, 390 Phil. 1228, 1243 (2000); Commissioner of Internal Revenue v. Embroidery and Garments Industries (Phils.), Inc., 364 Phil. 541, 546-547 (1999); Sta. Maria v. Court of Appeals, 349 Phil. 275, 282-283 (1998); Almendrala v. Ngo, G.R. No. 142408, 30 September 2005, 471 SCRA 311, 322].

[15] Guidelines on the Katarungang Pambarangay Conciliation Procedure to Prevent Circumvention of the Revised Katarungang Pambarangay Law [Sections 399-442, Chapter VII, Title I, Book III, R.A. No. 7160, otherwise known as the Local Government Code of 1991] issued by the Supreme Court on 15 July 1993.

[16] *Royales v. Intermediate Appellate Court*, G.R. No. L-65072, 31 January 1984, 127 SCRA 470, 473-474.

[17] *Sta. Rosa Realty Development Corporation v. Amante*, G.R. No. 112526, 16 March 2005, 453 SCRA 432, 477.

[18] *Bañares II v. Balising*, G.R. No. 132624, 13 March 2000, 328 SCRA 36, 50-51.

[19] *Rollo*, pp. 87, 97.

[20] TSN, 12 September 1996. Records, pp. 13-14.

[21] *Atillo III v. Court of Appeals*, G.R. No. 119053, 23 January 1997, 266 SCRA 596, 604.

[22] *Id.* at 605.

[23] *Rollo*, p. 55.

[24] *Id.* at 55-56.

[25] Rule 132, Section 19(b) of the Revised Rules on Evidence.

[26] *Id.*, Section 23 of the Revised Rules on Evidence; *Medina v. Greenfield Development Corporation*, G.R. No. 140228, 19 November 2004, 443 SCRA 150, 160; *Agasen v. Court of Appeals*, G.R. No. 115508, 15 February 2000, 325 SCRA 504, 511.

[27] *Medina v. Greenfield Development Corporation*, *id.*

[28] *Barcenas v. Tomas*, G.R. No. 150321, 31 March 2005, 454 SCRA 593, 610-611.

[29] *Heirs of the Late Spouses Aurelio and Esperanza Balite v. Lim*, G.R. No. 152168, 10 December 2004, 446 SCRA 56, 71.

[30] *Heirs of Pomposa Saludaes v. Court of Appeals*, G.R. No. 128254, 16 January 2004, 420 SCRA 51, 56-58.

[31] *Heirs of Eduardo Manlapat v. Court of Appeals*, G.R. No. 125585, 8 June 2005, 459 SCRA 412, 426.

[32] Art. 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

[33] *Tanay Recreation Center and Development Corp. v. Fausto*, G.R. No. 140182, 12 April 2005, 455 SCRA 436, 446

[34] *DKC Holdings Corporation v. Court of Appeals*, G.R. No. 118248, 5 April 2000, 329 SCRA 666, 674-675.

[35] Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs cannot be recovered, except:

(1) x x x

(2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;

(3) x x x

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