

**ANTHONY ORDUÑA, DENNIS ORDUÑA, AND ANTONITA ORDUÑA,
PETITIONERS, VS. EDUARDO J. FUENTEBELLA, MARCOS S. CID,
BENJAMIN F. CID, BERNARD G. BANTA, AND ARMANDO GABRIEL, JR.,
RESPONDE...**

G.R. No. 176841. June 29, 2010

Ponente: VELASCO JR., J.

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VELASCO JR., J.:

In this Petition for Review[1] under Rule 45 of the Rules of Court, Anthony Orduña, Dennis Orduña and Antonita Orduña assail and seek to set aside the Decision[2] of the Court of Appeals (CA) dated December 4, 2006 in CA-G.R. CV No. 79680, as reiterated in its Resolution of March 6, 2007, which affirmed the May 26, 2003 Decision[3] of the Regional Trial Court (RTC), Branch 3 in Baguio City, in Civil Case No. 4984-R, a suit for annulment of title and reconveyance commenced by herein petitioners against herein respondents.

Central to the case is a residential lot with an area of 74 square meters located at Fairview Subdivision, Baguio City, originally registered in the name of Armando Gabriel, Sr. (Gabriel Sr.) under Transfer Certificate of Title (TCT) No. 67181 of the Registry of Deeds of Baguio City.[4]

As gathered from the petition, with its enclosures, and the comments thereon of four of the five respondents,[5] the Court gathers the following relevant facts:

Sometime in 1996 or thereabouts, Gabriel Sr. sold the subject lot to petitioner Antonita Orduña (Antonita), but no formal deed was executed to document the sale. The contract price was apparently payable in installments as Antonita remitted from time to time and Gabriel Sr. accepted partial payments. One of the Orduñas would later testify that Gabriel Sr. agreed to execute a final deed of sale upon full payment of the purchase price.[6]

As early as 1979, however, Antonita and her sons, Dennis and Anthony Orduña, were already occupying the subject lot on the basis of some arrangement undisclosed in the records and even constructed their house thereon. They also paid real property taxes for the house and declared it for tax purposes, as evidenced by Tax Declaration No. (TD) 96-04012-111087[7] in which they place the assessed value of the structure at PhP 20,090.

After the death of Gabriel Sr., his son and namesake, respondent Gabriel Jr., secured TCT No. T-71499[8] over the subject lot and continued accepting payments from the petitioners. On December 12, 1996, Gabriel Jr. wrote Antonita authorizing her to fence off the said lot and to construct a road in the adjacent lot.[9] On December 13, 1996, Gabriel Jr. acknowledged receipt of a PhP 40,000 payment from petitioners.[10] Through a letter[11] dated May 1, 1997, Gabriel Jr. acknowledged that petitioner had so far made an aggregate payment of PhP 65,000, leaving an outstanding balance of PhP 60,000. A receipt Gabriel Jr. issued dated November 24, 1997 reflected a PhP 10,000 payment.

Despite all those payments made for the subject lot, Gabriel Jr. would later sell it to Bernard Banta (Bernard) obviously without the knowledge of petitioners, as later developments would show.

As narrated by the RTC, the lot conveyance from Gabriel Jr. to Bernard was effected against the following backdrop: Badly in need of money, Gabriel Jr. borrowed from Bernard the amount of PhP 50,000, payable in two weeks at a fixed interest rate, with the further condition that the subject lot would answer for the loan in case of default. Gabriel Jr. failed to pay the loan and this led to the execution of a Deed of Sale[12] dated June 30, 1999 and the issuance later of TCT No. T-72782[13] for subject lot in the name of Bernard upon cancellation of TCT No. 71499 in the name of Gabriel, Jr. As the RTC decision indicated, the reluctant Bernard agreed to acquire the lot, since he had by then ready buyers in respondents Marcos Cid and Benjamin F. Cid (Marcos and Benjamin or the Cids).

Subsequently, Bernard sold to the Cids the subject lot for PhP 80,000. Armed with a Deed of Absolute Sale of a Registered Land[14] dated January 19, 2000, the Cids were able to cancel TCT No. T-72782 and secure TCT No. 72783[15] covering the subject lot. Just like in the immediately preceding transaction, the deed of sale between Bernard and the Cids had respondent Eduardo J. Fuentebella (Eduardo) as one of the instrumental witnesses.

Marcos and Benjamin, in turn, ceded the subject lot to Eduardo through a Deed of Absolute Sale[16] dated May 11, 2000. Thus, the consequent cancellation of TCT No. T-72782 and issuance on May 16, 2000 of TCT No. T-3276[17] over subject lot in the name of Eduardo.

As successive buyers of the subject lot, Bernard, then Marcos and Benjamin, and finally Eduardo, checked, so each claimed, the title of their respective predecessors-in-interest with the Baguio Registry and discovered said title to be free and unencumbered at the time each purchased the property. Furthermore, respondent Eduardo, before buying the property, was said to have inspected the same and found it unoccupied by the Orduñas.[18]

Sometime in May 2000, or shortly after his purchase of the subject lot, Eduardo, through his lawyer, sent a letter addressed to the residence of Gabriel Jr. demanding that all persons residing on or physically occupying the subject lot vacate the premises or face the prospect of being ejected.[19]

Learning of Eduardo's threat, petitioners went to the residence of Gabriel Jr. at No. 34 Dominican Hill, Baguio City. There, they met Gabriel Jr.'s estranged wife, Teresita, who informed them about her having filed an affidavit-complaint against her husband and the Cids for falsification of public documents on March 30, 2000. According to Teresita, her signature on the June 30, 1999 Gabriel Jr.-Bernard deed of sale was a forgery. Teresita further informed the petitioners of her intent to honor the aforementioned 1996 verbal agreement between Gabriel Sr. and Antonita and the partial payments they gave her father-in-law and her husband for the subject lot.

On July 3, 2001, petitioners, joined by Teresita, filed a Complaint[20] for Annulment of Title, Reconveyance with Damages against the respondents before the RTC, docketed as Civil Case No. 4984-R, specifically praying that TCT No. T-3276 dated May 16, 2000 in the name of Eduardo be annulled. Corollary to this prayer, petitioners pleaded that Gabriel Jr.'s title to the lot be reinstated and that petitioners be declared as entitled to acquire ownership of the same upon payment of the remaining balance of the purchase price therefor agreed upon by Gabriel Sr. and Antonita.

While impleaded and served with summons, Gabriel Jr. opted not to submit an answer.

Ruling of the RTC

By Decision dated May 26, 2003, the RTC ruled for the respondents, as defendants a quo, and against the petitioners, as plaintiffs therein, the dispositive portion of which reads:

WHEREFORE, the instant complaint is hereby DISMISSED for lack of merit. The four (4) plaintiffs are hereby ordered by this Court to pay each defendant (except Armando Gabriel, Jr., Benjamin F. Cid, and Eduardo J. Fuentebella who did not testify on these damages), Moral Damages of Twenty Thousand

(P20,000.00) Pesos, so that each defendant shall receive Moral Damages of Eighty Thousand (P80,000.00) Pesos each. Plaintiffs shall also pay all defendants (except Armando Gabriel, Jr., Benjamin F. Cid, and Eduardo J. Fuentebella who did not testify on these damages), Exemplary Damages of Ten Thousand (P10,000.00) Pesos each so that each defendant shall receive Forty Thousand (P40,000.00) Pesos as Exemplary Damages. Also, plaintiffs are ordered to pay each defendant (except Armando Gabriel, Jr., Benjamin F. Cid, and Eduardo J. Fuentebella who did not testify on these damages), Fifty Thousand (P50,000.00) Pesos as Attorney's Fees, jointly and solidarily.

Cost of suit against the plaintiffs.[21]

On the main, the RTC predicated its dismissal action on the basis of the following grounds and/or premises:

1. Eduardo was a purchaser in good faith and, hence, may avail himself of the provision of Article 1544[22] of the Civil Code, which provides that in case of double sale, the party in good faith who is able to register the property has better right over the property;
2. Under Arts. 1356[23] and 1358[24] of the Code, conveyance of real property must be in the proper form, else it is unenforceable;
3. The verbal sale had no adequate consideration; and
4. Petitioners' right of action to assail Eduardo's title prescribes in one year from date of the issuance of such title and the one-year period has already lapsed.

From the above decision, only petitioners appealed to the CA, their appeal docketed as CA-G.R. CV No. 79680.

The CA Ruling

On December 4, 2006, the appellate court rendered the assailed Decision affirming the RTC decision. The fallo reads:

WHEREFORE, premises considered, the instant appeal is hereby DISMISSED and the 26 May 2003 Decision of the Regional Trial Court, Branch 3 of Baguio City in Civil Case No. 4989-R is hereby AFFIRMED.

SO ORDERED.[25]

Hence, the instant petition on the submission that the appellate court committed reversible error of law:

1. xxx WHEN IT HELD THAT THE SALE OF THE SUBJECT LOT BY ARMANDO GABRIEL, SR. AND RESPONDENT ARMANDO GABRIEL, JR. TO THE PETITIONERS IS UNENFORCEABLE.
2. xxx IN NOT FINDING THAT THE SALE OF THE SUBJECT LOT BY RESPONDENT ARMANDO GABRIEL, JR. TO RESPONDENT BERNARD BANTA AND ITS SUBSEQUENT SALE BY THE LATTER TO HIS CO-RESPONDENTS ARE NULL AND VOID.
3. xxx IN NOT FINDING THAT THE RESPONDENTS ARE BUYERS IN BAD FAITH
4. xxx IN FINDING THAT THE SALE OF THE SUBJECT LOT BETWEEN GABRIEL, SR. AND RESPONDENT GABRIEL, JR. AND THE PETITIONERS HAS NO ADEQUATE CONSIDERATION.
5. xxx IN RULING THAT THE INSTANT ACTION HAD ALREADY PRESCRIBED.
6. xxx IN FINDING THAT THE PLAINTIFFS-APPELLANTS ARE LIABLE FOR MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES.[26]

The Court's Ruling

The core issues tendered in this appeal may be reduced to four and formulated as follows, to wit: first, whether or not the sale of the subject lot by Gabriel Sr. to Antonita is unenforceable under the Statute of Frauds; second, whether or not such sale has adequate consideration; third, whether the instant action has already prescribed; and, fourth, whether or not respondents are purchasers in good faith.

The petition is meritorious.

Statute of Frauds Inapplicable to Partially Executed Contracts

It is undisputed that Gabriel Sr., during his lifetime, sold the subject property to Antonita, the purchase price payable on installment basis. Gabriel Sr. appeared to have been a recipient of some partial payments. After his death, his son duly recognized the sale by accepting payments and issuing what may be considered as receipts therefor. Gabriel Jr., in a gesture virtually acknowledging the petitioners' dominion of the property, authorized them to construct a fence around it. And no less than his wife, Teresita, testified as to the fact of sale and of payments received.

Pursuant to such sale, Antonita and her two sons established their residence on the lot, occupying the house they earlier constructed thereon. They later declared the property for tax purposes, as evidenced by the issuance of TD 96-04012-111087 in their or Antonita's name, and paid the real estates due thereon, obviously as sign that they are occupying the lot in the concept of owners.

Given the foregoing perspective, Eduardo's assertion in his Answer that "persons appeared in the property"[27] only after "he initiated ejectment proceedings"[28] is clearly baseless. If indeed petitioners entered and took possession of the property after he (Eduardo) instituted the ejectment suit, how could they explain the fact that he sent a demand letter to vacate sometime in May 2000?

With the foregoing factual antecedents, the question to be resolved is whether or not the Statute of Frauds bars the enforcement of the verbal sale contract between Gabriel Sr. and Antonita.

The CA, just as the RTC, ruled that the contract is unenforceable for non-compliance with the Statute of Frauds.

We disagree for several reasons. Foremost of these is that the Statute of Frauds expressed in Article 1403, par. (2),[29] of the Civil Code applies only to executory contracts, i.e., those where no performance has yet been made. Stated a bit differently, the legal consequence of non-compliance with the Statute does not come into play where the contract in question is completed, executed, or partially consummated.[30]

The Statute of Frauds, in context, provides that a contract for the sale of real property or of an interest therein shall be unenforceable unless the sale or some note or memorandum thereof is in writing and subscribed by the party or his agent. However, where the verbal contract of sale has been partially executed through the partial payments made by one party duly received by the vendor, as in the present case, the contract is taken out of the scope of the Statute.

The purpose of the Statute is to prevent fraud and perjury in the enforcement of obligations depending for their evidence on the unassisted memory of witnesses, by requiring certain enumerated contracts and transactions to be evidenced by a writing signed by the party to be charged.[31] The Statute requires certain contracts to be evidenced by some note or memorandum in order to be enforceable. The term "Statute of Frauds" is descriptive of statutes that require certain classes of contracts to be in writing. The Statute does not deprive the parties of the right to contract with respect to the matters therein involved, but merely regulates the formalities of the contract necessary to render it enforceable.[32]

Since contracts are generally obligatory in whatever form they may have been entered into, provided all the essential requisites for their validity are present,[33] the Statute simply provides the method by which the contracts enumerated in Art. 1403 (2) may be proved but does not declare them invalid because they are not reduced to writing. In fine, the form required under the Statute is for convenience or evidentiary purposes only.

There can be no serious argument about the partial execution of the sale in question. The records show that petitioners had, on separate occasions, given Gabriel Sr. and Gabriel Jr. sums of money as partial payments of the purchase price. These payments were duly receipted by Gabriel Jr. To recall, in his letter of May 1, 1997, Gabriel, Jr. acknowledged having received the aggregate payment of PhP 65,000 from petitioners with the balance of PhP 60,000 still remaining unpaid. But on top of the partial payments thus made, possession of the subject of the sale had been transferred to Antonita as buyer. Owing thus to its partial execution, the subject sale is no longer within the purview of the Statute of Frauds.

Lest it be overlooked, a contract that infringes the Statute of Frauds is ratified by the acceptance of benefits under the contract.[34] Evidently, Gabriel, Jr., as his father earlier, had benefited from the partial payments made by the petitioners. Thus, neither Gabriel Jr. nor the other respondents--successive purchasers of subject lots--could plausibly set up the Statute of Frauds to thwart petitioners' efforts towards establishing their lawful right over the subject lot and removing any cloud in their title. As it were, petitioners need only to pay the outstanding balance of the purchase price and that would complete the execution of the oral sale.

There was Adequate Consideration

Without directly saying so, the trial court held that the petitioners cannot sue upon the oral sale since in its own words: "x x x for more than a decade, [petitioners] have not paid in full Armando Gabriel, Sr. or his estate, so that the sale transaction between Armando Gabriel Sr. and [petitioners] [has] no adequate consideration."

The trial court's posture, with which the CA effectively concurred, is patently flawed. For starters, they equated incomplete payment of the purchase price with inadequacy of price or what passes as lesion, when both are different civil law concepts with differing legal consequences, the first being a ground to rescind an otherwise valid and enforceable contract. Perceived inadequacy of price, on the other hand, is not a sufficient ground for setting aside a sale freely entered into, save perhaps when the inadequacy is shocking to the conscience.[35]

The Court to be sure takes stock of the fact that the contracting parties to the 1995 or 1996 sale agreed to a purchase price of PhP 125,000 payable on installments. But the original lot owner, Gabriel Sr., died before full payment can be effected. Nevertheless, petitioners continued remitting payments to Gabriel, Jr., who sold the subject lot to Bernard on June 30, 1999. Gabriel, Jr., as may be noted, parted with the property only for PhP 50,000. On the other hand, Bernard sold it for PhP 80,000 to Marcos and Benjamin. From the foregoing price figures, what is abundantly clear is that what Antonita agreed to pay Gabriel, Sr., albeit in installment, was very much more than what his son, for the same lot, received from his buyer and the latter's buyer later. The Court, therefore, cannot see its way clear as to how the RTC arrived at its simplistic conclusion about the transaction between Gabriel Sr. and Antonita being without "adequate consideration."

The Issues of Prescription and the Bona
Fides of the Respondents as Purchasers

Considering the interrelation of these two issues, we will discuss them jointly.

There can be no quibbling about the fraudulent nature of the conveyance of the subject lot effected by Gabriel Jr. in favor of Bernard. It is understandable that after his father's death, Gabriel Jr. inherited subject lot and for which he was issued TCT No. No. T-71499. Since the Gabriel Sr. - Antonita sales transaction called for payment of the

contract price in installments, it is also understandable why the title to the property remained with the Gabriels. And after the demise of his father, Gabriel Jr. received payments from the Orduñas and even authorized them to enclose the subject lot with a fence. In sum, Gabriel Jr. knew fully well about the sale and is bound by the contract as predecessor-in-interest of Gabriel Sr. over the property thus sold.

Yet, the other respondents (purchasers of subject lot) still maintain that they are innocent purchasers for value whose rights are protected by law and besides which prescription has set in against petitioners' action for annulment of title and reconveyance.

The RTC and necessarily the CA found the purchaser-respondents' thesis on prescription correct stating in this regard that Eduardo's TCT No. T-3276 was issued on May 16, 2000 while petitioners filed their complaint for annulment only on July 3, 2001. To the courts below, the one-year prescriptive period to assail the issuance of a certificate of title had already elapsed.

We are not persuaded.

The basic complaint, as couched, ultimately seeks the reconveyance of a fraudulently registered piece of residential land. Having possession of the subject lot, petitioners' right to the reconveyance thereof, and the annulment of the covering title, has not prescribed or is not time-barred. This is so for an action for annulment of title or reconveyance based on fraud is imprescriptible where the suitor is in possession of the property subject of the acts,[36] the action partaking as it does of a suit for quieting of title which is imprescriptible.[37] Such is the case in this instance. Petitioners have possession of subject lots as owners having purchased the same from Gabriel, Sr. subject only to the full payment of the agreed price.

The prescriptive period for the reconveyance of fraudulently registered real property is 10 years, reckoned from the date of the issuance of the certificate of title, if the plaintiff is not in possession, but imprescriptible if he is in possession of the property.[38] Thus, one who is in actual possession of a piece of land claiming to be the owner thereof may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right.[39] As it is, petitioners' action for reconveyance is imprescriptible.

This brings us to the question of whether or not the respondent-purchasers, i.e., Bernard, Marcos and Benjamin, and Eduardo, have the status of innocent purchasers for value, as was the thrust of the trial court's disquisition and disposition.

We are unable to agree with the RTC.

It is the common defense of the respondent-purchasers that they each checked the title of the subject lot when it was his turn to acquire the same and found it clean, meaning without annotation of any encumbrance or adverse third party interest. And it is upon this postulate that each claims to be an innocent purchaser for value, or one who buys the property of another without notice that some other person has a right to or interest in it, and who pays therefor a full and fair price at the time of the purchase or before receiving such notice.[40]

The general rule is that one dealing with a parcel of land registered under the Torrens System may safely rely on the correctness of the certificate of title issued therefor and is not obliged to go beyond the certificate.[41] Where, in other words, the certificate of title is in the name of the seller, the innocent purchaser for value has the right to rely on what appears on the certificate, as he is charged with notice only of burdens or claims on the res as noted in the certificate. Another formulation of the rule is that (a) in the absence of anything to arouse suspicion or (b) except where the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or (c) when the purchaser has knowledge of a defect of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property,[42] said

purchaser is without obligation to look beyond the certificate and investigate the title of the seller.

Eduardo and, for that matter, Bernard and Marcos and Benjamin, can hardly claim to be innocent purchasers for value or purchasers in good faith. For each knew or was at least expected to know that somebody else other than Gabriel, Jr. has a right or interest over the lot. This is borne by the fact that the initial seller, Gabriel Jr., was not in possession of subject property. With respect to Marcos and Benjamin, they knew as buyers that Bernard, the seller, was not also in possession of the same property. The same goes with Eduardo, as buyer, with respect to Marcos and Benjamin.

Basic is the rule that a buyer of a piece of land which is in the actual possession of persons other than the seller must be wary and should investigate the rights of those in possession. Otherwise, without such inquiry, the buyer can hardly be regarded as a buyer in good faith. When a man proposes to buy or deal with realty, his duty is to read the public manuscript, i.e., to look and see who is there upon it and what his rights are. A want of caution and diligence which an honest man of ordinary prudence is accustomed to exercise in making purchases is, in contemplation of law, a want of good faith. The buyer who has failed to know or discover that the land sold to him is in adverse possession of another is a buyer in bad faith.[43]

Where the land sold is in the possession of a person other than the vendor, the purchaser must go beyond the certificates of title and make inquiries concerning the rights of the actual possessor.[44] And where, as in the instant case, Gabriel Jr. and the subsequent vendors were not in possession of the property, the prospective vendees are obliged to investigate the rights of the one in possession. Evidently, Bernard, Marcos and Benjamin, and Eduardo did not investigate the rights over the subject lot of the petitioners who, during the period material to this case, were in actual possession thereof. Bernard, et al. are, thus, not purchasers in good faith and, as such, cannot be accorded the protection extended by the law to such purchasers.[45] Moreover, not being purchasers in good faith, their having registered the sale, will not, as against the petitioners, carry the day for any of them under Art. 1544 of the Civil Code prescribing rules on preference in case of double sales of immovable property. *Oceña v. Esponilla*[46] laid down the following rules in the application of Art. 1544: (1) knowledge by the first buyer of the second sale cannot defeat the first buyer's rights except when the second buyer first register in good faith the second sale; and (2) knowledge gained by the second buyer of the first sale defeats his rights even if he is first to register, since such knowledge taints his registration with bad faith.

Upon the facts obtaining in this case, the act of registration by any of the three respondent-purchasers was not coupled with good faith. At the minimum, each was aware or is at least presumed to be aware of facts which should put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor.

The award by the lower courts of damages and attorney's fees to some of the herein respondents was predicated on the filing by the original plaintiffs of what the RTC characterized as an unwarranted suit. The basis of the award, needless to stress, no longer obtains and, hence, the same is set aside.

WHEREFORE, the petition is hereby GRANTED. The appealed December 4, 2006 Decision and the March 6, 2007 Resolution of the Court of Appeals in CA-G.R. CV No. 79680 affirming the May 26, 2003 Decision of the Regional Trial Court, Branch 3 in Baguio City are hereby REVERSED and SET ASIDE. Accordingly, petitioner Antonita Orduña is hereby recognized to have the right of ownership over subject lot covered by TCT No. T-3276 of the Baguio Registry registered in the name of Eduardo J. Fuentebella. The Register of Deeds of Baguio City is hereby ORDERED to cancel said TCT No. T-3276 and to issue a new one in the name of Armando Gabriel, Jr. with the proper annotation of the conditional sale of the lot covered by said title in favor of Antonita Orduña subject to the payment of the PhP 50,000 outstanding balance. Upon full payment of the purchase price by

Antonita Orduña, Armando Gabriel, Jr. is ORDERED to execute a Deed of Absolute Sale for the transfer of title of subject lot to the name of Antonita Orduña, within three (3) days from receipt of said payment.

No pronouncement as to costs.

SO ORDERED.

Corona, C.J., (Chairperson), Leonardo-De Castro, Del Castillo, and Perez, JJ., concur.

[1] Rollo, pp. 9-24, dated April 21, 2007.

[2] Id. at 25-35. Penned by Associate Justice Arturo G. Tayag and concurred in by Associate Justices Remedios A. Salazar-Fernando and Noel G. Tijam.

[3] Id. at 38-49. Penned by Presiding Judge Fernando Vil Pamintuan.

[4] Exh. "D".

[5] Respondent Gabriel, Jr. did not file his comment.

[6] RTC Decision, p. 5, Rollo, p. 42.

[7] Exh. "A".

[8] Records, p. 221.

[9] Exh. "H"

[10] Exh. "G".

[11] Exh. "E".

[12] Exh. "J". Records, p. 223. Also Exh. "1".

[13] Exh. "K".

[14] Records, p. 226.

[15] Exh. "M".

[16] Records, p. 230. Exh. "N".

[17] Id. at 232.

[18] Rollo, p. 40

[19] Id. at 39.

[20] Id. at 56-61.

[21] Supra note 3 at 48-49.

[22] Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.

Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith.

[23] Art. 1356. Contracts shall be obligatory, in whatever form they may have been entered into, provided all the essential requisites for their validity are present. However, when the law requires that a contract be in some form in order that it may be valid or enforceable, or that a contract to be proved in a certain way, that requirement is absolute and indispensable. In such cases, the right of the parties stated in the following article cannot be exercised.

[24] Art. 1358. The following must appear in a public document:

(1) Acts and contracts which have for their object the creation, transmission, modification or extinguishment of real rights over immovable property; sales of real property or of an interest therein are governed by Articles 1403, No. 2, and 1405;

x x x x

(4) The cession of actions or rights proceeding from an act appearing in a public document.

All other contracts where the amount involved exceeds Five hundred pesos must appear in writing even a private one. But sales of goods, chattels or things in action are governed by Articles 1403, No. 2 and 1405.

[25] Supra note 2 at 34-35.

[26] Supra note 1 at 14-15.

[27] Rollo, p. 40.

[28] Id.

[29] Art. 1403. The following contracts are unenforceable, unless they are ratified:

x x x

(2) Those that do not comply with the Statute of Frauds as set forth in this number. In the following cases an agreement hereafter made shall be unenforceable by action, unless the same, or some note or memorandum thereof, be in writing, and subscribed by the party charged, or by his agent; evidence, therefore, of the agreement cannot be received without the writing, or a secondary evidence of its contents:

xxxx

(e) An agreement for the leasing for a longer period than one year, or for the sale of real property or of an interest therein;

xxx

[30] *Arrogante v. Deliarte*, G.R. No. 152132, July 24, 2007, 528 SCRA 63, 74, citing *Averia v. Averia*, G.R. No. 141877, August 13, 2004, 436 SCRA 459, 466.

[31] *Asia Productions Co., Inc. v. Paño*, G.R. No. 51058, January 27, 1992, 205 SCRA 458, 465, citing *C.J.S.* 513; *Shoemaker v. La Tondeña*, 68 Phil. 24 (1939).

[32] *Rosencor Development Corporation v. Court of Appeals*, G.R. No. 140479, March 8, 2001, 354 SCRA 119, 127.

[33] Art. 1356, Civil Code.

[34] Article 1405, Civil Code, which states:

Contracts infringing the Statute of Frauds, referred to in No. 2 of Article 1403, are ratified by the failure to object to the presentation of oral evidence to prove the same, or by the acceptance of benefits under them.

[35] 4 Paras, CIVIL CODE OF THE PHILIPPINES ANNOTATED 723 (13[TH] ED., 1995).

[36] Llemos v. Llemos, G.R. No. 150162, January 26, 2007, 513 SCRA 128, 134; citing Occeña v. Esponilla, G.R. No. 156973, June 4, 2004, 431 SCRA 116, 126; and Delfin v. Billones, G.R. No. 146550, March 17, 2006, 485 SCRA 38, 47-48.

[37] Occeña v. Esponilla, G.R. No. 156973, June 4, 2004, 431 SCRA 116.

[38] Heirs of Salvador Hermosilla v. Remoquillo, G.R. No. 167320, January 30, 2007, 513 SCRA 403, 408-409.

[39] Id. at 409; citing Arlegui v. Court of Appeals, G.R. No. 126437, March 6, 2002, 378 SCRA 322, 324.

[40] Potenciano v. Reynoso, G.R. No. 140707, April 22, 2003, 401 SCRA 391, 401-402; citing Tsai v. Court of Appeals, G.R. No. 120109, October 2, 2001, 366 SCRA 324.

[41] Republic v. Mendoza, Sr., G.R. Nos. 153726 & 154014, March 28, 2007, 519 SCRA 203, 231.

[42] Sandoval v. Court of Appeals, G.R. No. 106657, August 1, 1996, 260 SCRA 283, 295.

[43] Embrado v. Court of Appeals, G.R. No. 51457, June 27, 1994, 233 SCRA 335, 347; citing J.M. Tuason & Co., Inc. v. Court of Appeals, No. L-41233, November 21, 1979, 94 SCRA 413, 422-423 and Angelo v. Pacheco, 56 Phil. 70 (1931).

[44] Heirs of Trinidad De Leon Vda. de Roxas v. Court of Appeals, G.R. No. 138660, February 5, 2004, 422 SCRA 101, 117; citing Development Bank of the Philippines v. Court of Appeals, G.R. No. 129471, April 28, 2000, 331 SCRA 267.

[45] Sec. 32 of Presidential Decree No. 1529, which provides:

Section 32. Review of decree of registration; Innocent purchaser for value.--The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court for reversing judgments, subject, however, to the right of any person, x x x deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper [RTC] a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein, whose rights may be prejudiced. Whenever the phrase "innocent purchaser for value" or an equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrance for value.

Upon the expiration of said period of one year, the decree of registration and the certificate of title issued shall become incontrovertible. Any person aggrieved by such decree of registration in any case may pursue his remedy by action for damages against the applicant or any other persons responsible for the fraud.

[46] Supra note 37.

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