

ROSA SILAGAN, PETITIONER, VS. INTERMEDIATE APPELLATE COURT, TITO K. YAO, CHUN PENG, DANIEL CABIGON, AND CHAN YAN PENG, RESPONDENTS.*G.R. No. 68743. May 08, 1991*

Ponente: NARVASA, J.

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What in essence the petitioner seeks is the enforcement of certain agreements in infringement of the Constitution. Such an attempt cannot of course be allowed to succeed. For this, and other reasons hereafter set out, judgment must go against the petitioner.

The basic agreements are embodied in two (2) private documents. The first, dated January 20, 1958, shows on its face that petitioner Rosa Silagan purchased from Rita Macabasag a parcel of land known as Lot 630-A at the price of P3,500.00.[1] Silagan says she paid Macabasag P1,500.00 on that day, and their understanding was that the balance was payable any time upon demand, and on full payment thereof, the final deed of sale would be executed.

The other private document, dated December 6, 1958, shows that Silagan also bought Macabasag's adjacent lot, Lot 630-C, at the price of P2,000.00.[2] Since only P1,650.00 was paid by Silagan on that day, this resulted in a balance due from her, on account of her purchase of the two (2) lots, of P2,350.00.[3] According to Silagan, the agreement was that this balance of P2,350.00 would also be paid anytime upon demand.[4]

Silagan and her husband, Yao King Chiong, took possession of the lots and erected a house and a noodle (miki and misua) factory thereon. But no registrable public instrument of sale was ever executed in her favor, and consequently no Torrens title was ever issued in her name over either lot.

On February 3, 1958 --- on the 14th day after Macabasag had purportedly sold one of the lots, Lot 630-A to Rosa Silagan --- Rita Macabasag sold the same Lot 630-A as well as Lot 630-C to Tito K. Yao and Chun Peng for P5,500.00, P1,500.00 being given as down payment and the balance of P4,000.00 stipulated to be payable after the surrender of the owner's duplicate certificate of title to the vendees.[5] And on December 10, 1958 --- on the 4th day after Macabasag had purportedly sold her second lot, Lot 630-C to Rosa Silagan --- Macabasag executed a second public instrument conveying by way of absolute sale the aforementioned two lots to Yao and Chun. This second deed of sale was registered; Macabasag's title, OCT No. 152-R0-3, was cancelled; and a new one, TCT No. 4618, was issued to the vendees.[6] And on April 30, 1960, Macabasag signed and delivered to the vendees a "Deed of Confirmation of the Sale and Quit-Claim" involving the same property.[7] The buyers then began paying the real estate taxes on the lots. Later, they caused consolidation of the two lots into one Lot 630-A.[8]

It is Rosa Silagan's claim that these public instruments are simulated, and void and inefficacious as to her. According to Silagan, Rita Macabasag really intended to sell the two lots to her, and this was known to both Tito K. Yao and Chun Peng, Yao and Chun, like Rosa Silagan's common-law-husband -- Yao King Chiong @ Chionga -- were members of the Wei Due Association.[9] One of the purposes of the Association was "to assist

members who need some loans ** (or otherwise require) financial help." [10] There had been an agreement among them that Yao and Chun should appear as the buyers of Lot 630-A, the lot first sold. This was "because Rosa Silagan, with the assistance of her common-law-husband, Yao King Chiong, was to secure a loan from the Wei Due Association to be paid in ten (10) years, and after paying ** the indebtedness (in ten (10) years), the said Tito K. Yao and Chung Ping will transfer the property to Rosa Silagan." [11] The purpose of this arrangement was "to protect the Wei Due Association for the faithful compliance by Rosa Silagan of the loan." [12] It was pursuant to this arrangement that Lot 630-A was ostensibly sold to Yao and Chun on February 3, 1958. Now, when Rita Macabasag sold the second lot, Lot 630-C, to Rosa Silagan on December 6, 1958, and the latter incurred an obligation in the former's favor in the sum of P2,350.00, representing the balance of the price of the two (2) lots, she (Silagan) "secured a loan in ** (this amount) from the Wei Due Association." [13] This amount she paid to Macabasag; and she and her husband, Yao King Chiong, bound themselves to pay the loan in monthly installments of P50.00 to P100.00, depending on the state of their business. Now, since the association wished to have some security for the loan, and since it was not feasible to transfer the property to the association as it was not qualified to own property, it was arranged that Macabasag execute a simulated deed of sale of the lots in favor of Tito K. Yao and Chung Ping, who were naturalized Filipinos and members of the society, but although the sale would be registered, the certificate of title would not be transferred to the latter's names. This is why, Silagan continues "another document was also executed (by Macabasag) in favor of Tito K. Yao and Chung Ping ** to protect the Wei Due Association for the faithful compliance by Rosa Silagan of the loan," but as before, the agreement was to transfer the property to her after ten (10) years upon payment (of the loan) to the Wei Due Association. [14]

It is further Silagan's claim that over the years, she and Chiong, her husband, had paid to the Wei Due Association, in installments, the total amount of P10,560.00, not only in payment of their aforesaid loan but also "at the same time as contribution to the said association, (her husband) being member thereof", although the receipts make it appear that the payments were for rentals on the premises. [15]

Silagan also alleges that on March 8, 1971, thirteen (13) years after the execution of the private deeds of sale in her favor, she caused the annotation of an adverse claim on TCT No. 4618, which, as above mentioned, had been issued in the names of Tito K. Yao and Chung Ping. [16] The annotation reads as follows: "Entry No. 14190. Affidavit of Adverse Claim executed by Rosa Silagan. Conditions. The parcel of land described in this cert. of title is subject to adverse claim. (For other conditions see documents on file.) Date of Instrument - March 8, 1971. Date of Inscription - March 8, 1971, at 8:00 A.M." She also claims to have sent a registered letter to Tito K. Yao on January 27, 1972 but never got an answer. [17]

On January 3, 1972, some fourteen (14) years after their purchase of the lots in question, Yao and Chun sold the same lots (then already consolidated) to Daniel Cabigon and Chan Yan Peng. Cabigon and Chan registered the sale and obtained title in their names, TCT No. 7836, their vendors' title (TCT No. 4618) being cancelled in the process.

Cabigon and Chan subsequently filed an ejectment suit against Rosa Silagan in the Municipal Court of Tacloban City to obtain possession of the lots. [18]

Silagan in turn filed in the Court of First Instance of Leyte (Palo) an action against Yao, Chun, Cabigon and Chan for recovery of ownership of the property and the cancellation of their titles. [19] In this suit, she sought to prove what she contended to be the real nature of her agreement with Rita Macabasag, setting forth in her complaint the facts already above narrated. Her cause did not however prosper. She failed to persuade the Court of the truthfulness of her asseverations. The Court dismissed her action by a decision dated December 26, 1975. [20]

Silagan appealed to the Court of Appeals. But there she fared no better. The Appellate Court rendered judgment on June 28, 1984[21] affirming that of the Trial Court.[22] The Court declared that the private document of sale on which Silagan based her claim to the property was "hardly sufficient to convey title or ownership" to her, the land being then already registered under the Torrens System and "hence, any deed of conveyance must be made ** in accordance with the procedure outlined in Section 57, Act 496" and "it is the act of registration that operates to convey registered land or affect title thereto (Section 50, Act 496 and Section 51, PD No. 1529)"; that the rule on double sales under Article 1544 of the Civil Code was applicable (i.e., that if the same immovable property should have been sold to different vendees, "the ownership shall belong to the person acquiring it who in good faith recorded it in the Registry of Property"); that defendants were buyers in good faith, there being no convincing evidence on record of their full awareness of the prior sale of the land to Rosa Silagan, it appearing that when Cabigon and Chan, vendees of Yao and Chun, "checked the original Certificate of Title with the Register of Deeds (before buying it on January 3, 1978) ** (they) found out that there was no encumbrance shown on said title",[23] and it is established doctrine that a purchaser need not go beyond the statements of and annotations on the title itself;[24] that assuming it to be true, as argued by Rosa Silagan, that the sale by Macabasag to Yao and Chun was relatively simulated -- the real buyer being her common-law-husband, a Chinese national, and that there was an agreement for the reconveyance of the lots to her -- the transaction would still be void because designed to convey land to a non-Filipino in infringement of the Constitution and against public policy.[25]

Silagan has come to this Court on certiorari, praying for the reversal of the Appellate Court's judgment. She submits that the fact that Yao and Chun were mere trustees of the property, who were bound to reconvey it to her after ten (10) years, is convincingly demonstrated by their having refrained from effecting any transfer of the title to the land to themselves for that period of ten years. She argues further that the sales by Macabasag to Yao and Chun, and by the latter to Cabigon and Chan, were highly suspicious, and had been resorted to as a means of negating her rights to the property. In substantiation, she points out that (1) the lots were sold to Yao and Chun by Macabasag for P5,500.00, which is the same consideration for the sale of the same lots to her by Macabasag; (2) Macabasag's signature on the deed of confirmation of sale and quitclaim is different from that purporting to be hers affixed on the deeds of sale by Macabasag to her (Silagan) as well as to Yao and Chun; (3) there is a strange disparity in the price at which the lots were sold to Yao and Chun -- i.e., P5,500.00 plus an additional amount of P2,000.00, or a total of P7,500.00 -- and the price at which they were sold 12 years later to Cabigon and Chan--i.e., P6,500.00; in other words, the lots bought in 1958 were sold in 1972 at a loss of P1,000.00; (4) the residence certificates of Yao and Chun appearing in the deed of sale executed by them in favor of Cabigon and Chan were falsified, this being shown by the fact that the deed was acknowledged by the notary public on January 3, 1972, three days earlier than the date of issuance of Chun's residence certificate on January 6, 1972, and the residence certificate of Yao does not appear in the cash book of the Bureau of Internal Revenue in Tacloban City; and (5) the deed did not have the notary's dry seal affixed thereon. She States, finally, that the notation of her adverse claim on the title of Yao and Chun, TCT No. 4618, as well as on that of Cabigon and Chan, TCT No. 7836, operated as notice to the whole world precluding the acquisition of ownership of the property by Yao and Chun, who were trustees thereof, and Cabigon and Chan, who did not exercise the diligence of good purchasers.

Two considerations dictate rejection of the petitioner's recourse: (1) the well-settled doctrine that the findings of fact of the Court of Appeals are generally final and not reviewable by the Supreme Court,[26] and (2) the equally established and familiar principle that who comes to the courts must come with clean hands.[27]

The Intermediate Appellate Court found that Cabigon and Chan were purchasers in good faith, that they were not aware of petitioner's claim to the property by virtue of alleged prior purchase, Not only does such finding, as one of fact, merit acceptance by this Court under the first cited doctrine; nothing in the record militates against its correctness sufficiently to warrant a reversal.

About the only circumstance that would cast some doubt on said purchasers' good faith is the alleged recording of petitioner's affidavit of adverse claim[28] on the TCT No. T-4618 on March 8, 1971 or one year before the property was sold to Cabigon and Chan, which would have forewarned the latter about the petitioner's asserted right to the property if, as the Appellate Court found they did,[29] they had looked up the records of the title in the Register of Deeds before making the purchase. The evidence, however, fails to establish with any persuasion, but on the contrary engenders serious doubts about, the purported prior and regular execution and recording of said adverse claim.

Two copies of TCT No. T-4618 were offered in evidence. One, Exhibit 5, is a machine copy of the file copy of said certificate of title in the Registry of Deeds of Tacloban City. The other, Exhibit 6, is a copy of the owner's duplicate of the same certificate. While an inscription of the adverse claim appears as Entry No. 14190 in the Memorandum of Encumbrances on Exhibit 5, the file copy in the Registry of Deeds, it does not appear at all in Exhibit 6, the owner's duplicate certificate. Both however carry, as Entry No. 15464, an annotation of the sale to Cabigon and Chan, but apparently typed on different machines. The inscription of the adverse claim (Entry No. 14190) on Exhibit 5, moreover, is clearly a superimposition made over another entry which had been erased to make way for it.

In the Trial Court, counsel for the present respondents advanced[30] and -- through the testimony of witnesses, principally, Fiscal Joventino Isidro, deputy register of deeds at the time, and Elsie E. Maga, an employee also of the Registry of Deeds of Tacloban City -- sought to develop the thesis that the adverse Claim had been annotated on Exhibit 5 subsequent to the annotation of the sale to Cabigon and Chan, and that it was in fact the latter inscription that had been erased to make way for the annotation of the adverse claim, said inscription then being re-typed in the space below.

The physical evidence tends to confirm that hypothesis, for as already observed, an examination of the questioned entries themselves clearly shows that the annotation of the adverse claim on Exhibit 5, the file copy of the title, had been typed over another existing entry which erasure and over-typing did not completely obliterate; that incompletely erased entry could have been nothing else but the inscription of the sale to Cabigon and Chan.

This was, however disputed by Elsie R. Maga, who tried to explain that the erased and typed-over entry was that of the adverse claim, not of the sale. What seems to emerge from her lengthy and rather involved account is that when both file copy and owner's duplicate certificate of TCT No. 4618 were given to her for annotation thereon of the sale, she had inserted both documents in her typewriter, the owner's duplicate over the file copy with a carbon sheet in between; and that she had inadvertently typed the entry of the sale on the space in the owner's duplicate that overlay the entry of the adverse claim on the file copy, the resulting carbon impression thereby "overlapping" the latter inscription. Upon noticing this, after consulting her superior, she had erased the carbon impression on the file copy restored the original entry (of the adverse claim) then typed under it the entry of the sale.[31]

Maga's explanation is hardly convincing, nor is its credibility improved by her vagueness, apparent confusion and lapses in recollection under further questioning. It offers no satisfactory account of why the same entry regarding the sale is typed on one machine in the file copy of the title and on a different machine in the owner's duplicate certificate, and is signed by the register of deeds in duplicate certificate and unsigned in the file copy; why erasure and superimposition of entries was resorted to in apparent disregard of the prescribed procedure of simply marking or stamping incorrect or irregular entries "cancelled;"[32] or, finally, why the annotation of the adverse claim was not carried over to the owner's duplicate when the same was, as it must have been, surrendered for cancellation of TCT No. T-4618 and the issuance, in lieu thereof, of a new certificate of title (TCT No. T-7836) in the names of Cabigon and Chan.

These considerations surely did not escape the Appellate Court when it ruled that there was no convincing evidence that respondents Cabigon and Chua were aware of the prior sale to the petitioner. This Court quite agrees that they are hardly calculated to allay the doubts they raise about the regular execution and recording of the adverse claim -- doubts that can only be deepened by the further fact that a brother of the petitioner, Leonilo Silagan, himself an employee of the Registry of Deeds of Tacloban during the relevant period, not only admitted to some participation in the recording of the adverse claim; he also appears to have manifested unusual interest in the prosecution of the petitioner's action, even leaving his duties to attend the hearings and give help to his sister and her counsel.[33]

But even an assumption that Cabigon and Chan are not innocent purchasers would not help the petitioner's cause. This, because she herself has not come guiltless to the courts. Quoted in the decision of the Trial Court is her recorded testimony[34] admitting that the property being acquired in the round - about way already narrated was being bought with income of herself and her common - law husband, and was intended to become their common property. Since there is no question, and in fact petitioner also confessed, that said husband was a Chinese national who never acquired Philippine citizenship, it is clear that what was proposed and meant to be eventually consummated amounted to a violation of the fundamental law which then and now, and subject only to exceptions which do not operate in the context of the dispute at bar, limits acquisition and ownership of real property in this country to its citizens. To grant the petitioner any relief in the premises would be tantamount to rewarding, instead of penalizing, contravention of a paramount public policy enunciated in no less than the Constitution itself.

According to Pomeroy:[35]

"The proposition is universal that no action arises, in equity or at law, from an illegal contract; no suit can be maintained for its specific performance, or to recover the property agreed to be sold or delivered, or the money agreed to be paid, or damages for its violation. The rule has sometimes been laid down as though it were equally universal, that where the parties are in *pari delicto*, no affirmative relief of any kind will be given to one against the other."

The principle has been consistently cited and followed in this jurisdiction,[36] except only where its application would violate well-established public policy;[37] and it is hardly disputable that what would violate public policy in this instance is not the application of the principle but, indeed, the invocation of the exception.

If, as is already evident, the rule of *pari delicto*, as expressed in Art. 1411 of the Civil Code would have operated to bar any action of petitioner to enforce the sale in her favor against the original seller, Rita Macabasag, now deceased, it works with equal and even greater force to proscribe her present action against the private respondents Cabigon and Chua.

WHEREFORE, the Decision of the Intermediate Appellate Court under review is affirmed in toto, without pronouncement as to costs.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Rollo, p. 15.

[2] *Id.*, p. 15.

[3] (P3,500.00 + P2,000.00) or P5,500.00 (total price for both lots) - (P1,500.00 + P1,650.00) or P3,150.00 (total amount thus far paid by Silagan) = P2,350.00 (balance)

- [4] Rollo, p. 29.
- [5] Rollo, p. 30.
- [6] Id., pp. 9, 107; TSN, Nov. 4, 1974, pp. 12-34; TSN, Nov. 15, 1974, pp. 19-52.
- [7] Id., p. 30.
- [8] Id., p. 31; TSN, Nov. 4, 1974, pp. 33-34.
- [9] Id., p. 103.
- [10] Id., p. 36.
- [11] Id., pp. 103-104.
- [12] Id., pp. 3, 104.
- [13] Id., p. 104.
- [14] Id., p. 104.
- [15] Id., p. 37.
- [16] Id., p. 70.
- [17] Id., p. 40.
- [18] Id., p. 105.
- [19] Id., pp. 28 and 31.
- [20] Rollo, p. 29.
- [21] Per Coquia, J., ponente; Zosa and Castro-Bartolome, JJ., concurring.
- [22] Rollo, p. 28 et seq.
- [23] Id., p. 31; reference being made in the judgment to "Exh. 6-A Cabigon," "Entry No. 15463, Exh. 6-A-1-Cabigon" and the signature thereon by the Register of Deeds, Exh. 6-A-2-Cabigon".
- [24] With voluminous citations.
- [25] Citing par. 1, Art. 1409 and Art. 1346, Civil Code.
- [26] Tolentino vs. de Jesus, 56 SCRA 67, and cases cited therein; Cesar vs. Sandiganbayan, 134 SCRA 105, 121; Maclan vs. Santos, 156 SCRA 541; Malaysian Airline System Bernad vs. CA, 156 SCRA 321; Balde vs. CA, 150 SCRA 585; Sese vs. IAC, 152 SCRA 585; Andres v. Manufacturers Hanover & Trust Corp., 177 SCRA 618; Director of Lands vs. Cabral, G.R. No. 52491, Jan. 29, 1990.
- [27] Bouvier's Law Dictionary, 3rd Revision, Vol. 1, p. 502 citing Trice v. Comstock, 121 Fed. 620, 57 C.C.A. 646, 61 L.R.A. 176; West v. Washburn, 153 App. Div. 460, 138 N.Y Supp. 230.
- [28] Exhibit J.
- [29] IAC Decision; Rollo, p. 31.
- [30] TSN Palencia, November 14, 1975.

[31] Id., November 28, 1975, pp. 104-140.

[32] Id., November 14, 1975, pp. 65-66 (testimony of J. Isidro).

[33] Id., December 11, 1975, pp. 148, 151; 171-172.

[34] Record on Appeal, pp. 60-62; TSN, Duarte, November 6, 1973, pp. 50-54.

[35] Equity Jurisprudence, Vol. 3, 5th ed., p. 728.

[36] Cabautan vs. Uy Hoo, L-2207, Jan. 23, 1951; Rellosa vs. Gaw Chee Hun, 93 Phil. 827 (1953); Caoile vs. Yu Chiao Peng, 93 Phil. 861 (1953), which involved also a sale of real property to an alien.

[37] Angeles vs. CA, No. L-11024, Jan. 31, 1958; Liguez vs. CA, L-11240, Feb. 13, 1958.

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