

PACIFIC ACE FINANCE LTD. (PAFIN), PETITIONER, VS. EIJI YANAGISAWA, RESPONDENT.

G.R. No. 175303. April 11, 2012

Ponente: DEL CASTILLO, J.

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DEL CASTILLO, J.:

An undertaking not to dispose of a property pending litigation, made in open court and embodied in a court order, and duly annotated on the title of the said property, creates a right in favor of the person relying thereon. The latter may seek the annulment of actions that are done in violation of such undertaking.

Before us is a Petition for Review[1] of the August 1, 2006 Decision[2] of the Court of Appeals (CA) in CA-G.R. CV No. 78944, which held:

WHEREFORE, the Decision dated April 20, 2003 of the RTC, Branch 258, Parañaque City, is hereby ANNULLED and SET ASIDE and a new one entered annulling the Real Estate Mortgage executed on August 25, 1998 in favor of defendant Pacific Ace Finance Ltd.

SO ORDERED.[3]

Factual Antecedents

Respondent Eiji Yanagisawa (Eiji), a Japanese national, and Evelyn F. Castañeda (Evelyn), a Filipina, contracted marriage on July 12, 1989 in the City Hall of Manila.[4]

On August 23, 1995, Evelyn purchased a 152 square-meter townhouse unit located at Bo. Sto. Niño, Parañaque, Metro Manila (Parañaque townhouse unit).[5] The Registry of Deeds for Parañaque issued Transfer Certificate of Title (TCT) No. 99791 to “Evelyn P. Castañeda, Filipino, married to Ejie Yanagisawa, Japanese citizen[,] both of legal age.”[6]

In 1996, Eiji filed a complaint for the declaration of nullity of his marriage with Evelyn on the ground of bigamy (nullity of marriage case). The complaint, docketed as Civil Case No. 96-776, was raffled to Branch 149 of the Regional Trial Court of Makati (Makati RTC). During the pendency of the case, Eiji filed a Motion for the Issuance of a Restraining Order against Evelyn and an Application for a Writ of a Preliminary Injunction. He asked that Evelyn be enjoined from disposing or encumbering all of the properties registered in her name.

At the hearing on the said motion, Evelyn and her lawyer voluntarily undertook not to dispose of the properties registered in her name during the pendency of the case, thus rendering Eiji’s application and motion moot. On the basis of said commitment, the Makati RTC rendered the following Order dated October 2, 1996:

O R D E R

In view of the commitment made in open court by Atty. Lupo Leyva, counsel for the defendant [Evelyn], together with his client, the defendant in this case, that the properties registered in the name of the defendant

would not be disposed of, alienated or encumbered in any manner during the pendency of this petition, the Motion for the Issuance of a Restraining Order and Application for a Writ of a Preliminary Injunction scheduled today is hereby considered moot and academic.

SO ORDERED.[7] (Emphasis supplied.)

The above Order was annotated on the title of the Parañaque townhouse unit or TCT No. 99791, thus:

Entry No. 8729 – Order – issued by Hon. Josefina Guevara Salonga, Judge, RTC, Branch 149, Makati City, ordering the defendant in Civil Case No. 96-776 – entitled Eiji Yanagisawa, Plaintiff-versus-Evelyn Castañeda Yanagisawa, that the properties registered in the name of the defendant would not be disposed of, alienated or encumbered in any manner during the pendency of the petition, the Motion for the Issuance of a Restraining Order and Application for a Writ of Preliminary Injunction is hereby considered moot and academic.

Date of Instrument – October 2, 1996

Date of Inscription – March 17, 1997 – 11:21 a.m.[8] (Emphasis supplied.)

Sometime in March 1997, Evelyn obtained a loan of P500,000.00 from petitioner Pacific Ace Finance Ltd. (PAFIN).[9] To secure the loan, Evelyn executed on August 25, 1998 a real estate mortgage (REM)[10] in favor of PAFIN over the Parañaque townhouse unit covered by TCT No. 99791. The instrument was submitted to the Register of Deeds of Parañaque City for annotation on the same date.[11]

At the time of the mortgage, Eiji's appeal in the nullity of marriage case was pending before the CA.[12] The Makati RTC had dissolved Eiji and Evelyn's marriage,[13] and had ordered the liquidation of their registered properties, including the Parañaque townhouse unit, with its proceeds to be divided between the parties.[14] The Decision of the Makati RTC did not lift or dissolve its October 2, 1996 Order on Evelyn's commitment not to dispose of or encumber the properties registered in her name.

Eiji learned of the REM upon its annotation on TCT No. 99791. Deeming the mortgage as a violation of the Makati RTC's October 2, 1996 Order, Eiji filed a complaint for the annulment of REM (annulment of mortgage case) against Evelyn and PAFIN.[15] The complaint, docketed as Civil Case No. 98-0431, was raffled to Branch 258 of the Regional Trial Court of Parañaque City (Parañaque RTC).

For its defense, PAFIN denied prior knowledge of the October 2, 1996 Order against Evelyn. It admitted, however, that it did not conduct any verification of the title with the Registry of Deeds of Parañaque City "because x x x Evelyn was a good, friendly and trusted neighbor." [16] PAFIN maintained that Eiji has no personality to seek the annulment of the REM because a foreign national cannot own real properties located within the Philippines.[17]

Evelyn also denied having knowledge of the October 2, 1996 Order.[18] Evelyn asserted that she paid for the property with her own funds[19] and that she has exclusive ownership thereof. [20]

Parañaque Regional Trial Court Decision[21]

The Parañaque RTC determined that the only issue before it is "whether x x x [Eiji] has a cause of action against the defendants and x x x is entitled to the reliefs prayed for despite the fact that he is not the registered owner of the property being a Japanese national." [22]

The Parañaque RTC explained that Eiji, as a foreign national, cannot possibly own the mortgaged property. Without ownership, or any other law or contract binding the defendants to him, Eiji has no cause of action that may be asserted against them.[23] Thus, the Parañaque RTC dismissed Eiji's complaint:

WHEREFORE, premises considered, for failure of the plaintiff to state a cause of action against defendants, EVELYN CASTAÑEDA YANAGISAWA and Pacific Ace Finance Ltd. (PAFIN), this case is DISMISSED.

The counterclaim and cross-claim are likewise DISMISSED.

SO ORDERED.[24]

Eiji appealed the trial court's decision arguing that the trial court erred in holding that his inability to own real estate property in the Philippines deprives him of all interest in the mortgaged property, which was bought with his money. He added that the Makati RTC has even recognized his contribution in the purchase of the property by its declaration that he is entitled to half of the proceeds that would be obtained from its sale.

Eiji also emphasized that Evelyn had made a commitment to him and to the Makati RTC that she would not dispose of, alienate, or encumber the properties registered in her name while the case was pending. This commitment incapacitates Evelyn from entering into the REM contract.

Court of Appeals Decision[25]

The CA found merit in Eiji's appeal.

The CA noted that the Makati RTC ruled on Eiji's and Evelyn's ownership rights over the properties that were acquired during their marriage, including the Parañaque townhouse unit. It was determined therein that the registered properties should be sold at public auction and the proceeds thereof to be divided between Eiji and Evelyn.[26]

Contrary to this ruling, the Parañaque RTC ruled that Eiji has no ownership rights over the Parañaque townhouse unit in light of the constitutional prohibition on foreign ownership of lands and that the subject property is Evelyn's exclusive property.[27]

The appellate court determined that the Parañaque RTC's Decision was improper because it violated the doctrine of non-interference. Courts of equal jurisdiction, such as regional trial courts, have no appellate jurisdiction over each other.[28] For this reason, the CA annulled and set aside the Parañaque RTC's decision to dismiss Eiji's complaint.[29]

The CA then proceeded to resolve Eiji's complaint.[30] The CA noted that Eiji anchored his complaint upon Evelyn's violation of her commitment to the Makati RTC and to Eiji that she would not dispose of, alienate, or encumber the properties registered in her name, including the Parañaque townhouse unit. This commitment created a right in favor of Eiji to rely thereon and a correlative obligation on Evelyn's part not to encumber the Parañaque townhouse unit. Since Evelyn's commitment was annotated on TCT No. 99791, all those who deal with the said property are charged with notice of the burdens on the property and its registered owner.[31]

On the basis of Evelyn's commitment and its annotation on TCT No. 99791, the CA determined that Eiji has a cause of action to annul the REM contract. Evelyn was aware of her legal impediment to encumber and dispose of the Parañaque townhouse unit. Meanwhile, PAFIN displayed a wanton disregard of ordinary prudence when it admitted not conducting any verification of the title whatsoever. The CA determined that PAFIN was a mortgagee in bad faith.[32]

Thus, the CA annulled the REM executed by Evelyn in favor of PAFIN.

The parties to the annulled mortgage filed separate motions for reconsideration on August 22, 2006,[33] which were both denied for lack of merit by the appellate court in its November 7, 2006 Resolution.[34]

PAFIN filed this petition for review.

Petitioner's Arguments

Petitioner seeks a reversal of the CA Decision, which allegedly affirmed the

Makati RTC ruling that Eiji is a co-owner of the mortgaged property. PAFIN insists that the CA sustained a violation of the constitution with its declaration that an alien can have an interest in real property located in the Philippines.[35]

Petitioner also seeks the reinstatement of the Parañaque RTC's Decision dated April 20, 2003[36] and prays that this Court render a decision that Eiji cannot have ownership rights over the mortgaged property and that Evelyn enjoys exclusive ownership thereof. As the sole owner, Evelyn can validly mortgage the same to PAFIN without need of Eiji's consent. Corollarily, Eiji has no cause of action to seek the REM's annulment.[37]

Respondent's Arguments

Respondent argues that he has an interest to have the REM annulled on two grounds: First, Evelyn made a commitment in open court that she will not encumber the Parañaque townhouse unit during the pendency of the case. Second, the Makati RTC's decision declared that he is entitled to share in the proceeds of the Parañaque townhouse unit.[38]

Respondent also insists that petitioner is in bad faith for entering into the mortgage contract with Evelyn despite the annotation on TCT No. 99791 that Evelyn committed herself not to encumber the same.[39]

Issues

Petitioner raises the following issues:[40]

1. Whether a real property in the Philippines can be part of the community property of a Filipina and her foreigner spouse;
2. Whether a real property registered solely in the name of the Filipina wife is paraphernal or conjugal;
3. Who is entitled to the real property mentioned above when the marriage is declared void?
4. Whether the Parañaque RTC can rule on the issue of ownership, even as the same issue was already ruled upon by the Makati RTC and is pending appeal in the CA.

Our Ruling

The petition has no merit.

Contrary to petitioner's stance, the CA did not make any disposition as to who between Eiji and Evelyn owns the Parañaque townhouse unit. It simply ruled that the Makati RTC had acquired jurisdiction over the said question and should not have been interfered with by the Parañaque RTC. The CA only clarified that it was improper for the Parañaque RTC to have reviewed the ruling of a co-equal court.

The Court agrees with the CA. The issue of ownership and liquidation of properties acquired during the cohabitation of Eiji and Evelyn has been submitted for the resolution of the Makati RTC, and is pending[41] appeal before the CA. The doctrine of judicial stability or non-interference dictates that the assumption by the Makati RTC over the issue operates as an "insurmountable barrier" to the subsequent assumption by the Parañaque RTC.[42] By insisting on ruling on the same issue, the Parañaque RTC effectively interfered with the Makati RTC's resolution of the issue and created the possibility of conflicting decisions. *Cojuangco v. Villegas*[43] states: "The various branches of the [regional trial courts] of a province or city, having as they have the same or equal authority and exercising as they do concurrent and coordinate jurisdiction, should not, cannot

and are not permitted to interfere with their respective cases, much less with their orders or judgments. A contrary rule would obviously lead to confusion and seriously hamper the administration of justice.” The matter is further explained thus:

It has been held that "even in cases of concurrent jurisdiction, it is, also, axiomatic that the court first acquiring jurisdiction excludes the other courts."

In addition, it is a familiar principle that when a court of competent jurisdiction acquires jurisdiction over the subject matter of a case, its authority continues, subject only to the appellate authority, until the matter is finally and completely disposed of, and that no court of co-ordinate authority is at liberty to interfere with its action. This doctrine is applicable to civil cases, to criminal prosecutions, and to courts-martial. The principle is essential to the proper and orderly administration of the laws; and while its observance might be required on the grounds of judicial comity and courtesy, it does not rest upon such considerations exclusively, but is enforced to prevent unseemly, expensive, and dangerous conflicts of jurisdiction and of the process.[44]

Petitioner maintains that it was imperative for the Parañaque RTC to rule on the ownership issue because it was essential for the determination of the validity of the REM.[45]

The Court disagrees. A review of the complaint shows that Eiji did not claim ownership of the Parañaque townhouse unit or his right to consent to the REM as his bases for seeking its annulment. Instead, Eiji invoked his right to rely on Evelyn’s commitment not to dispose of or encumber the property (as confirmed in the October 2, 1996 Order of the Makati RTC), and the annotation of the said commitment on TCT No. 99791.

It was Evelyn and PAFIN that raised Eiji’s incapacity to own real property as their defense to the suit. They maintained that Eiji, as an alien incapacitated to own real estate in the Philippines, need not consent to the REM contract for its validity. But this argument is beside the point and is not a proper defense to the right asserted by Eiji. This defense does not negate Eiji’s right to rely on the October 2, 1996 Order of the Makati RTC and to hold third persons, who deal with the registered property, to the annotations entered on the title. Thus, the RTC erred in dismissing the complaint based on this defense.

Petitioner did not question the rest of the appellate court’s ruling, which held that Evelyn and PAFIN executed the REM in complete disregard and violation of the October 2, 1996 Order of the Makati RTC and the annotation on TCT No. 99791. It did not dispute the legal effect of the October 2, 1996 Order on Evelyn’s capacity to encumber the Parañaque townhouse unit nor the CA’s finding that petitioner is a mortgagee in bad faith.

The October 2, 1996 Order, embodying Evelyn’s commitment not to dispose of or encumber the property, is akin to an injunction order against the disposition or encumbrance of the property. Jurisprudence holds that all acts done in violation of a standing injunction order are voidable as to the party enjoined and third parties who are not in good faith.[46] The party, in whose favor the injunction is issued, has a cause of action to seek the annulment of the offending actions.[47] The following is instructive:

An injunction or restraining order must be obeyed while it remains in full force and effect until the injunction or restraining order has been set aside, vacated, or modified by the court which granted it, or until the order or decree awarding it has been reversed on appeal. The injunction must be obeyed irrespective of the ultimate validity of the order, and no matter how unreasonable and unjust the injunction may be in its terms.[48]

In view of the foregoing discussion, we find no need to discuss the other issues raised by the petitioner.

WHEREFORE, premises considered, the Petition is DENIED for lack of merit. The August 1, 2006 Decision of the Court of Appeals in CA-G.R. CV No. 78944 is AFFIRMED.

SO ORDERED.

Corona, C.J., (Chairperson), Leonardo-De Castro, Bersamin, and Villarama, Jr., JJ., concur.

[*] Also spelled as Ejie in some parts of the records.

[1] Rollo, pp. 3-21.

[2] CA rollo, pp. 101-112.

[3] Id. at 111.

[4] Records, Vol. 2, p. 425.

[5] Id. at 569-573.

[6] Id. at 470.

[7] Id. at 435 and 604.

[8] Records, Vol. 1, p. 98.

[9] Records, Vol 2, p. 574.

[10] Id. at 467-469.

[11] Id. at 601.

[12] CA Decision, p. 9; CA rollo, p. 109; Respondent's Memorandum, p. 4; rollo, p. 115.

[13] The dispositive portion reads:

WHEREFORE, plaintiff having established his case against defendant by preponderance of evidence, the marriage between plaintiff and defendant contracted on July 12, 1989 is hereby declared VOID AB INITIO. Accordingly, the absolute community of property existing between the parties is dissolved and in lieu thereof a regime of complete separation of property between the parties is established in accordance with the provisions of Chapter 6 of the Family Code, without prejudice to the rights previously acquired by creditors. Thus, the parties are declared co-owners of the following real estate properties, to wit:

- a) a parcel of land in Paranaque, Metro Manila covered by TCT No. 63782, registered on June 17, 1992;
- b) a parcel of land in Paranaque, Metro Manila covered by TCT No. 99791 registered on August 23, 1995; and
- c) a parcel of land in Pagbilao, Quezon covered by TCT No. T-295343 registered on October 20, 1994.

x x x x

Accordingly, let a copy of this Decision be duly recorded in the proper civil and property registries.

SO ORDERED. (RTC Decision in Civil Case No. 96-776, pp. 10-11; Records, Vol. 1, pp. 108-109)

[14] The Order reads thus:

Acting on plaintiff's Motion for Reconsideration dated February 9, 1998, which was opposed by the defendant through counsel considering that there was no conjugal partnership obtained that existed between plaintiff, their property relation has been governed by the rules of co-ownership under Article 148 of the Family Code. The Court finds no cogent reason to disturb its findings except that plaintiff being a foreigner is prohibited to own real property in the Philippines and that the said parcel of land enumerated in the said decision are hereby ordered sold

at public auction and the proceeds to be divided between plaintiff and defendant. (Defendant PAFIN's Comment, p. 2; Records, Vol. 2, p. 447.)

[15] Records, Vol. 1, pp. 1-7.

[16] PAFIN's Answer, p. 5; Records, Vol. 1, p. 141; Direct examination of Marietta Delos Santos, TSN dated December 1, 2000, pp. 25-27; Records, Vol. 1, pp. 966-968.

[17] PAFIN'S Answer, p. 6; Records, Vol. 1, p. 142.

[18] Answer of Evelyn Castaneda, p. 5; Records, Vol. 1, p. 204.

[19] Direct examination of Evelyn Castaneda, TSN dated September 5, 2001, pp. 13, 17-19.

[20] Answer of Evelyn Castaneda, p. 3; Records, Vol. 1, p. 202.

[21] Records, Vol. 3, pp. 726-732; penned by Judge Raul E. De Leon.

[22] RTC Decision, p. 5; Records, Vol. 3, p. 730.

[23] Id. at 7; id. at 732.

[24] Id.; id.

[25] CA rollo, pp. 101-112; penned by Associate Justice Estela M. Perlas-Bernabe (now a Member of this Court) and concurred in by Associate Justices Andres B. Reyes, Jr. and Hakim S. Abdulwahid.

[26] CA Decision, p. 6; CA rollo, p. 106.

[27] Id.; id.

[28] Id. at 8; id. at 108.

[29] Id. at 11; id. at 111.

[30] Id. at 8; id. at 108.

[31] Id. at 9; id. at 109.

[32] Id. at 10-11; id. at 110-111.

[33] CA rollo, pp. 116-122 and 123-125.

[34] Id. at 131.

[35] Petitioner's Memorandum, p. 14; rollo, p. 101.

[36] Id. at 21; id. at 108.

[37] Id. at 14-16; id. at 101-103.

[38] Respondent's Memorandum, pp. 6-7; id. at 117-118.

[39] Id. at 7-8; id. at 118-119.

[40] Petitioner's Memorandum, p. 12; id. at 99.

[41] Respondent claimed in his Comment (rollo, p. 70) and Memorandum (rollo, p. 118) that the Decision of the Makati RTC was affirmed by the CA. He further maintained that the Decision of the CA had already attained

finality (rollo, pp. 70 and 118). Notably, respondent did not attach a copy of the appellate court's decision or a certification to that effect to any of his pleadings. Thus, the Court cannot consider these bare factual assertions in its resolution of the instant case.

[42] *Panlilio v. Salonga*, G.R. No. 113087, June 27, 1994, 233 SCRA 476, 481-482.

[43] 263 Phil. 291, 297 (1990).

[44] *Lee v. Presiding Judge*, 229 Phil. 405, 414 (1986). Citations omitted.

[45] Petitioner's Memorandum, p.16; rollo, p. 103.

[46] *Air Materiel Wing Savings and Loan Association, Inc. v. Manay*, G.R. No. 175338, October 9, 2007, 535 SCRA 356, 375-377; *Lee v. Court of Appeals*, 528 Phil. 1050, 1070 (2006).

[47] *Air Materiel Wing Savings and Loan Association, Inc. v. Manay*, G.R. No. 175338, October 9, 2007, 535 SCRA 356, 375-377.

[48] *Id.* at 375.

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