

**WILLIAM H. ANDERSON & CO., PETITIONER AND APPELLANT,
VS. GREGORIO GARCIA, OPPOSITOR AND APPELLEE.***G. R. No. 42897. July 27, 1937*

Ponente: LAUREL, J.

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Pursuant to an order of execution issued on June 22, 1927 by the municipal court of the City of Manila in civil case No. 54079, entitled William H. Anderson & Co., plaintiff, vs. Cipriano Obcena, defendant, two parcels of land in Paniqui, Tarlac, identified as lots 4019 and 4043 (cadastral case No. 26, G. L. R. O. record No. 395) belonging to the defendant and registered in his name under original certificate of title No. 13639, were levied upon and sold at public auction by the sheriff of the province and awarded "to the judgment creditor, William H. Anderson & Co. This was on September 7, 1927. On the following day, the sheriff of Tarlac issued a certificate of sale which was filed and recorded in the office of the register of deeds of the province on the 21st of the month and annotated on the back of certificate of title No. 13639. Cipriano Obcena, the judgment debtor, having failed to exercise his right of redemption within the statutory period, the sheriff of Tarlac, on July 12, 1934, executed a final deed of sale covering lots 4019 and 4043 in favor of William H. Anderson & Co. It appears, however, that on March 23, 1927, by a document of absolute sale (Exhibit B) dated March 23, 1927, acknowledged before a notary public, Cipriano Obcena and his wife, Magdalena Labitoria, conveyed lot No. 4019 to Aurora Riquez for the sum of P160. Although the document inserted in the bill of exceptions as Exhibit B does not appear to have been registered in the registry of deeds of the province, an examination of the duplicate original presented as evidence in the lower court shows that the same was presented and registered on November 3, 1930. On this same date, Aurora Riquez obtained the cancellation of the original certificate of title No. 13639 and the issuance in her name of transfer certificate of title No. 5214 covering lot 4019. The sale in favor of William H. Anderson & Co. was annotated on the back of Riquez' new certificate. On March 23, 1927, Aurora Riquez sold with pacto de retracto the same lot 4019 to Gregorio Garcia, as evidenced by document presented as Exhibit A, and the sale was also registered in the registry of deeds of the province on November 3, 1930. As in the case of Riquez, the transfer certificate of title No. 5215 issued to Gregorio Garcia bore an annotation of the lien in favor of William H. Anderson & Co.

The purpose of the original petition filed in this case and bearing date of July 20, 1934, was to have the original certificate of title 13639 and transfer certificate 5214 covering lot 4019 issued to Obcena and Riquez, respectively, cancelled and this petition appears to have been granted by the lower court in its order of August 6, 1934 (bill of exceptions, p. 7). The petitioner, however, upon learning that Riquez had transferred lot 4019 to Gregorio Garcia and that transfer certificate of title 5215 had been issued to the latter filed an amended petition bearing date of August 28, 1934 praying, among other things, for the cancellation of transfer certificate 5215 issued to Gregorio Garcia. This second petition was opposed by Garcia alleging, among other things, that he was the owner of lot No. 4019, having acquired the same from Aurora Riquez by virtue of a contract of sale with pacto de retracto on March 23, 1927 (Exhibit A); that Aurora Riquez in turn acquired lot 4019 from the spouses Cipriano Obcena and Magdalena Labitoria by virtue of a contract of absolute sale executed on March 23, 1927

(Exhibit B); that he was a purchaser in good faith and that, when the contract of sale with pacto de retracto was had on March 23, 1927 between him and Aurora Riquez, lot 4019 was free from all encumbrances; that the absolute sale effected by Cipriano Obcena and Magdalena Labitoria in favor of Aurora Riquez on March 23, 1927, and the subsequent sale made by the latter in his favor on the same date, took place before the issuance of the order of execution in civil case No. 54079 of the municipal court of Manila, and that at the time of said execution Cipriano Obcena was no longer the owner of said lot 4019.

Acting upon this second petition of William H. Anderson & Co. and the opposition thereto of Gregorio Garcia the court below, on September 27, 1934, entered an order¹ denying the petition on the ground that the issue therein involved could only be determined in a separate ordinary action. The petitioner-appellant duly excepted to this order, moved for a new trial which was denied, and after due exception and notice of appeal, the case was elevated to this court by bill of exceptions.

The petitioner-appellant assigns various errors in this appeal. The primary question, however, which is presented for determination is: On the foregoing related facts, who has a superior right over the controverted lot No. 4019, William H. Anderson & Co. or Gregorio Garcia?

The several decisions of this court may indeed have given rise to difficulties in the application of the proper rule. In the case of *Worcester vs. Ocampo and Ocampo* (34 Phil., 646), it was held that a pacto de retracto sale which was not recorded, filed, or entered in the office of the register of deeds until after the purchaser at an execution sale had secured his lien by attachment was subject to the rights of the latter and the same could not be enforced against the land until after the rights of the purchaser had been fully satisfied. Under the facts of that case, the rights of the judgment creditor who was the purchaser at the auction sale were declared superior to those of a vendee or transferee of the same property under a contract of sale with pacto de retracto entered into before the levy and unregistered at the time of such levy. Such result was arrived at in view of the provisions of sections 50 and 51 of the Land Registration Act (No. 496). In the case of *Lanci vs. Yangco* (52 Phil., 563), it was said that a judgment creditor only acquires at an execution sale the identical interest possessed by the judgment debtor in the property which is the subject of the sale and that he takes the property subject to all existing equities to which the property will have been subject in the hands of the debtor. It was held, further, that the circumstance that at the time of the levy of the execution, and the consequent sale of the property, the certificate of title showed the debtor in the execution to be the unqualified owner of the property, did not interfere with the application of this rule. In *Laxamana vs. Carlos* (57 Phil., 722), it was held, following the *Lanci-Yangco* case, that a purchaser at public auction of the rights, interests and participation of the judgment debtor in the property which the latter had validly sold, acquires only the judgment debtor's right to repurchase, and the fact that the vendee in a sale with the right of repurchase did not object to the auction sale or file a third party claim does not safeguard said purchaser at the auction sale from the claim of the vendee in a sale with the right of repurchase even if the sheriff's deed be registered in the registry of deeds, since the provisions of section 194 of the Revised Administrative Code, as amended by Act No. 2837, do not apply to judicial sales (citing *Williams vs. Suner*, 49 Phil., 534), and because it was his duty, before bidding at the auction sale, to ascertain the real rights of the judgment debtor, which are to be sold (citing 23 *Corpus Juris*, 746; *Sarmiento vs. Villamor*, 13 Phil., 112; *Pabico vs. Ong Pauco*, 43 Phil., 572).

It should be observed that in *Lanci vs. Yangeo*, *supra*, unlike the case of *Worcester vs. Ocampo and Ocampo*, *supra*, the vendees under a contract of sale anterior to the execution had presented a third party claim to the sheriff, alleging that the property belonged to them. The purchaser at the auction sale, therefore, had notice of the claim, a situation which did not obtain in *Worcester vs. Ocampo and Ocampo*. Upon the other hand, the levy in the former case included the house built on the property with the money supplied by the predecessor in interest of the third party claimants, and this court took further notice of the fact that the certificate of title issued in the name

of the judgment debtor contained no special notation with respect to improvements on the property, but the levy effected by the sheriff purported to be executed upon the debtor's interest not only in the land but also in the improvements. Under these circumstances, it was said that a judgment creditor only acquires at an execution sale the identical interest possessed by the judgment debtor in the property which is the subject of the sale, and that "he therefore takes the property subject to all existing equities to which the property would have been subject in the hands of the debtor." In *Laxamana vs. Carlos*, supra, the property involved was at the time an unregistered land as could be inferred from the stipulation between the parties concerned that the vendor was to procure its registration under the Torrens system. Other cases apparently involving the application of the same legal principle are not here mentioned because of wide dissimilarity of facts.

In the case at bar, the record does not show when civil case No. 54079 was initiated in the municipal court of Manila, but it does appear that the order of execution was issued on June 22, 1927. The sales from the Obcena spouses to Aurora Riquez and from the latter to Gregorio Garcia, the appellee, were effected on the same date, or on March 23, 1927, and both documents were also registered on the same date, November 3, 1930, or more than two years after their accomplishment by the parties. The order of execution having been issued on June 22, 1927, the complaint against the judgment debtor Obcena must have been presented some time before. At any rate, there is nothing to indicate that William H. Anderson & Co. had actual or constructive notice of the previous conveyance to Gregorio Garcia or of any outstanding equities in favor of the latter at the time of the adjudication to that company of lot 4019. On the contrary, lot 4019 was at the time registered in the name of the judgment debtor, free from all encumbrances. When the certificate of title was issued to him on November 3, 1930, it bore an annotation of the lien in favor of William H. Anderson & Co., the judgment creditor and purchaser at the auction sale. No third party claim was presented by Gregorio Garcia to the sheriff.

Whatever might have been generally or unqualifiedly stated in the cases heretofore decided by this court, we hold that under the Torrens system registration is the operative act that gives validity to the transfer or creates a lien upon the land (secs. 50 and 51, Land Registration Act). A person dealing with registered land is not required to go behind the register to determine the condition of the property. He is only charged with notice of the burdens on the property which are noted on the face of the register or the certificate of title. To require him to do more is to defeat one of the primary objects of the Torrens system. A bona fide purchaser for value of such property at an auction sale acquires good title as against a prior transferee of the same property if such transfer was unrecorded at the time of the auction sale. The existence or absence of good faith will, of course, have to be determined upon the facts and the legal environment of each particular case.

From what has been said it follows that judgment should be rendered in favor of the petitioner-appellant, William H. Anderson & Co. The corresponding certificate of title covering lot No. 4019 should, therefore, be issued in its name. Without pronouncement as to costs. So ordered.

Avancena, C. J., Villa-Real, Abad Santos, Imperial, Diaz, and Concepcion, JJ., concur.

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