

**SPS. ERNESTO V. YU AND ELSIE ONG YU, PETITIONERS, VS.
BALTAZAR N. PACLEB, (SUBSTITUTED BY ANTONIETA S. PACLEB,
LORNA PACLEB- GUERRERO, FLORENCIO C. PACLEB, AND MYRLA C.
PACLEB),...**

G.R. No. 172172. February 24, 2009

Ponente: PUNO, C.J.

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PUNO, C.J.:

Before the Court is a Petition filed under Rule 45 of the Rules of Court assailing: (i) the Decision[1] dated August 31, 2005 of the Court of Appeals in CA-G.R. CV No. 78629 setting aside the Decision[2] dated December 27, 2002 of the Regional Trial Court in Civil Case No. 1325-96; and (ii) the Resolution[3] dated April 3, 2006 of the Court of Appeals denying reconsideration of the said decision.

The facts are well established.

Respondent Baltazar N. Pacleb and his late first wife, Angelita Chan, are the registered owners of an 18,000-square meter parcel of land in Barrio Langcaan, Dasmariñas, Cavite, covered by Transfer Certificate of Title (TCT) No. T-118375[4] (Langcaan Property).

In 1992, the Langcaan Property became the subject of three (3) documents purporting to transfer its ownership. On February 27, 1992, a Deed of Absolute Sale[5] was entered into between Spouses Baltazar N. Pacleb and Angelita Chan and Rebecca Del Rosario. On May 7, 1992, a Deed of Absolute Sale[6] was entered into between Rebecca Del Rosario and Ruperto L. Javier (Javier). On November 10, 1992, a Contract to Sell[7] was entered into between Javier and petitioner spouses Ernesto V. Yu and Elsie Ong Yu. In their contract, petitioner spouses Yu agreed to pay Javier a total consideration of P900,000. Six hundred thousand pesos (P600,000) (consisting of P200,000 as previous payment and P400,000 to be paid upon execution of the contract) was acknowledged as received by Javier and P300,000 remained as balance. Javier undertook to deliver possession of the Langcaan Property and to sign a deed of absolute sale within thirty (30) days from execution of the contract.

All the aforementioned sales were not registered.

On April 23, 1993, petitioner spouses Yu filed with the Regional Trial Court of Imus, Cavite, a Complaint[8] for specific performance and damages against Javier, docketed as Civil Case No. 741-93, to compel the latter to deliver to them ownership and possession, as well as title to the Langcaan Property. In their Complaint, they alleged that Javier represented to them that the Langcaan Property was not tenanted. However, after they already paid P200,000 as initial payment and entered into an Agreement dated September 11, 1992 for the sale of the Langcaan Property, they discovered it was tenanted by Ramon C. Pacleb (Ramon).[9] Petitioner spouses demanded the cancellation of their agreement and the return of their initial payment. Thereafter, petitioner spouses and Javier verified from Ramon if he was willing to vacate the property and the latter was agreeable. Javier then promised to make arrangements with Ramon to vacate the property and to pay the latter his

disturbance compensation. Hence, they proceeded to enter into a Contract to Sell canceling the Agreement mentioned. However, Javier failed to comply with his obligations.

Javier did not appear in the proceedings and was declared in default. On September 8, 1994, the trial court rendered a Decision,[10] the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered for the plaintiff and against the defendant based on the sale of subject parcel of land to the former who is entitled thereby to the ownership and possession thereof from the said defendant who is further directed to pay damages of Thirty Thousand Pesos (P30,000.00) including attorney's fees and expenses incurred by the plaintiff in this case as a consequence.

The defendant is further directed to deliver the certificate of title of the land to the plaintiff who is entitled to it as transferee and new owner thereof upon payment by the plaintiff of his balance of the purchase price in the sum of Three Hundred Thousand Pesos (P300,000.00) with legal interest from date.

SO ORDERED.

The said Decision and its Certificate of Finality[11] were annotated on TCT No. T-118375 as Entry No. 2676-75[12] and Entry No. 2677-75,[13] respectively.

On March 10, 1995, petitioner spouses and Ramon and the latter's wife, Corazon Bodino, executed a "Kusangloob na Pagsasauli ng Lupang Sakahan at Pagpapahayag ng Pagtalikod sa Karapatan." [14] Under the said agreement, petitioner spouses paid Ramon the amount of P500,000 in exchange for the waiver of his tenancy rights over the Langaan Property.

On October 12, 1995, respondent filed a Complaint[15] for annulment of deed of sale and other documents arising from it, docketed as Civil Case No. 1199-95. He alleged that the deed of sale purportedly executed between him and his late first wife and Rebecca Del Rosario was spurious as their signatures thereon were forgeries. Respondent moved to have summons served upon Rebecca Del Rosario by publication since the latter's address could not be found. The trial court, however, denied his motion.[16] Respondent then moved to dismiss the case, and the trial court granted the motion in its Order[17] dated April 11, 1996, dismissing the case without prejudice.

Meanwhile, on November 23, 1995, petitioner spouses filed an action for forcible entry against respondent with the Municipal Trial Court (MTC). They alleged that they had prior physical possession of the Langaan Property through their trustee, Ramon, until the latter was ousted by respondent in September 1995. The MTC ruled in favor of petitioner spouses, which decision was affirmed by the Regional Trial Court.[18] However, the Court of Appeals set aside the decisions of the lower courts and found that it was respondent who had prior physical possession of the property as shown by his payment of real estate taxes thereon.[19]

On May 29, 1996, respondent filed the instant case for removal of cloud from title with damages to cancel Entry No. 2676-75 and Entry No. 2677-75, the annotated Decision in Civil Case No. 741-93 and its Certificate of Finality, from the title of the Langaan Property.[20] Respondent alleged that the deed of sale between him and his late first wife and Rebecca Del Rosario, who is not known to them, could not have been possibly executed on February 27, 1992, the date appearing thereon. He alleged that on said date, he was residing in the United States[21] and his late first wife, Angelita Chan, died twenty (20) years ago.[22]

On May 28, 1997, during the pendency of the instant case before the trial court, respondent died without having testified on the merits of his case. Hence, he was substituted by his surviving spouse, Antonieta S. Pacleb, and Lorna Pacleb-Guerrero, Florencio C. Pacleb and Myrla C. Pacleb representing the children with the first wife.[23]

On December 27, 2002, the trial court dismissed respondent's case and held that petitioner spouses are purchasers in good faith.[24] The trial court ratiocinated that the dismissal of respondent's complaint for annulment of the

successive sales at his instance "sealed the regularity of the purchase"[25] by petitioner spouses and that he "in effect admits that the said sale...was valid and in order."[26] Further, the trial court held that the Decision in Civil Case No. 741-93 on petitioner spouses' action for specific performance against Javier is already final and can no longer be altered. Accordingly, the trial court ordered the cancellation of TCT No. T-118375 in the name of respondent and the issuance of a new title in the name of petitioner spouses. The trial court also ordered the heirs of respondent and all persons claiming under them to surrender possession of the Langaan Property to petitioner spouses.

On appeal by respondent, the Court of Appeals reversed and set aside the decision of the trial court.[27] The Court of Appeals ruled that petitioner spouses are not purchasers in good faith and that the Decision in Civil Case No. 741-93 did not transfer ownership of the Langaan Property to them. Accordingly, the appellate court ordered the cancellation of the annotation of the Decision in Civil Case No. 741-93 on the title of the Langaan Property. The Court of Appeals denied reconsideration of said decision.[28]

Hence, this Petition.

Two issues are involved in the instant petition. The first is whether petitioner spouses are innocent purchasers for value and in good faith. The second is whether ownership over the Langaan Property was properly vested in petitioner spouses by virtue of the Decision in Civil Case No. 741-93.

Petitioner spouses argue that they are purchasers in good faith. Further, they contend that the Court of Appeals erred in finding that: "Ramon told him [Ernesto V. Yu] that the property is owned by his father, Baltazar, and that he is the mere caretaker thereof"[29] since Ramon clarified that his father was the former owner of the Langaan Property. In support of their stance, they cite the following testimony of petitioner Ernesto V. Yu:

Atty. Abalos:

Mr. Witness, you testified during the direct that you acquired the subject property from one Ruperto Javier, when for the first time have you come to know Mr. Ruperto Javier?

A:

I first came to know him in the year 1992 when he was accompanied by Mr. Kalagayan. He showed me some papers to the office.

Q:

Do you know the exact date Mr. Witness?

A:

I forgot the exact date, ma'am

Q:

.More or less can you estimate what month?

A:

Sometime in February or March 1992.

Q:

When you said that the subject property was offered to you for sale, what did you do Mr. Witness, in preparation for a transaction?

A:

I asked my lawyer Atty. Florencio Paredes to check and verify the Deed of Sale.

Q:

And after Atty. Florencio Paredes verified the document you decided to buy the property?

A:

No, ma'am. We visited the place.

Q:

When was that?

A:

I could not remember the exact date but I visited the place and I met the son, Ramon Pacleb. I went there in order to verify if the property is existing. When I verified that the property is existing Mr. Javier visited me again to follow-up what decision I have but I told him that I will wait for my lawyer's advi[c]e.

Q:

Mr. Witness, what particular instruction did you give to your lawyer?

A:

To verify the title and the documents.

Court:

Documents for the title?

A:

Yes, Your Honor.

Atty. Abalos:

When you were able to get the title in whose name the title was registered?

A:

It was registered in the name of the older Pacleb.

Court:

By the way Mr. Witness, when you said you met Ramon Pacleb the son of the owner of the property, was he residing there or he was (sic) just went there? When you visited the property did you find him to be residing in that property?

A:

No, Your Honor.

Atty. Abalos:

You mean to say Mr. Witness, you just met Mr. Ramon Pacleb in the place at the time you went there?

A:

No, ma'am. He went to my office with Mr. Kalagayan. He was introduced to me at the Kelly Hardware. I do not know Mr. Ruperto Javier. He told me that there is a property that [is] tenanted and occupied by the son Ramon Pacleb after that I went with them to visit the place. On (sic) there he introduced me [to] Mr. Ramon Pacleb the caretaker of the property and I told them that I will still look at the property and he gave me some documents and that (sic) documents I gave it to my lawyer for verification.

Q:

You said that Mr. Ruperto Javier went to your office with Mr. Kalagayan, so the first time you visited the property you did not see Mr. Ramon Pacleb there?

A:

No, ma'am. When I went there I met Ramon Pacleb the caretaker and he was the one who showed the place to us.

Q:

Mr. Witness, since you visited the place you were able to see the allege[d] caretaker Mr. Ramon Pacleb, did you ask him regarding the property or the whereabouts of the registered owner, did you ask him?

A:

When Ruperto introduced me to Mr. Ramon Pacleb he told me that he is the son of the owner and he is the caretaker and his father is in the States. He showed me the place, I verified and I saw the monuments and I told him I will come back to check the papers and if it is okay I will bring with me the surveyor.

Q:

Could you estimate Mr. Witness, more or less what was the month when you were able to talk to Mr. Ramon Pacleb?

A:

I am not sure but it was morning of February.

Q:

So it was in February, Mr. Witness?

A:

I am not sure if February or March.

Q:

But definitely..

A:

Before I purchased the property I checked the property.

Q:

But that was definitely after Mr. Ruperto offered to you for sale the subject property?

x x x

Atty. Abalos:

Okay, Mr. Witness, you said that you talked to Mr. Ramon Pacleb and he told you that his father is the owner of the property?

A:

He told me that property is their former property and it was owned by them. Now, he is the tenant of the property.[30] (Emphasis ours)

Petitioner spouses conclude that based on their personal inspection of the property and the representations of the registered tenant thereon, they had no reason to doubt the validity of the deeds of absolute sale since these were duly notarized. Consequently, the alleged forgery of Angelita Chan's signature is of no moment since they had no notice of any claim or interest of some other person in the property despite their diligent inquiry.

We find petitioner spouses' contentions without merit.

At the outset, we note that in petitioner Ernesto V. Yu's testimony, he stated that he inspected the Langaan Property and talked with the tenant, Ramon, before he purchased the same. However, in his Complaint for specific performance and damages which he filed against Javier, he alleged that it was only after he had entered into an Agreement for the sale of the property and his initial payment of P200,000 that he discovered that the property was indeed being tenanted by Ramon who lives in the said farm, viz.:

8. Sometime on September 11, 1992, defendant came again to the Office of plaintiff reiterating his offer to sell said Lot No. 6853-D, containing an area of 18,000 square meters, at P75.00 per square meters (sic). Defendant manifested to the plaintiff that if his offer is acceptable to the plaintiff, he binds and obligates himself to pay the capital gains of previous transactions with the BIR and register subject Lot No. 6853-D in his name (defendant). On these conditions, plaintiff accepted the offer and made [the] initial payment of Two Hundred Thousand Pesos (P200,000.00) to defendant by issuance and delivery of plaintiff's personal check.

9. Sometime on September 11, 1992, plaintiff and defendant signed an AGREEMENT on the sale of Lot No. 6853-D of the subdivision plan (LRC) Psd-282604, containing an area of 18,000 square meters, more or less, located at Bo. Langaan, Municipality of Dasmarinas, Province of Cavite, at a selling price of P75.00 per square meter. A xerox copy of this AGREEMENT signed by the parties thereto is hereto attached and marked as ANNEX "D" of this complaint.

10. Thereafter, however, plaintiff and defendant, with their surveyor discovered that subject Lot No. 6853-D offered for sale to the plaintiff is indeed being tenanted by one RAMON PACLEB who lives in the said farm.

11. In view of the foregoing developments, plaintiff informed defendant that he wanted the Agreement be cancelled and for the defendant to return the sum of TWO HUNDRED THOUSAND PESOS (P200,000.00).[31] (Emphasis supplied)

This inconsistency casts grave doubt as to whether petitioner spouses personally inspected the property before purchasing it.

More importantly, however, several facts should have put petitioner spouses on inquiry as to the alleged rights of their vendor, Javier, over the Langaan Property.

First, it should be noted that the property remains to be registered in the name of respondent despite the two (2) Deeds of Absolute Sale[32] purporting to transfer the Langaan Property from respondent and his late first wife, Angelita Chan, to Rebecca Del Rosario then from the latter to Javier. Both deeds were not even annotated in the title of the Langaan Property.

Second, a perusal of the two deeds of absolute sale reveals that they were executed only about two (2) months

apart and that they contain identical provisions.

Third, it is undisputed that the Langcaan Property is in the possession of Ramon, the son of the registered owner. Regardless of the representations given by the latter, this bare fact alone should have made petitioner spouses suspicious as to the veracity of the alleged title of their vendor. Moreover, as noted by the Court of Appeals, petitioner spouses could have easily verified the true status of the Langcaan Property from Ramon's wife, since the latter is their relative, as averred in paragraph 13 of their Answer in Civil Case No. 1199-95.[33] The case law is well settled, viz.:

The law protects to a greater degree a purchaser who buys from the registered owner himself. Corollarily, it requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is not the registered owner is expected to examine not only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land.

This Court has consistently applied the stricter rule when it comes to deciding the issue of good faith of one who buys from one who is not the registered owner, but who exhibits a certificate of title.[34] (Emphasis supplied)

Finally, as correctly pointed out by the Court of Appeals, the dismissal of Civil Case No. 1199-95 (the action to annul the successive sales of the property) cannot serve to validate the sale to petitioner spouses since the dismissal was ordered because Rebecca Del Rosario and Javier could no longer be found. Indeed, the dismissal was without prejudice.

Based on the foregoing, therefore, petitioner spouses cannot be considered as innocent purchasers in good faith.

We now go to the second issue.

Petitioner spouses argue that the decision of the Regional Trial Court in Civil Case No. 741-93 as to the rightful owner of the Langcaan Property is conclusive and binding upon respondent even if the latter was not a party thereto since it involved the question of possession and ownership of real property, and is thus not merely an action in personam but an action quasi in rem.

In *Domagas v. Jensen*,[35] we distinguished between actions in personam and actions quasi in rem.

The settled rule is that the aim and object of an action determine its character. Whether a proceeding is in rem, or in personam, or quasi in rem for that matter, is determined by its nature and purpose, and by these only. A proceeding in personam is a proceeding to enforce personal rights and obligations brought against the person and is based on the jurisdiction of the person, although it may involve his right to, or the exercise of ownership of, specific property, or seek to compel him to control or dispose of it in accordance with the mandate of the court. The purpose of a proceeding in personam is to impose, through the judgment of a court, some responsibility or liability directly upon the person of the defendant. Of this character are suits to compel a defendant to specifically perform some act or actions to fasten a pecuniary liability on him. An action in personam is said to be one which has for its object a judgment against the person, as distinguished from a judgment against the propriety (sic) to determine its state. It has been held that an action in personam is a proceeding to enforce personal rights or obligations; such action is brought against the person.

x x x

On the other hand, a proceeding quasi in rem is one brought against persons seeking to subject the property of such persons to the discharge of the claims assailed. In an action quasi in rem, an individual is named as defendant and the purpose of the proceeding is to subject his interests therein to the obligation or loan

burdening the property. Actions quasi in rem deal with the status, ownership or liability of a particular property but which are intended to operate on these questions only as between the particular parties to the proceedings and not to ascertain or cut off the rights or interests of all possible claimants. The judgments therein are binding only upon the parties who joined in the action.

Civil Case No. 741-93 is an action for specific performance and damages filed by petitioner spouses against Javier to compel performance of the latter's undertakings under their Contract to Sell. As correctly held by the Court of Appeals, its object is to compel Javier to accept the full payment of the purchase price, and to execute a deed of absolute sale over the Langcaan Property in their favor. The obligations of Javier under the contract to sell attach to him alone, and do not burden the Langcaan Property.[36]

We have held in an unbroken string of cases that an action for specific performance is an action in personam.[37] In *Cabutihan v. Landcenter Construction and Development Corporation*,[38] we ruled that an action for specific performance praying for the execution of a deed of sale in connection with an undertaking in a contract, such as the contract to sell, in this instance, is an action in personam.

Being a judgment in personam, Civil Case No. 741-93 is binding only upon the parties properly impleaded therein and duly heard or given an opportunity to be heard.[39] Therefore, it cannot bind respondent since he was not a party therein. Neither can respondent be considered as privy thereto since his signature and that of his late first wife, Angelita Chan, were forged in the deed of sale.

All told, we affirm the ruling of the Court of Appeals finding that, as between respondent and petitioner spouses, respondent has a better right over the Langcaan Property as the true owner thereof.

IN VIEW WHEREOF, the petition is DENIED. The decision of the Court of Appeals is affirmed. Costs against petitioners.

SO ORDERED.

Carpio, Corona, Leonardo-De Castro, and Brion, JJ., concur.

[1] Rollo, pp. 21-33; penned by Justice Santiago Javier Ranada and concurred in by Justices Marina L. Buzon and Mario L. Guariña III.

[2] *Id.* at 42-47; penned by Executive Judge Dolores L. Español, Regional Trial Court of Dasmariñas, Cavite, Branch 90.

[3] *Id.* at 35-41.

[4] Exhibit "A," records, pp. 223-224.

[5] Exhibit "1," *id.* at 290-291.

[6] Exhibit "2," *id.* at 292-293.

[7] Exhibit "4," *id.* at 296-298.

[8] Exhibit "6," *id.* at 302-307.

[9] *Id.* at 303-304.

[10] Exhibit "7," *id.* at 308-311.

- [11] Exhibit "8," id. at 312.
- [12] Exhibit "9-A," id. at 223.
- [13] Exhibit "9-B," id. at 223.
- [14] Exhibit "3," id. at 294-295.
- [15] Id. at 39-41.
- [16] Order dated March 7, 1996, Exhibit "6-C," id. at 209.
- [17] Exhibit "6-B," id. at 208.
- [18] Rollo, p. 25.
- [19] Decision dated March 18, 1997, Exhibit "D," id. at 91-95.
- [20] Complaint, id. at 1-5.
- [21] Exhibit "B," id. at 225-226.
- [22] Exhibit "D," id. at 231.
- [23] Order dated January 30, 1998, id. at 158-160.
- [24] Supra note 2.
- [25] Id. at 44.
- [26] Id. at 46.
- [27] Supra note 1.
- [28] Supra note 3.
- [29] Supra note 1 at 28.
- [30] TSN, July 3, 2001, pp. 2-7.
- [31] Exhibits "6-A" and 6-B," records, pp. 303-304.
- [32] Supra notes 5 & 6.
- [33] Supra note 1 at 28-29.
- [34] Revilla and Fajardo v. Galindez, 107 Phil. 480, 485 (1960).
- [35] G.R. No. 158407, January 17, 2005, 448 SCRA 663, 673-674.
- [36] Supra note 3 at 40-41.
- [37] La Tondeña Distillera v. Judge Ponferrada, 332 Phil. 593 (1996) ; Siasoco v. Court of Appeals, 362 Phil. 525 (1999); Jose v. Boyon, G.R. No. 147369, October 23, 2003, 414 SCRA 216.
- [38] 432 Phil. 927 (2002).
- [39] Ching v. Court of Appeals, G.R. No. 59731, January 11, 1990, 181 SCRA 9, 15-16.

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