

**VALLEY GOLF CLUB, INC., PETITIONER, VS. HON. EMILIO SALAS,
PRESIDING JUDGE, BRANCH I, CFI OF RIZAL, MAGDALENA
MASANGKAY, REMEDIOS MASANGKAY, GLORIA MASANGKAY,
NATIVIDAD MASANGKA...**

G.R. No. 54009. October 28, 1983

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

A direct appeal on a question of law, from the Decision of the Court of First Instance of Rizal, Branch I, dismissing petitioner's Complaint in Civil Case No. 18823 for quieting of title over a parcel of land located in Antipolo, Rizal, and declaring private respondents Masangkays to be the true and lawful owners of the property.

The records disclose that Ambrosio Masangkay was the original owner of Lot No. 1353 of the cadastral survey of Antipolo, Rizal, the land in dispute, with an area of 27,955 square meters, more or less, formerly covered by OCT No. 1131 of the Registry of Deeds of Rizal, in his name. Upon his death on November 14, 1938, the land was inherited by his daughters Magdalena, Remedios, Gloria, Esperanza, and Natividad (SISTERS, for brevity).

The critical facts, as found by the Trial Court, follow:

1. On January 28, 1955, the Masangkay sisters executed a "Deed of Extrajudicial Partition with Sale" over the property in favor of private respondent Manuel VILLAMOR, married to Modesta Garcia, in consideration of the amount of P2,500.00 to them "in hand paid" and to their "absolute satisfaction". The SISTERS delivered to VILLAMOR the owner's duplicate of OCT No. 1131.
2. The day after, or on January 29, 1955, the VILLAMORS executed a "Deed of Absolute Sale" covering the same parcel of land in favor of private respondent Romeo F. ROMERO, married to Lourdes Rodriguez, in consideration of the amount of P3,500.00, also acknowledged to have been received by the VILLAMORS. The VILLAMORS turned over to the ROMEROS the owner's duplicate of OCT No. 1131 and the "Deed of Extrajudicial Partition with Sale" executed by the SISTERS in favor of VILLAMOR.

It appears that ROMERO was a realtor while VILLAMOR was an agent of ROMERO.[1]

3. On March 7, 1955, the ROMEROS presented to the Re-gister of Deeds of the Province of Rizal the Deed of Extrajudicial Partition with Sale, the Deed of Absolute Sale in their favor, and the owner's duplicate copy of OCT No. 1131. OCT No. 1131 was thereupon cancelled and in lieu thereof TCT No. 38134 was issued in the name of the SISTERS, which in turn, was cancelled by TCT No. 38135 in the name of the VILLAMORS, and which was also cancelled by TCT No. 38153 in the name of the ROMEROS.

4. (a) Sometime in October, 1960, ROMERO negotiated with petitioner Valley Golf Club (CLUB, for short) for the sale of the property, and on October 18, 1960, ROMERO received from the CLUB the sum of P15,000.00 as advance payment.

(b) On October 21, 1960, the ROMEROS executed a Deed of Absolute Sale in favor of the CLUB in consideration of the total amount of P69,887.50.

(c) On October 24, 1960, the CLUB hired a private land surveyor to relocate the property and to investigate the title. He reported that TCT No. 38153 in the name of the ROMEROS was free from any encumbrance.

5. On October 25, 1960, or approximately five years after the execution of their "Deed of Extrajudicial Partition with Sale", Remedios Masangkay presented to the Register of Deeds an "Affidavit of Adverse Claim" declaring that the sale she and her sisters had executed in favor of VILLAMOR was without consideration whatsoever; did not express the true and real intention of the parties; and that the property had been transferred in the name of the ROMEROS in trust for her and her SISTERS.

6. On October 26, 1960, the CLUB issued a check in favor of ROMERO in the amount of P54,887.50 as full payment of the purchase price.

7. On October 27, 1960, the SISTERS instituted before the Court of First Instance of Rizal, Branch VI, Civil Case No. 6365 against the VILLAMORS and the ROMEROS praying that they be declared the absolute owners of subject property; that the sale in favor of VILLAMOR dated January 28, 1955, and the sale by VILLAMOR in favor of the ROMEROS on January 29, 1955 be declared null and void; and that Transfer Certificates of Title Nos. 38135 in the name of the VILLAMORS, and 38153 in the name of the ROMEROS be cancelled.

8. On the same date, October 27, 1960, at 7:45 A.M., counsel for the SISTERS caused to be annotated on TCT No. 38153 in the name of the ROMEROS a Notice of Lis Pendens.

9. In the afternoon of October 27, 1960, the Corporate Secretary of the CLUB presented for registration with the Registry of Deeds the Deed of Sale, dated October 21, 1960, in its favor, together with TCT No. 38153 in the name of the ROMEROS, but upon discovering the adverse claim and the notice of lis pendens annotated thereon, withdrew the documents and returned them to the General Manager.

10. On September 10, 1962, the Court of First Instance rendered its Decision in Civil Case No. 6365 declaring as null and void, for being simulated and without consideration, the sale executed by the SISTERS in favor of VILLAMOR as well as the sale by the latter to ROMERO, and required the ROMEROS to execute a deed of reconveyance of the property to the SISTERS, and the Register of Deeds to cancel TCT No. 38153 in the name of the ROMEROS and to issue a new title in the name of the SISTERS.

The ROMEROS appealed to the Court of Appeals, which was docketed as CA-G.R. No. 32119-R.

11. During the pendency of the appeal, the CLUB presented to the Register of Deeds of Rizal, on December 4, 1963, the Deed of Sale in its favor and the owner's duplicate copy of TCT No. 38153 in the name of the ROMEROS as a consequence of which said title was cancelled and TCT No. 118406 was issued in lieu thereof in the CLUB's name. Said title carried over the annotations of the adverse claim and the notice of lis pendens.

12. On May 7, 1970, the then Court of Appeals affirmed the Decision in Civil Case No. 6365, and on August 27, 1970, this Court denied the Petition for the review of that judgment.

13. (a) On January 22, 1974, the CLUB filed Civil Case No. 18823 against the SISTERS, the VILLAMORS and the ROMEROS before the Court of First Instance of Rizal, Branch I, for quieting of title, praying that the Register of Deeds of Rizal be ordered to cancel the annotations on its TCT No. 118406.

The SISTERS claimed in their Answer that the case was barred by the final judgment rendered in Civil Case No. 6365 and that the CLUB had acted in bad faith with knowledge of the flaws in the VILLAMOR and ROMERO titles.

The ROMEROS, in turn, contended that they are not proper parties-in-interest and that the action against them had long prescribed.

The VILLAMORS were declared in default.

(b) On October 23, 1978, the Trial Court rendered judgment in Civil Case No. 18823 holding that the CLUB's Com-plaint was barred by the final decision in Civil Case No. 6365 and declaring the SISTERS the true and lawful owners of subject property.

The records disclose that taxes on the property were paid by ROMERO up to 1960 and 1961, and by the CLUB for the years 1962 to 1967.

After several extensions granted, the CLUB presented an instant petition on July 8, 1980 assailing the aforesaid Decision. We gave due course, but for the CLUB's failure to file a Brief, we dismissed the Petition. The dismissal was reconsidered, however, upon the CLUB's motion. The CLUB presented its Brief, but private respondents failed to do so.

Petitioner has submitted:

"I

"The lower Court erred in not holding that the sale over Lot No. 1353 made by the spouses Romeo F. Romero and Lourdes G. Rodriguez is a valid sale which binds the Masangkay sis-ter-s because the Romero spouses mere-ly acted as their agents conformably with the decision of the Rizal CFI in Civil Case No. 6365 and which is now the 'law of the case'.

"II

"The lower Court erred in holding that the sale over Lot No. 1353 made by the spouses Romeo F. Romero and Lourdes G. Rodriguez is their personal act and not as agents of the Masangkay sisters and in not holding that the sale took place on Oct. 18, 1960 when earnest money was paid by petitioner and therefore the sale was entered into prior to the annotation of the affidavit of adverse claim and of the notice of lis pendens.

"III

"The lower Court erred in not applying the principle of equity that when one of two innocent parties must suffer damage, the one whose negli-gence enabled a third party to per-petrate the wrong shall suffer the damage.

"IV.

"The lower Court erred in not order-ing the spouses Romeo F. Romero and Lourdes G. Rodriguez to refund to petitioner the sum of P69,887.50 received by them as consideration for Lot No. 1353."

The first two errors need no longer be discussed. As held by the Trial Court, the CLUB's complaint is barred by the final decision in Civil Case No. 6365 declaring the SISTERS the true and lawful owners of subject property. That Decision binds the land because of the annotations of the adverse claim and of the lis pendens. The CLUB can no longer contend that the first and second sales were valid after they had been nullified in a judgment that had become final and executory.

The principle of equity that "when one of two (2) inno-cent persons must suffer by the wrongful act of a third person, the loss must be borne by the one whose negligence was the proximate cause of the loss or who put it into

the power of the third person to perpetrate the wrong", can neither tilt the balance in the CLUB's favor. The advance payment of P15,000.00 by the CLUB on October 18, 1960 to ROMERO, and the additional payment by the CLUB of P54,887.50 as full pay-ment of the purchase price on October 26, 1960, also to ROMERO, cannot be held to be the dates of sale such as to precede the annotation of the adverse claim by the SISTERS on October 25, 1960 and the lis pendens on October 27, 1960. It is basic that it is the act of registration of the sale that is the operative act to convey and affect the land.[2] That regis-tration was not effected by the CLUB until December 4, 1963, or three (3) years after it had made full payment to ROMERO. It attempted to present its documents to the Register of Deeds on October 27, 1960 but it withdrew the same that very after-noon after discovering the encumbrances on the title. And even if the CLUB had succeeded in so registering, it would still have been posterior to the annotations of the encumbrances.

The "Yu vs. Hon. Reynaldo P. Honrado"[3] and "PNB vs. Court of Appeals"[4] cases, cited by the CLUB, which applied the principle of equity, are not invocable in the case at bar because neither one of those cases referred to the sale of real property.

As matters stand, therefore, in view of the prior anno-tations of the adverse claim and lis pendens, the CLUB must be legally held to have been aware of the flaws in the title. By virtue of the lis pendens, its acquisition of the property was subject to whatever judgment was to be rendered in Civil Case No. 6365. The CLUB was aware of the pendency of that case even in the Trial Court but it did nothing to protect its interests so that the case eventually attained finality. What is more, the CLUB knew of the encumbrances on October 27, 1960 but it took no steps to stop payment of the check it had issued to ROMERO just the day before on October 26, 1960; nor did it proceed against the SISTERS and ROMERO until fourteen (14) years later when it filed this suit for quieting of title. The CLUB's cause of action lies, not against the SISTERS, to whom the property had been adjudged by final judg-ment in Civil Case No. 6365, but against ROMERO who was found to have had no right to dispose of the land. The judgment in Civil Case No. 6365 in the SISTERS' favor had long become final and executory.

Accordingly, the ROMEROS must be held liable to the CLUB for the amount of P69,887.50, which they had received as consideration for Lot No. 1353, which they did not own and could not dispose of. Their contention that they are not parties-in-interest in this instant case and that the cause of action against them has long prescribed is without merit. As held by the Trial Court, they were the parties who had executed the sale to the CLUB, and the present action is not one for annulment of contract but for quieting of title. Besides, the CLUB's action for-reimbursement of the price paid accrued only after the failure of the CLUB's action to quiet title. Also, the principle against unjust enrichment applies in their case.

WHEREFORE, the judgment dismissing the complaint is hereby affirmed. The spouses Romeo F. Romero and Lourdes G. Rodriguez shall, within thirty (30) days from notice, refund to petitioner Valley Golf Club, the amount of P69,887.50 re-ceived by them as consideration for Lot No. 1353, with interest at the legal rate from January 22, 1974, the date of the filing by petitioner of the Complaint in Civil Case No. 18823, until fully paid.

Costs against petitioner.

SO ORDERED.

Teehankee, (Chairman), Plana, Relova, and Gutierrez, Jr., JJ., concur.

[1] Decision, Civil Case No. 6365, p. 1.

[2] Sec. 50, Land Registration Act.

[3] 99 SCRA 273, 279

[4] 25 SCRA 693

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