

**SOSTENES CAMPILLO, PETITIONER, VS. HON. COURT OF APPEALS
AND ZENAIDA DIAZ VDA. DE SANTOS, IN HER CAPACITY AS
ADMINIS-TRATRIX OF THE INTESTATE ESTATE OF THE LATE
SIMPLICIO S. SAN...**

G.R. No. 56483. May 29, 1984

Ponente: DE CASTRO, J.

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DE CASTRO, J.:

In this petition for review on certiorari of the decision of the defunct, Court of Appeals in CA-G. R. No. 62842-R issued on March 9, 1981, the only issue is whether who has a better right or title to the herein disputed two (2) parcels of land --- Simplicio Santos who earlier purchased them in a private sale but failed to register his sale, or petitioner Sostenes Campillo who subsequently purchased them at an execution sale and obtained a certificate of title.

The pertinent undisputed facts, may be summarized as follows: On February 27, 1961, Tomas de Vera and his wife Felisa Serafico sold two (2) parcels of land located in Tondo, Manila, designated as Lots 1 and 2 of the consolidation and subdivision plan (LRC) Pcs. 888 and segregated from Transfer Certificate of Title No. 37277 under Transfer Certificate of Title No. 63559, to Simplicio Santos, now deceased and is represented by his administratrix, Zenaida Diaz Vda. de Santos, the herein private respondent. Said sale was however never presented for registration in the office of the Registry of Deeds of Manila nor noted in the title covering the property.

On January 27, 1962, petitioner Sostenes Campillo obtained a judgment for a sum of money against Tomas de Vera in Civil Case No. 49060 of the Court of First Instance of Manila. That judgment became final and executory, and petitioner obtained an order for the issuance of a writ of execution. The writ was issued on April 4, 1962 and pursuant thereto, the City Sheriff levied on three (3) parcels of land covered by TCT No. 63559 in the name of Tomas de Vera, including the two (2) parcels of land which the latter previously sold to Simplicio Santos.

On June 26, 1962, notice of the sale of said lots was issued by the Sheriff and published in the "Daily Record" and "La Nueva Era."

On July 25, 1962, the three parcels of land were sold at public auction for P17,550.81 in favor of petitioner who was issued the corresponding certificate of sale. After the lapse of one year, the City Sheriff executed the final deed of sale in favor of petitioner over the three (3) parcels of land levied and sold on execution. On February 4, 1964, TCT No. 63559 was cancelled and in lieu thereof, TCT No. 73969 was issued by the Registry of Deeds of Manila in the name of petitioner Sostenes Campillo. Upon petition by the latter, the Registry of Deeds cancelled TCT No. 73969 and issued in lieu thereof TCT Nos. 74019 and 74020 over the disputed Lots 1 and 2, respectively.

Claiming to be the owner of the two parcels of land by reason of the previous sale to him by Tomas de Vera,

Simplicio Santos filed an action to annul the levy, notice of sale, sale at public auction and final deed of sale of Lots 1 and 2 in favor of petitioner Campillo, with damages. In resisting the complaint, the herein petitioner as one of the defendants below, alleged that he is an innocent purchaser for value and that the supposed previous sale could not be preferred over the levy and sale at public auction because it was not registered.

After due trial, the lower court rendered judgment sustaining the validity of the levy and sale at public auction primarily because at the time of the levy and sale, the disputed properties were still registered in the name of the judgment debtor, Tomas de Vera. Besides, the trial court ruled, the sale to Simplicio Santos which was not registered nor noted in the title of the subject lots, cannot bind third persons.

On appeal at the instance of the herein private respondent, the respondent appellate court modified the decision of the lower court, as follows:

"WHEREFORE, the judgment of the trial court is hereby modified as follows:

"(1) The dismissal of the amended complaint as against defendant Sostenes Campillo only and ordering the plaintiff to pay the costs of suit are set aside;

"(2) Declaring the levy, sheriff's sale and sheriff's certificate in favor of defendant Sostenes Campillo null and void and of no effect;

"(3) Declaring plaintiff Simplicio Santos, now his estate, to be the owner of the two parcels of land under litigation and embraced in Transfer Certificate of Title No. 63559; and

"(4) Ordering the Register of Deeds of Manila to cancel Transfer Certificate of Title Nos. 74019 and 74020 in the name of defendant Sostenes Campillo and to issue the proper certificate of title in the name of the estate of Simplicio Santos.

"The rest of the judgment appealed from is hereby affirmed." (p. 45, Rollo)

Rationalizing its stand, the appellate court said that the subject lots could not be legally levied upon to satisfy the judgment debt of the de Veras in favor of petitioner because at the time of the execution sale, the judgment debtor, having previously sold said properties, was no longer the owner thereof; that since the judgment debtor had no more right to or interest on the said properties, then the purchaser at the auction sale acquires nothing considering that a judgment creditor only acquires the identical interest possessed by the judgment debtor in the property which is the subject of the auction sale, and he takes the property subject to all existing equities to which the property would have been subject in the hands of the debtor; and, while it may be true that Simplicio Santos did not record or register the sale of the disputed lots, the levy on execution does not take precedence over the unrecorded deed of sale to the same property made by the judgment debtor anterior to the said levy since the judgment creditor is not a third party within the meaning of the law and could not therefore be considered as purchaser for value in good faith.

After a conscientious review and scrutiny of the records of this case as well as existing legislations and jurisprudence on the matter, We are constrained to reverse the judgment of the respondent appellate court and rule in favor of the herein petitioner.

It is settled in this jurisdiction that a sale of real estate, whether made as a result of a private transaction or of a foreclosure or execution sale, becomes legally effective against third persons only from the date of its registration.[1] Consequently, and considering that the properties subject matter hereof were actually attached and levied upon at a time when said properties stood in the official records of the Registry of Deeds as still owned by and registered in the name of the judgment debtor, Tomas de Vera, the attachment, levy and subsequent sale of said properties are proper and legal. The net result is that the execution sale made in favor of the herein petitioner

transferred to him all the rights, interest and participation of the judgment debtor in the afore-stated properties as actually appearing in the certificate of title, unaffected by any transfer or encumbrance not so recorded therein.

Section 51, PD No. 1529, otherwise known as the Property Registration Decree, provides as follows:

"Section. 51. Conveyance and other dealings by registered owner. - An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

"The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies." (*Italics for emphasis*)

As succinctly stated in the case of *Philippine National Bank vs. Court of Appeals*, 98 SCRA 207:

"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. 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 same property if such transfer was unrecorded at the time of the auction sale." (*Italics for emphasis*)

The case of *Leyson vs. Tañada*,^[2] invoked by the private respondent is not in point. In that case, a notice of lis pendens was inscribed at the back of the certificate of title of the land subject therein before it was sold at public auction. Necessarily, the purchaser at public auction is bound by the outcome of the pending case referred to therein. Since it turned out that the judgment debtor is merely a co-owner of the property sold at public auction, then the purchaser thereat is not entitled to the entirety of the land. As the Court held: "The interest acquired by a purchaser in an execution sale is limited to that which is possessed by the debtor. If there is more than one person owning property in common and an execution against one only is levied thereon, the sale effected by the Sheriff under such execution operates exclusively upon the interest of the execution debtor, without being in any wise prejudicial to the interest of the other owners. The result in such case merely is that one new owner in common is substituted for the owner whose interest is alienated by process of law."

While it may be true as stated in the aforesaid case of *Leyson vs. Tañada*, that purchasers at execution sales should bear in mind that the rule of caveat emptor applies to such sales, that the sheriff does not warrant the title to real property sold by him as sheriff, and that it is not incumbent on him to place the purchaser in possession of such property, still the rule applies that a person dealing with registered land is not required to go behind the register to determine the condition of the property and he is merely charged with notice of the burdens on the property which are noted on the face of the register or the certificate of title. Hence, the petitioner herein, as the purchaser in the execution sale of the registered land in suit, acquires such right and interest as appears in the certificate of title unaffected by prior lien or encumbrances not noted therein. This must be so in order to preserve the efficacy and conclusiveness of the certificate of title which is sanctified under our Torrens system of land registration.

WHEREFORE, the questioned decision of the respondent appellate court is hereby reversed and set aside, and the judgment of the lower court is reinstated. Without pronouncement as to costs. SO ORDERED.

Guerrero, J., concur.

Makasias, J., (Chairman), joins JJ., Aquino and Abad Santos in their concurring opinion.

Aquino and Abad Santos JJ., see concurring opinion.

Concepcion, Jr., J., on leave.

Escolin, J., in the result.

[1] Campillo vs. Philippine National Bank, 28 SCRA 220.

[2] 109 SCRA 66.

CONCURRING OPINION

ABAD SANTOS, J.:

The question posed in this case is which of the two sales of the two parcels of registered lands should be accorded legal protection.

The voluntary sale to Simplicio Santos was made in 1961. The sale was not registered in the Registry of Property.

The involuntary sale to Sostenes Campillo was made in 1962. The sale was registered in the Registry of Property. In fact, Campillo was issued a transfer certificate of title and later two transfer certificates of title for each of the parcels.

The contract of sale is a consensual contract, i.e. it is perfected by mere consent. But ownership of the thing sold shall be transferred to the vendee only upon the actual or constructive delivery thereof. (Art. 1477, Civil Code.) In other words, there must be tradition.

In the case of lands registered under Act No. 496, as amended, said law provides for a special kind of tradition. Sec. 50 provides:

“Sec. 50. An owner of registered land may convey, mortgage, lease, charge, or otherwise deal with the same as fully as if it had not been registered. He may use forms of deeds, mortgages, leases, or other voluntary instruments like those now in use and sufficient in law for the purpose intended. But no deed, mortgage, lease, or other voluntary instrument, except a will, purporting to convey or affect registered land, shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the clerk or register of deeds to make registration. The act of registration shall be the operative act to convey and affect the land, and in all cases under this Act the registration shall be made in the office of the register of deeds for the province or provinces or city where the land lies.”

Since the sale made in favor of the first vendee did not comply with the above-quoted provision, the transaction was ineffectual as to third persons. And since the sale made in favor of the second vendee complied with the relevant provision, the sale to him was good and should be protected.

CONCURRING OPINION

AQUINO, J.:

I concur.

In case of double sale of realty, the ownership passes to the vendee who in good faith first recorded it in the Registry of Property, (Art. 1544, Civil Code). Hence, the petitioner has the better right to the disputed parcels of land because the sale in his favor was recorded.

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