

SPOUSES MARIANO CASTILLO AND PILAR CASTILLO IN THEIR OWN BEHALF AND IN REPRESENTATION OF HEIRS OF EDUARDO CASTILLO, PETITIONERS, VS. HEIRS OF VICENTE MADRIGAL AND/OR SUSANA REAL...

G.R. No. 62650. June 27, 1991

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This is a petition for review on certiorari seeking reversal of the decision of the Court of Appeals dated August 5, 1982 in CA-G.R. No. 66849-R entitled "Spouses Mariano Castillo, et al., Plaintiffs-Appellants v. Heirs of Vicente Madrigal, et al., Defendants-Appellees."

The antecedent facts are as follows:

On December 17, 1979, petitioners spouses Mariano Castillo and Pilar Castillo, in their own behalf and in representation of the heirs of Eduardo Castillo, filed a verified complaint before the Court of First Instance (now Regional Trial Court) of Manila for annulment of contract and transfer certificate of title and/or reconveyance with damages against private respondents heirs of Vicente Madrigal and/or Susana Realty, Inc. and public respondent Register of Deeds of the City of Manila. The complaint contained the following pertinent allegations (pp. 105-108, Rollo):

"x x x.

"4. That plaintiff spouses and their brother, Eduardo Castillo (herein represented by his legal heirs Paula Castillo and Antonio Castillo), are registered co-owners of a parcel of land situated in Ermita, Manila, which property is more particularly described and bounded as follows:

'Lot 20 of Block 362 of the Cadastral Survey of the City of Manila, Cadastral Case No. 53 G.L.R.C. Cadastral Record No. 515 with a chalet of strong materials existing thereon, situated on the NE line of Calle M.H. del Pilar, District of Ermita. Bounded on the NE by Lots Nos. 18 and 8 of Block No. 12; on the SE, by Lots Nos. 3, 4 and 7 of Block No. 362; on the SW by Lots Nos. 7 and 19 of Block 362 and Calle M.H. del Pilar; and on the NW, by Lots Nos. 19, 17 and 12 of Block No. 362 containing an area of SEVEN HUNDRED AND TWENTY EIGHT (728) SQUARE METERS, more or less, Date of Survey, December 18, 1925 (Full technical description appear on tct no. 29454)'

That the plaintiffs' ownership over the property above-described is evidenced by Transfer Certificate of Title No. 623597 issued in their name and that of their brother Eduardo Castillo on August 11, 1941, x x x;

"5. That the immediate origin of the above property is Transfer Certificate of Title No. 28454 in the name of Petronila Vda. de Castillo, plaintiffs' mother, and from whom they acquired the realty by way of inheritance in equal share with Eduardo Castillo entered in the Registration Book in 1927 yet, x x x.

"6. That plaintiffs' mother aforesaid as predecessor-in-interest (sic) declared the property for taxation purposes for the year 1940 under Tax Dec. No. 531 and paid taxes thereon in 1941 under official receipt No. 571689, x x x;

"7. That after the transfer of the property in their own name and their brother aforesaid, the property was mortgaged by plaintiffs in favor of the Agricultural and Industrial Bank and due to the existing war conditions at the time, the possession, management and supervision of the land was entrusted to Eduardo Castillo reposing in him the (sic) full trust and confidence;

"8. That beginning the year 1941 up to the year 1977, plaintiff spouses left Manila and engaged in several business ventures in the provinces and stayed for so long a time in Cagayan Valley in northern Luzon and often times (sic) traveled to far-away places thereby allowing his (sic) brother Eduardo Castillo herein to manage the same and collect the rentals due upon the understanding that once accumulated said amount be utilized to redeem the mortgaged property from the Bank which their brother did;

"9. That during and after the effectivity of the mortgage with the aforesaid Bank, plaintiffs herein never gave their brother Eduardo Castillo authority to sell their undivided property neither were there transactions entered into by plaintiffs with any person or persons, natural or juridical with respect to their undivided half portion;

"10. That after plaintiffs have returned from the provinces and upon arrival from abroad later in 1977, they decided to get their share from their brother Eduardo Castillo as he was entrusted but the latter being sickly then could not give the explanation and after conference with his wife, Paula Castillo, the latter told the plaintiffs that she and her husband Castillo (Eduardo) did not know the mysterious transactions that transpired in the transfer or registration of the above property to Vicente Madrigal (under Transfer Certificate Title No. 72066) and upon verification thereof, an alleged deed of sale executed by plaintiffs and Eduardo Castillo appears on the back of the title but in truth and in fact, plaintiffs had never signed any document in favor of Vicente Madrigal contrary to what appears thereon; x x x and subsequently transferred by Vicente Madrigal to Susana Realty Inc., under TCT No. 36280, x x x;

"11. That plaintiffs exerted serious efforts in recovering his property (Mariano Castillo) in his capacity as a registered co-owner peacefully but of (sic) no avail for the defendant Susana Realty Inc. refused to heed to the inquiry and hence this present action;

"12. That the transfer of the property under litigation in favor of the late Vicente Madrigal was done thru fraud, simulation, illegality and serious irregularity equivalent to nullity and inexistence of contract and follows that the Transfer Certificate of Title No. 36280 under the name of defendant Susana Realty Inc. is null and void and without any effect whatsoever either under the Civil Code or under the Land Registration Act especially so that the transactions entered on the title took place during war time and without supporting papers or documents available up to the present time;

"x x x.

"14. That under the aforesaid facts and circumstances, the remedy of reconveyance is feasible considering that the falidity (sic) of the title from plaintiffs' mother to them is not affected and without flaw;

"x x x.

"16. That the plaintiffs herein suffered damages for the reason that they were deprived of the possession, ownership and fruits or income of the property in question and to which they demand from the herein defendant heirs of Vicente Madrigal and/or Susana Realty Inc. in such amount as may be proved during the trial." (Underscoring supplied)

On February 4, 1980, private respondents filed a motion to dismiss on the ground that: (a) the complaint states no cause of action; and (b) the cause of action is barred by the statute of limitations.

On March 25, 1980, the trial court dismissed the complaint (pp. 120-126, Rollo). On appeal to the Court of Appeals, the decision was affirmed in toto on August 5, 1982 (pp. 44-52, Rollo). Hence, the present petition.

The issues raised by petitioners may be grouped into: whether or not (1) petitioners' action for annulment of contract and transfer certificate of title and/or reconveyance with damages is subject to prescription; and (2) the complaint states a cause of action against private respondents.

Petitioners allege that a reading of paragraphs 9 and 10 of their complaint reveals that they impugn the existence and validity of the alleged deed of sale. As contained therein, petitioners never entered into any transaction with any person conveying the subject property. They did not sign any document in favor of any one neither did they give any one authorization for that purpose. Therefore, consent and cause did not exist in the execution of the deed of sale, invoking Articles 1318[1], 1352[2] and 1409 (3)[3] of the Civil Code. And, pursuant to Article 1410 of the Civil Code, an action for the declaration of the inexistence of a contract does not prescribe.

In dismissing petitioners' complaint on the ground of prescription, the trial court opined (p. 123, Rollo):

"x x x, any action for annulment of the deed and TCT 72066 should have been instituted within ten (10) years from the accrual of the cause of action, that, (sic) is, ten years from 1943 when the deed was executed at the earliest, or ten years from 1944 at the latest. This action was filed on December 17, 1979, or after more than 30 years from 1943 and 1944. The action, therefore, has long prescribed. x x x."

The Court of Appeals expressed the same opinion (p. 51, Rollo):

"x x x, even as We consider that there was fraud in the registration and the issuance of title in favor of defendant Madrigal creating thereby a constructive trust in favor of the plaintiffs, the remedy of the plaintiffs is an action for reconveyance within ten (10) years from the registration of the property in the name of defendant Madrigal (*Alzona v. Capunitan*, 4 SCRA 450; *Gonzales v. Jimenez* 13 SCRA, 80). Again, the filing of the complaint was way beyond the ten-year period of limitation."

Both courts ruled incorrectly. It is evident in paragraphs 9, 10 and 12 of the complaint, *supra*, that petitioners sought the declaration of the inexistence of the deed of sale because of the absence of their consent. Thus, following the provision of Article 1410 of the Civil Code, this kind of action is imprescriptible. The action for reconveyance is likewise imprescriptible because its basis is the alleged void contract of sale. This pronouncement is certainly far from novel. We have encountered similar situations in the past which We resolved in the same manner. One of these is the case of *Baranda, et al., v. Baranda, et al.*, G.R. No. 73275, May 20, 1987, 150 SCRA 59, 73:

"x x x. In the instant case, however, we are dealing not with a voidable contract tainted with fraud, mistake, undue influence, violence or intimidation that can justify its nullification, but with a contract that is null and void *ab initio*.

"Paulina Baranda declared under oath in her complaint that she signed the deeds of sale without knowing what they were, which means that her consent was not merely marred by the above-stated vices, so as to make the contracts voidable, but that she had not given her consent at all. x x x. Lack of consent x x x made the deeds of sale void altogether [*Salonga vs. Ferrales*, 105 SCRA 359] and rendered them subject to attack at any time, conformably to the rule in Article 1410 that an action to declare the inexistence of void contracts 'does not prescribe.'

"x x x. We have consistently ruled that when there is a showing of such illegality, the property registered is deemed to be simply held in trust for the real owner by the person in whose name it is registered, and the former then has the right to sue for the reconveyance of the property. The action for the purpose is also imprescriptible."

However, there should be no debate that the action for damages against private respondents has already prescribed. In accordance with Article 1144 of the Civil Code[4], it should have been brought within ten (10) years from the date of the sale to Vicente Madrigal and the issuance of Transfer Certificate of Title No. 72066 in his name on July 12, 1943, if against the heirs of Vicente Madrigal; or within ten (10) years from the date of the issuance of Transfer Certificate of Title No. 36280 in the name of Susana Realty, Inc. on May 12, 1954, if against the firm.

Notwithstanding the discussion on the imprescriptibility of petitioners' action for annulment of contract and transfer certificate of title and/or reconveyance, the dismissal of their complaint by the trial court and the Court of Appeals on the ground of failure to state a cause of action was correct. It was also Our ruling in the Baranda case, supra, (and in other previous cases) that only as long as the property is still in the name of the person who caused the wrongful registration and has not passed to an innocent third person for value will an action lie to compel that person to reconvey the property to the real owner. In this regard, we are in conformity with the Court of Appeals that (p. 52, Rollo):

"x x x the property subject of the alleged fraudulent registration had already been conveyed to an innocent party for value which is defendant Susana Realty, Inc. The claim of plaintiffs that said defendant is not an innocent purchaser for value is not borne by the allegations of the complaint. x x x."

Where the complaint for recovery of ownership and possession of a parcel of land alleges that some of the defendants bought said land from their co-defendants who had a defective title thereto but does not allege that the purchasers were purchasers in bad faith or with notice of the defect in the title of their vendors, there is a failure to state a cause of action (Galvez, et al. v. Tuazon y de la Paz, et al., 119 Phil. 612). By reason of this failure, private respondent Susana Realty, Inc. is presumed to be an innocent purchaser for value and in good faith, entitled to protection under the law (see Tiburcio, et al. v. People's Homesite and Housing Corporation, et al., 106 Phil. 477).

ACCORDINGLY, the petition is hereby DENIED. The decision of the Court of Appeals dated August 5, 1982 is AFFIRMED, subject to the modification regarding the issue on prescription.

SO ORDERED.

Narvasa, (Chairman), Cruz, and Griño-Aquino, JJ., concur.
Gancayco, J., no part.

[1] Art. 1318. There is no contract unless the following requisites concur:

- (1) Consent of the contracting parties;
- (2) Object certain which is the subject matter of the contract;
- (3) Cause of the obligation which is established.

[2] Art. 1352. Contracts without cause, or with unlawful cause, produce no effect whatever. The cause is unlawful if it is contrary to law, morals, good customs, public order or public policy.

[3] Art. 1409. The following contracts are inexistent and void from the beginning:

- (3) Those whose cause or object did not exist at the time of the transaction;

[4] Art. 1144. The following actions must be brought within ten years from the time the right of action accrues:

- (1) Upon a written contract;

- (2) Upon an obligation created by law;
- (3) Upon a judgment.

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