

PHILIPPINE LAND IMPROVEMENT CO., PLAINTIFF AND APPELLANT, VS. SIMEON BLAS, DEFENDANT AND APPELLANT.

G.R. No. 33646. December 29, 1930

Ponente: VILLA-REAL J.

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VILLA-REAL J.:

body { font-family: Verdana, Geneva, Arial, helvetica, sans-serif; font-size:80%; background-color:#FFFFFF; margin:0 2% 0 2%; text-align: justify; } h1 { font-family:times; } h2 { background-color:#cccccc; padding:10px 0 10px 0; font-weight: bold; text-align: center; } h3 { font-weight: bold; text-transform: uppercase; text-align: center; } div#footer { font-size:9px; }

These are two appeals taken, one by the plaintiff, the Philippine Land Improvement Co., and the other by the defendant Simeon Bias from the judgment of the Court of First Instance of Rizal, the dispositive part of which is as follows:

"Wherefore, by virtue of the foregoing, and in view of all the pleadings, agreements, and evidence submitted in this case, the court hereby holds:

"1. That the plaintiff is the owner of the land, the subject matter of the complaint filed in this case;

"2. That the defendant is, and has been since the 18th of January, 1910, unlawfully in possession thereof;

"3. That the indemnity demanded in the complaint (paragraph V) is a reasonable rental for the land in question; and

"4. That the present value of said land is P0.50 per square meter; and the court hereby orders the defendant to restore the possession of the land described in the complaint to the plaintiff, paying it the sum of P5,084.82 by way of rent or damages from January 1, 1917, to December 31, 1929, plus interest at 6 per cent per annum on said sum from January 20, 1930, when the complaint was filed, until both principal and interest are fully paid, plus the sum of P521.52 per annum from January 1, 1930, until delivery to the plaintiff of said possession of the land by the defendant.

"In accordance with article 361 of the Civil Code, the plaintiff has the option either to appropriate the improvements made by the defendant upon the land described in the complaint, upon paying the amount of P5,000, or of compelling the defendant to purchase the land in question for its present value, that is, at the rate of P0.50 per square meter, and for this purpose, if the plaintiff does not, within ten days from the date hereof, make known either to the court or to the defendant which alternative it has chosen, it shall be deemed to have chosen to sell the land, which is the less burdensome to the defendant, in which case the latter shall be bound to pay to the plaintiff the selling price of P32,595, for the 65,190 square meters at the rate of P0.50 per square meter, within the period of thirty days after this judgment becomes final.

"The defendant is further sentenced to pay the costs of this action."

In support of its appeal, the plaintiff, the Philippine Land Improvement Co. makes the following assignment of

error as committed by the trial court in its judgment:

"The lower court erred in holding that the defendant made improvements upon the land in question in good faith and is entitled to an indemnity in the sum of P5,000 should the plaintiff elect to appropriate said improvements."

Defendant Simeon Bias assigns, in support of his appeal the following alleged errors as committed by the trial court in its judgment, to wit:

"1. The trial court erred in not holding that the plaintiff corporation was bound by the compromise agreement Exhibits 1 and 1-A.

"2. The trial court erred in applying article 361 of the Civil Code to the facts of this case.

"3. The trial court erred in holding that the defendant was bound to pay for a fishpond about six hectares in area the sum of P32,595 at the rate of P5,000 a hectare, a price which does not obtain for fishpond anywhere in the Philippine Islands.

"4. The trial court erred in holding that the value of the improvements introduced by the defendant is only P5,000.

"5. The trial court erred in holding that the rental value of the land in question is as prayed for in paragraph V of the complaint without any evidence whatsoever on such rental value, and in ordering the defendant to pay the plaintiff the sum of P5,084.82 as rent from January 1, 1917, to December 31, 1929, plus interest at 6 per cent on said sum, and the annual rental of P21.52 from January 1, 1930."

This case originated from a complaint filed by the Philippine Land Improvement Co. with the Court of First Instance of Rizal against Simeon Bias, praying that, upon adjudication of the land in litigation to plaintiff, the defendant be ordered to deliver the property to said plaintiff and to pay the amount of P5,084.82 for rent due up to December 31, 1929, plus the interest thereon at 6 per cent per annum from the date of the filing of the complaint, until full payment of the principal and interest, and the sum of P521.52 per annum from January 1, 1930, until the defendant delivers to the plaintiff the possession of said real property, with costs-against the defendant.

The defendant,, in answer to the complaint, denied each and every one of the allegations therein and set up a special defense, with a counterclaim and a cross-complaint, praying that the complaint be dismissed with costs against the plaintiff; that the plaintiff corporation, or its stockholders, be ordered, in pursuance of the agreement Exhibit 1, to convey to the defendant the title to the land in question, delivering to him the proper transfer certificate of title made out in his name, free from all charges and encumbrances; and in the remote possibility of the defendant being sentenced to deliver the land in question to the plaintiff, the latter, or anyone else who may defeat it in the possession thereof, be ordered to pay the defendant the sum of P7,000 for the improvements mentioned in the counterclaim.

The plaintiff replied denying each and every one of the allegations in the answer, counterclaim, and cross-complaint.

The facts set forth in the following agreed statement of facts are relevant and necessary for the decision of the questions raised in their respective pleadings by the parties:

"AGREED STATEMENT OF FACTS

"The deceased Don Gonzalo Tuason y Patiño, the father of some and predecessor in interest of all the shareholders of the plaintiff corporation, together with some relatives, of his, being the owners of a vast portion of land called the Maysilo Estate, applied for the registration of said estate, and to that end instituted

proceedings Nos. 3850, 3851, 3852, 3865, and 4429 of the Court of Land Registration.

"Several parties filed oppositions to the registration of the land covered by proceeding No. 4429, and among them was the defendant herein, Simeon Blas, claiming the land here in question, included in the plan of said estate.

"In order to effect the partition of said estate among the coowners, case No. 391 was instituted in the Court of First Instance of Rizal, entitled 'Rosario Negrao et al., plaintiffs, vs. Concepcion Vidal et al., defendants,' and in the same case for the purpose of reaching an agreement with the opponents in proceeding No. 4429, by the decision of August 27, 1907, commissioners were appointed with authority to admit proposals of purchase of the estate, either as a whole, or in parcels, as might be deemed best for the interests of the community, for the price and under the conditions decided upon, and during the term prescribed in said decision of August 27, 1907, a certified copy of which is attached to the record marked Exhibit A; and this term was on November 2, 1910, extended to December 31, 1910.

"Tomas Arguelles and Jose Varela Calderon, as commissioners in case No. 391, on the one hand, and Simeon Blas, on the other, entered into the agreement marked Exhibit 1» the original of which is attached to the record of this case as Exhibit 1-A, referring to the land in question.

"By virtue of said agreement Exhibits 1 and 1-A, Simeon Blas withdrew his opposition filed in registration case No. 4429.

"By an order issued by the Honorable Simplicio del Rosario, judge, on March 17, 1910, in registration case No. 4429, a certified copy of which is attached to the record marked Exhibit B, the land covered by said proceeding, including the portion here in question, was adjudicated to the applicants Gonzalo Tuason y Patiño et al., except the portions adjudicated to Juan Seiboth and Juan Pastor.

"Owing to certain technical defects in the original plan, the land affected by case No. 4429 was again surveyed, and a new notice of the application published, and by an order of the Honorable Norberto Romualdez, judge, of which a certified copy is attached to the record of this proceeding as Exhibit C, the land, together with the portion here in question, was adjudicated to the applicants Gonzalo Tuason y Patiño et al.

"D. Gonzalo Tuason y Patino's share was delivered to the judicial administratrix of his estate in pursuance of a deed, a copy of which is attached to the record marked Exhibit D, said deed embracing the land here in question as a part of lot 7-A described in paragraph IV thereof.

"Subsequently, the judicial administratrix of the estate of D. Gonzalo Tuason y Patiño delivered said property to the latter's heirs, as evidenced by the certified copy of the deed, marked Exhibit D-I.

"The heirs of D. Gonzalo Tuason y Patiño sold and assigned their rights in said lands, including the land here in question, to D. Gregorio Araneta and others, by virtue of the instrument of which Exhibit E, attached to this record, is a certified copy.

"Later on, the plaintiff corporation, the Philippine Land Improvement Co., was organized and acquired said land, including the land here in question, and now holds the transfer certificate of title No. 12326 of Rizal which includes said land, and is free and unencumbered by any promise of sale to Simeon Bias or to any other person, as shown by its articles of incorporation and by said certificate of title, certified copies of which are marked Exhibits F and G and attached to this proceeding. No Torrens title issued upon the land here in question contains any notation of an encumbrance of a promise to sell to Simeon Bias or to any other person.

"The defendant Simeon Bias has at all times occupied and continues to occupy the land in question, which has an area of 65,190 square meters, without ever paying rent therefor to the plaintiff nor the land tax to the Government, said land tax being always paid by the plaintiff and its predecessors in interest.

"The defendant has made improvements upon the land in question.

"Pasig, Rizal, P. I., February 24, 1930.

"Respectfully submitted,

(Sgd.) "Salvador Zaragoza

"Attorney for the Plaintiff

"Francisco Lavides

"Attorney for the Defendant"

"ADDITIONAL AGREED STATEMENT OF FACTS

"1. That the improvements introduced by Simeon Bias on the land referred to in the complaint is worth P1,000 per hectare in accordance with Exhibit 1.

"2. That the plaintiff and its predecessors in interest have always paid the tax upon the land in question.

"3. That the present stockholders are the same as those appearing in the articles of incorporation, Exhibit F, with the exception of Isabel Gil de Sola who acquired the stock of Jose Ma. Tuason, and of Jose Araneta, Salvador Araneta, Consuelo Araneta, and Paz Araneta, who acquired their shares from their father, Gregorio Araneta.

"4. The plaintiff presents Exhibits H, I, J, K, L, and M, for what they may be worth. The defendant objects to these exhibits as immaterial.

"5. The defendant presents as Exhibit 2 the notarial deed evidencing the sale of the land in question by Leocadio Cruz to the defendant Simeon Blas, dated December 14, 1897. The plaintiff objects to this document as evidence: (1) Because it is not recorded in the registry of deeds; (2) because it is already worthless on account of the subsequent issuance of the Torrens title to the land in question and that covered by said deed; and (3) because it is immaterial.

"STIPULATION

"The parties to this case do hereby further agree to consider as evidence for the plaintiff, Exhibit N, which is the plaintiff's letter to the defendant dated September 18, 1925, which is hereinafter quoted; that Mr. Juan Bernales' letter, written as attorney for the defendant on November 7, 1925, to the Philippine Land Improvement Co., and copied hereunder, be considered as Exhibit 3 for the defendant, and that the letter of the Philippine Land Improvement Co. dated November 20, 1925, also copied below be considered as Exhibit 4 of the defendant, and that all said letters be considered as evidence presented in this case; Exhibit N being deemed evidence of the demand but not of the rental, and not being taken to mean that Simeon Blas is considered a lessee of the plaintiff."

"Exhibit N

"Mr. Simeon Blas

"Malabon, Rizal, P. I.

"Dear Sir : We have the honor to inform you that the Philippine Land Improvement Company is the assignee of the portion of the Maysilo Estate pertaining to the Heirs of Gonzalo Tuason y Patino.

"According to our books you are one of the lessees of said part of the Estate, and that you occupy the fishery on lot 7-A, parcel 165, which is 81,170 square meters in area.

The rental we have fixed on said fishery for the years from 1917 to 1920 is P50 per hectare per annum, or P405.85 a year for the 81,170 square meters, for the

four years P1,623.40

And for the years from 1921 to 1925, at P60 per hectare
per annum, or, P487.02 a year for the 81,170 square
meters, for the five years..... 2,436.10

Sum total 4,058.50

"We hope you will pay the P4,058.50 as soon as possible.

"Yours truly,

"Philippine Land Improvement Co.

"By:

"Manager"

"Exhibit 3

"Manila, October 7, 1925

"The Manager

"Philippine Land Improvement

"Manila

"Sir: Acting upon instructions given me by my client, Simeon Bias, I take pleasure in answering your letter addressed to him on September 18th last, and to inform you that he has not been in possession of the land referred to in your aforesaid letter merely as lessee, subject to the payment of any rent, but for a long time has occupied it as owner by virtue of a contract of sale by installments entered into with the legal representatives of the Maysilo Estate, through the partial payments made upon the price agreed upon, informing you at the same time that the non-payment of the installments has been due to the fact that the former owners of said land have refused to comply with the conditions and stipulations agreed upon in said contract of sale, notwithstanding repeated demands made upon them by said Mr. Bias, tendering payment of said installments to the same.

"Yours respectfully,

(Sgd.) "Juan Bern ales

"Attorney for Simeon Blas"

"Exhibit 4

"November 20, 1925

"Mr. Juan Bernales

"Attorney

"306 Bustos

"Manila, P. I.

"Dear Sir: In answer to yours of the 7th of October,

1925, we should like to see the contract of sale by installments entered into by your client, Mr. Simeon Bias, with the legal representatives of the Maysilo Estate.

"Awaiting your reply, we remain

"Yours very truly,

"Philippine Land Improvement Co.

"By:.....

"Manager

"Manila, February 25, 1930

"SUMULONG, LAVIDES & MABANAG

"By: (Sgd.) Francisco Lavidés

"Attorneys for the defendant

"314. Roxas Bldg., Manila

"Araneta & Zaragoza

"By: (Sgd.) Salvador Zaragoza
"Attorneys for the plaintiff
"28 Juan Luna, Manila"

The first question to decide in this appeal is that raised by the defendant-appellant in his first assignment of error, namely, whether the plaintiff corporation is bound by the compromise entered into by and between Jose Varela Calderon, as attorney for the Maysilo Estate in the registration case, and Tomas Arguelles, as, manager of said estate, on the one hand, and Simeon Bias on the other, the tenor of which is as follows:

"Know all men by these presents: That we, Tomas Arguelles, manager of the Maysilo Estate, and Jose Varela y Calderon, attorney for the same, duly authorized by the commissioners appointed by the Court of First Instance of Rizal in civil case No. 391 regarding the partition of the Maysilo Estate, in representation of the party of the first part, and Simeon Blas, of age, a landowner and resident of Malabon, the party of the second part, do hereby agree:

"That the party of the first part as herein represented, hereby promises to sell to the party of the second part a portion of the land of said Maysilo Estate in Suluc, barrio of Tinajeros, municipality of Malabon, of about five hectares in area, which is at this time in the possession of the party of the second part and used as a fishery, for the price of two hundred pesos in Philippine currency (P200) per hectare, payable in installments as follows, to wit: Twenty per centum upon delivery to the party of the second part of the deed evidencing the promise to sell the portion mentioned; forty per centum upon the delivery of the Torrens title in the name of the said second party; and the remaining forty per centum within two years from the date of the deed containing the promise to sell.

"The same portion of the land sold shall be mortgaged to secure this payment.

"The Party of the Second Part Does Hereby Affirm :

"That he acknowledges the ownership, of the estate of all the land to this date occupied by him, and from this time makes delivery thereof and of the legal possession of the same to Tomas Arguelles in his capacity as manager of the said estate, or the parcels by him occupied, with the exception of the fishery which the party of the first part binds itself to sell by virtue of this deed.

"That he authorizes the party of the first part to present the original of this agreement in his name and to ask that his objection filed in the course of proceeding No. 4429 in the Court of Land Registration be deemed withdrawn.

"That he shall pay nothing for the registration of the title to the portion of land sold by virtue of this deed, all such expenses are to be borne by the coowners of the Maysilo Estate.

"Manila, January 18, 1910."

The compromise herein quoted is thus seen to consist of two parts: The first, which is a promise made by Tomas Arguelles, as manager of the Maysilo Estate, and by Jose Varela Calderon, as attorney for said estate, both duly authorized by the commissioners appointed by the Court of First Instance of Rizal in civil case No. 391 in connection with the partition of the May silo Estate, to sell to Simeon Bias a portion of the land of said Maysilo Estate in Suluc, barrio of Tinajeros, municipality of Malabon, some 5 hectares in area, which portion has been used for fishery by said Simeon Bias, at P200 per hectare, payable in installments, in consideration of the withdrawal of the opposition filed by the latter to the application for registration presented by Gonzalo Tuason y Patiño and others in case No. 4429 of the Court of Land Registration; and the second, wherein Simeon Bias recognizes the estate's ownership of the lands occupied by him and makes delivery thereof and of the lawful possession of the same to Tomas Arguelles, as manager of said estate, and of all the parcel or parcels of land by

him possessed, with the exception of the fishery which is the subject matter of the promise of sale.

Inasmuch as the commissioners appointed by the Court of First Instance of Rizal in civil case No. 391, in the partition of the Maysilo Estate, authorized Tomas Arguelles and Jose Varela Calderon to enter into the contract of promise to sell contained in the compromise in their name and stead, they were bound to perform said contract by executing in favor of Simeon Bias the final deed of sale after said estate had been registered in accordance with the new Land Registration Law, for which powers had been conferred upon them by said Court of First Instance. Inasmuch as said commissioners acted by virtue of an agreement of the coowners of the Maysilo Estate, and under authority of the court, their acts were the acts of said coowners. After the ownership and registration of the Maysilo Estate were adjudicated to the testamentary estate of Gonzalo Tuason y Patiño and to others, including the property in question, the obligation binding upon said commissioners to execute said final deed of sale passed to the administratrix of said testamentary estate and to the heirs upon receipt by the latter of the property left by their deceased father.

The fact that the Maysilo Estate) was adjudicated to the testamentary estate of Gonzalo Tuason y Patiño and to some other coowners, the portion including the land in question being allotted to the testamentary estate, without any notation or memorandum of a deed of promise to sell executed to Simeon Bias by the commissioners, and the fact that over one year has elapsed from the record of the decree of registration, does not prevent the latter from enforcing his right acquired by virtue of said deed of promise to sell, for the reason that the question raised herein is not for review of a decree of registration, which may only be made within the year following the record of said decree and on the ground of fraud, in accordance with the provision of section 38, Act No. 496, but for the performance of an obligation arising from a contract. (Cabanos vs. Register of Deeds of Laguna, and Obinaña, 40 Phil., 620; Paguio vs. Manlapid, 52 Phil., 534; Garcia vs. Doncillo, 53 Phil., 682.) Admitting the power of the commissioners to enter into the contract of the sale in question, and in view of the fact that the land in question forms part of the portion of the Maysilo Estate which fell to the heirs of Gonzalo Tuason y Patiño, the latter were bound to perform the obligation contracted by the commissioners, who could no longer comply with it on account of having been released from their duties.

It is alleged and contended by the plaintiff that having acquired the Maysilo Estate from the former owners in good faith and for a valuable consideration, and having had the transfer certificate of title issued in its name free from all charges and encumbrances, and without the notation of any promise to sell to Simeon Bias, the latter has no cause of action against it to enforce the performance of an obligation that has not been contracted.

The record shows that the incorporators of the plaintiff corporation, as well as the directors and stockholders thereof, are the coowners of the Maysilo Estate, with the exception of Gregorio Araneta, who received a share in consideration of his professional services. As such coowners of the Maysilo Estate which was divided among them, they were bound by the contract of promise to sell executed by the commissioners appointed by the court in the partition proceeding's of said estate by their own agreement; and since they constitute the majority of the incorporators, directors, and shareholders of the plaintiff entity, the latter cannot claim ignorance of the existence of said contract for the mere fact that as a corporation, it has a juridical personality distinct and independent of every member composing it, as if when the incorporators organized themselves into a corporation, they ceased to know what they had known before regarding the property invested in the corporation, and were released from their contractual obligation.

With regard to the shareholders who are not coowners of the Maysilo Estate, they are bound by the acts of the directors, as is the corporation as a whole. (Zamboanga Transportation Co. vs. Bachrach Motor Co., 52 Phil., 244.)

If the coowners of the Maysilo Estate, who ought to have known of the promise of sale made by their commissioners to Simeon Bias, are the incorporators, directors, and shareholders of the plaintiff entity, and since the latter cannot therefore be ignorant of the existence of said obligation, it cannot shield itself behind the transfer certificate of title issued to it, simply because it does not there appear that any promise to sell was made to the defendant, for, being aware of the existence of said obligation, it cannot plead good faith in the acquisition of said estate.

The plaintiff also contends that since the defendant has failed to comply with the conditions incumbent upon him under the contract of promise to sell regarding the payment of the price, he has no right to demand the fulfillment of said promise.

While it is true that the agreement of compromise, in speaking of the manner of payment of the sale price, uses the phrase "deed of promise to sell," indicating that 20 per centum should be paid at the time of delivering the "deed of promise to sell," 40 per centum at the time of delivering the Torrens title in the name of Simeon Blas and the remaining 40 per centum within two years from the date of the "deed of promise to sell," we do not believe that the parties really had in mind the deed of promise to sell, but rather the final deed of sale; and this for the reason that it is not the deed of promise to sell which authorizes the registrar of deeds to issue the transfer certificate of title, but the final and absolute deed of sale, without which the obligation of delivering the Torrens title in the name of Simeon Bias for the payment of the 40 per centum comprising the second installment cannot be complied with, nor can that for the payment of the third and last installment of 40 per centum, for the reason that the registration of the May silo Estate under the Torrens system might last over two years, and said period might elapse before the transfer of title to the portion in question, in which case the payment of the third installment would necessarily have to be made after the lapse of two years from the date of the deed of promise to sell. If the payment of the first installment of 20 per centum was to be made upon delivery to the purchaser of the final deed of sale, and not, as the compromise erroneously states, of the deed of promise to sell and if the execution of said deed of sale was incumbent upon the partitioning commissioners, or in their default, on the administratrix of the testamentary estate of Gonzalo Tuason y Patiño to which the land in question had been assigned as part of the property pertaining to said testamentary estate, or, in default of said administratrix, the heirs of the late Gonzalo Tuason y Patiño, or, in their default, the plaintiff corporation, as the new owner of said property, whereas none of them has delivered to Simeon Bias the final deed of sale, therefore the latter is not bound to pay the first installment of 20 per centum, and hence, has not failed to perform his obligation in such wise as to give rise to rescission of the deed of promise to sell.

For all the foregoing considerations, we are of opinion and so hold that the promise to sell made by the commissioners authorized by the court having cognizance of a case of partition of property, is binding upon the coowners and their heirs, as well as upon the corporation formed with the property falling to them in the partition, converted into shares, they themselves being the shareholders and directors, notwithstanding the fact that said property was registered under the Torrens system and a certificate of title issued in favor of the testamentary estate of the predecessor of said heirs, and a transfer certificate of title was issued in the name of said corporation without any notation of said deed of promise to sell; and the holder of the option or promise to sell may compel said corporation to comply with the obligation contracted by said partitioning commissioners by virtue of the aforesaid promise to sell.

By virtue whereof, the judgment appealed from is reversed, the complaint dismissed, and the cross-complaint sustained; and the plaintiff entity is hereby ordered to execute the final deed of sale in favor of the defendant Simeon Bias, and to deliver to the latter the proper transfer certificate of title, in accordance with the terms of the deed of promise to sell, Exhibit 1, with costs against the plaintiff and appellant. So ordered.

Avanceña, C. J., Johnson, Street, Malcolm, Villamor, Ostrand, Johns and Romualdez, JJ., concur.

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