

ST. DOMINIC CORPORATION, PETITIONER, VS. THE INTERMEDIATE APPELLATE COURT, HON. RICARDO P. TENSUAN, RTC BRANCH LXXXIII, QUEZON CITY, FRANCISCA B. BUSTAMANTE, FLAVIANO BUSTAMANTE...

G.R. No. 70623. June 30, 1987

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

Arising from a common set of facts, these petitions are before us for concurrent disposition.

G. R. No. 70623 entitled "St. Dominic Corporation v. The Intermediate Appellate Court, et al." is a petition to review on certiorari the decision of the respondent appellate court, dated January 31, 1985 in AC-G.R. SP No. 00513 entitled "Francisca B. Bustamante, et al., v. Hon. Ricardo P. Tensuan, et al.," which set aside the orders of the then Court of First Instance of Rizal at Quezon City, in Civil Case No. Q-11895, as well as the resolution dated April 16, 1985 denying the petitioner's motion for reconsideration.

On the other hand, G. R. No. L-48630, is a petition for certiorari assailing the order of respondent Judge Ulpiano Sarmiento, dated April 27, 1976, directing the issuance of a writ of possession against the petitioners covering the same property involved in G. R. No. 70623.

The facts are not disputed.

On February 27, 1968, Civil Case No. Q-11895 entitled "Ricardo Castulo and Juan V. Ebreo v. Carlos Robes and wife Adalia Francisco and People's Homesite and Housing Corporation" was filed seeking the cancellation of Transfer Certificate of Title No. 83783 in the name of the spouses Carlos Robes and Adalia Francisco, covering Lot No. 8, Block 101 of the Malaya Subdivision, People's Homesite and Housing Corporation (PHHC). The original complaint was superseded by an amended complaint filed on February 24, 1969.

It appears that sometime in 1961, the PHHC awarded the property in question to one Cristobal Santiago, Jr., in whose favor a final deed of sale was executed and Transfer Certificate of Title (TCT) No. 83783 was issued.

Subsequently, the Robes spouses mortgaged the realty to the Manufacturer's Bank and Trust Company. The mortgage lien was duly annotated on TCT 84387 on February 9, 1965.

Thereafter, on February 2, 1968, Civil Case No. Q-11895 was filed.

Claiming legal interest in the property, the Bustamante spouses were allowed to intervene in the case.

On March 25, 1968, a notice of lis pendens was annotated on TCT 84387 at the instance of the Bustamante spouses.

For failure of the Robes spouses to pay the mortgage obligation, the Manufacturer's Bank and Trust Company foreclosed the lot and caused the same to be sold at public auction on December 14, 1974.

The property was purchased by Aurora Francisco in whose favor a certificate of sale was issued. The levy on execution was annotated on TCT 84387 on March 16, 1974.

No redemption of said property was effected. Thus, on March 5, 1976, TCT 84387 in the name of the Robes spouses was cancelled and in lieu thereof, TCT 217192 was issued to Aurora Francisco on the same date. The notice of lis pendens on the title of the Robes spouses, however, was not carried over to TCT 217192.

On April 20, 1976, before the sale of the land to St. Dominic, Aurora Francisco applied for a writ of possession in LRC Case No. 851 (76) before Branch IX of the then Court of First Instance of Rizal in Quezon City.

On April 27, 1976, said court issued the writ of possession.

The lower court (Branch IX, Court of First Instance of Rizal) having stood firm in the grant of the writ of possession and having denied the motion to quash the same, the Bustamante spouses filed with this Court a petition for certiorari, docketed as G. R. No. L-48630 entitled "Flaviano Bustamante, et al., v. Hon. Sarmiento, etc., et al.", now before us for resolution.

On September 15, 1976, Aurora Francisco sold the property to petitioner, St. Dominic Corporation. Consequently, TCT 222337 was issued to petitioner corporation. As earlier stated, no notice of any lien or encumbrance appears on the title.

Meanwhile, Civil Case No. Q-11895 proceeded to judgment. The dispositive portion of the decision reads:

"WHEREFORE, all the foregoing premises considered, judgment is hereby rendered as follows:

"a) declaring null and void the allocation and sale of PHHC (now NHA) to defendant Cristobal Santiago, Jr., of Lot 8, Block 101 of subdivision plan Psd-88807, and cancelling Transfer Certificate of Title No. 83783 issued therefor in his name;

"b) declaring null and void and without force and effect the sale of said lot by Cristobal Santiago, Jr., to spouses Adalia Francisco and Carlos Robes, and cancelling Transfer Certificate of Title No. 84387 issued therefor in their names;

"(c) directing defendant PHHC (now NHA), to process the application to purchase said subject lot filed by intervenor Francisca Banzon Bustamante and to execute or cause to be executed the requisite documents for the award of said lot to her.

"The complaint praying that an award of the subject lot be ordered made in favor of plaintiffs Ricardo S. Castulo and Juan V. Ebreo, is hereby dismissed for lack of showing that they or either of them ever filed the requisite application to purchase the same. All other counterclaims are hereby dismissed for lack of merit." (Annex "A", p. 26, Rollo - G.R. No. 70623).

When the judgment became final, the Bustamante spouses applied for a writ of execution.

On June 29, 1982, Presiding Judge Tensuan issued an order granting the application for writ of execution with the qualification, however, that "said writ may not be enforced and/or implemented as against the St. Dominic Corporation."

The Bustamante spouses moved for a reconsideration, arguing that the order of the court dated June 29, 1982 in effect amended a final and executory judgment in violation of law. In an order dated November 26, 1982, Judge Tensuan denied the motion. Whereupon, the Bustamante spouses filed a petition for certiorari and mandamus docketed as AC-G.R. SP No. 00513, before the Intermediate Appellate Court. Herein petitioner, St. Dominic Corporation and Aurora Francisco who were not parties to Civil Case No. Q-11895, were made respondents in the

petition questioning the orders of Judge Tensuan exempting the petitioner corporation from the enforcement of the trial court's judgment and denying reconsideration thereof.

On January 31, 1985, the Intermediate Appellate Court rendered judgment. The dispositive portion of the decision reads:

"WHEREFORE, the writs of certiorari and mandamus prayed for are granted; the orders of September 24, 1982 and November 26, 1982 complained of are hereby set aside; and the respondent Judge is hereby ordered to cause the issuance of a writ of execution in strict conformity with the dispositive portion of the final and executory decision in subject Civil Case No. Q-11895. Costs against the private respondents." (p. 55, Rollo-G.R. No. 70623)

On February 18, 1985, the petitioner filed its motion for reconsideration and on February 18, 1985, Aurora Francisco followed suit. In a minute resolution dated April 16, 1985, both motions were denied by the respondent appellate court. Thus, the petition filed by St. Dominic Corporation in G. R. No. 70623.

The appellate court's ruling in AC-G. R. SP No. 00513 is tainted with error.

The trial court's statement exempting from execution one not a party to the case nor privy to the interests of the parties therein, from the effects of its pronouncements, cannot be considered an amendment of its final and executory judgment in Civil Case No. Q-11895.

Justice Lino M. Patajo's dissent in AC-G. R. SP No. 00513 is clear and to the point elucidating the correct doctrine thus:

"I believe that respondent Court cannot be held as having abused its discretion or exceeded its jurisdiction in issuing the questioned orders. I find no merit in the contention of petitioners that in so providing in said orders that its decision should not be enforced or executed against St. Dominic, respondent Court had actually amended its decision which had already become final. Respondent Court was merely applying the provision of Rule 39, Section 49(b) which provides that the decision of the Court in cases other than those provided for in sub-paragraph (a) of said section (judgment against specific thing, probate of a will, administration of the estate of a deceased person, or in respect to the personal, political, or legal condition or status of a particular person or his relationship to another) is conclusive only between the parties and their successors-in-interest by title subsequent to the commencement of the action. x x x." (Annex "H", p. 58, Rollo - 70323)

Indeed, a judgment cannot bind persons who are not parties to the action (Vda. de Sengbengco y. Arellano, 1 SCRA 711; Hanopol v. Pilapil, 7 SCRA 452; and Hollero v. Court of Appeals, 11 SCRA 310). It is elementary that strangers to a case are not bound by the judgment rendered by the court (Bien v. Sunga, 117 SCRA 249) and such judgment is not available as an adjudication either against or in favor of such other person. A decision of a court will not operate to divest the rights of a person who has not and has never been a party to a litigation, either as plaintiff or defendant (Granados v. Monton, 86 Phil., 42). Verily, execution of a judgment can only be issued against one who is a party to the action, and not against one who, not being a party in the case, has not yet had his day in court (City of Bacolod, et al., v. Hon. Enriquez, et al., 101 Phil., 644; Tayson V. Angeles v. Icasiano, et al., 83 Phil., 921; Manza v. Hon. Vicente Santiago, etc., 96 Phil., 938; and Angara v. Gorospe, et al., 101 Phil., 79).

It is clear from the records that petitioner St. Dominic Corporation had never been impleaded as a party to Civil Case No. Q-11895 filed by Ricardo Castulo and Juan V. Ebreo. The complaint had for its purpose the nullification of the award to Cristobal Santiago, Jr., and the subsequent sale between Santiago and the spouses Adalia Francisco and Carlos Robes. Such proceedings neither involved nor affected St. Dominic Corporation. Judgment therein was directed only against the titles of Cristobal Santiago, Jr., and the Robes spouses. The trial court could not execute the same against the petitioner as to deprive it of its property without due process of law. This is what

the trial court made explicit in its order of execution. Its decision could not reach the petitioner's rights. Yet, the respondent appellate court declined to pass upon this principal issue in a rather ambiguous ruling.

In its decision the Court of Appeals held:

"Decidedly, the present certiorari and mandamus proceedings is not the appropriate forum for the determination of the legal effect, if any there be, of the aforesaid final and executory judgment nullifying or declaring the nullity of the sale of subject property in question by Cristobal Santiago, Jr., to spouses Adalia Francisco and Carlos Robes and cancelling TCT No. T-83783 in their names, on the alleged subsequent auction sale to respondent Aurora Francisco and from the latter to St. Dominic Corporation over the same property involved in said judgment. x x x Whether or not the foreclosure proceedings, auction sale and subsequent transactions had on subject property during the pendency of the litigation thereover in the court below are subject to the outcome of said case, need not be passed upon in this disposition. What We are concerned with here are the assailed orders of the respondent court. x x x" (Annex "H", p. 55, Rollo - 70623).

The determination of whether or not the foreclosure proceedings, auction sale, and subsequent transactions had on the subject property, during the pendency of the litigation are subject to the outcome of said case bears heavily on the issues at hand. The answer is determinative of whether or not the trial court's order of execution should affect or be issued against the petitioner.

Anent the effect of the trial court's judgment on the mortgagee bank's rights and on the foreclosure of the property in question, this Court has held that where a Torrens title was issued as a result of regular land registration proceedings and was in the name of the mortgagor when given as a security for a bank loan, the subsequent declaration of said title as null and void is not a ground for nullifying the mortgage rights of the bank which had acted in good faith (*Philippine National Cooperative Bank v. Carandang-Villalon*, 139 SCRA 570). As a matter of fact, there are instances when even a fraudulent and forged document of sale may become the root of a valid title if the certificate had already been transferred from the name of the true owner to the name indicated by the forger (*Duran v. Intermediate Appellate Court*, 138 SCRA 489). Here, there is no forgery or fraud involved.

A mortgagee has the right to rely on what appears on the face of the certificate of title. In the absence of anything to excite suspicion, it is under no obligation to look beyond the certificate and investigate the title of the mortgagor appearing on the face of said certificate. There is no showing in the records that the mortgagee bank was aware of any shadow affecting the title of the mortgaged property when it was mortgaged. As will be explained later, the intervenors are only prospective awardees of the disputed lot. They are not the owners. They have no title to the land.

The main purpose of the Torrens System is to avoid possible conflicts of title real estate, and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further, except when the party concerned had actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry (*Pascua v. Capuyoc*, 77 SCRA 78). Thus, where innocent third persons relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights (*Director of Land v. Abache, et al.*, 73 Phil. 606). The lien of the petitioner, an innocent mortgagee for value must be respected and protected (*Blanco v. Esquierdo*, 110 Phil., 494).

The title to the property given as security to the Manufacturer's Bank and Trust Co., by the spouses Robes was valid, regular, and free from any lien or encumbrance. The mortgage was executed prior to the institution of Civil Case No. Q-11895, thus establishing it as a lien superior to whatever claims the plaintiffs therein may have as a result of the subsequent litigation. An inquiry beyond the face of the mortgagor's title would certainly have yielded no flaw at that time. This being so, the adverse claim in Civil Case No. Q-11895 could not affect the

rights of the mortgagee. The fact that the foreclosure of the mortgage and the subsequent auction sale were effected after the annotation of the adverse claim is of no moment. The foreclosure sale retroacts to the date of registration of the mortgage (*Bank of the Philippine Islands v. Noblejas*, 105 Phil., 418).

A person who takes a mortgage in good faith and for a valuable consideration, the record showing a clear title in the mortgagor, will be protected against any equitable titles to the premises or equitable claims on the title, in favor of third persons, of which he had no notice, actual or constructive. The protection extends to a purchaser at a Sheriff's sale under proceedings on the mortgage although such purchaser had notice of the alleged equity (59 CJS, Sec. 233, pp. 303-304).

Any subsequent lien or encumbrance annotated at the back of the certificate of title cannot in any way prejudice the mortgage previously registered and the lots subject thereto pass to the purchaser at public auction free from any lien or encumbrance (*Gonzalo Puyat & Sons, Inc., v. Philippine National Bank*, 4 SCRA 1257). Otherwise, the value of the mortgage could be easily destroyed by a subsequent record of an adverse claim, for no one would purchase at a foreclosure sale if bound by the posterior claim (*Bank of the Philippine Island v. Noblejas*, supra). Aurora Francisco's title, as a purchaser at the auction sale of the property in question, cannot be bound by the adverse claims of the plaintiffs in Civil Case No. Q-11895. This is even more true with petitioner St. Dominic Corporation which had acquired title from Aurora Francisco without any notice or flaw.

Upon proper foreclosure of a first mortgage, all liens subordinate to the mortgage are likewise foreclosed. The foreclosure as well as the sale of the property were annotated on the title to the property, then still in the name of Adalia Francisco and Carlos Robes. Such annotation serves as constructive notice to the parties having any claim or interest in the property to exercise their right of redemption or to participate in the foreclosure sale. Certainly, there was an opportunity for the claimants in Civil Case No. Q-11895 to acquire the property at issue. St. Dominic's rights can no longer be disturbed.

It should also be noted that the intervenors in Civil Case Q-11895 possess no enforceable lien over the property in question. They are merely prospective awardees of the realty. The right they assert is purely speculative. No vested rights exist in their favor. The award of the disputed lot to Cristobal Santiago, Jr. may have been declared improper. As to who should get the lot, according to law, still lies in the discretion of the PHHC. No assurance is given that the lot would be awarded to the claimants-intervenors. The decision in Civil Case Q-11895 may be deemed correct insofar as it called for a processing of the Bustamante claim but erroneous when it assumed that after processing, the award would be in the spouses' favor.

However, the PHHC is now estopped by circumstances from making any further award. As earlier stated, the lower court cannot order the execution of the decision as against the petitioner and, thereby, cancel St. Dominic's title in favor of a future unknown person. It cannot disregard the rights already vested in petitioner St. Dominic. To do so would impair confidence in certificates of titles and orderly processes of law. Among the guarantees of the Torrens system is that it renders title indefeasible. Section 31, Presidential Decree 1529, The Land Registration Act, provides: "The decree of registration shall bind the land and quiet title thereto, subject only to the exceptions or liens as may be provided by law. It shall be conclusive upon and against all persons, including the National Government and all branches thereof whether mentioned by name in the application or notice, the same being included in the general description 'to all of whom it may concern'." This provision is applicable under the facts of this case.

In its petition in G. R. No. 70623, petitioner St. Dominic "prays most earnestly for such and any other relief as this Honorable Court, in its far greater wisdom, may deem just, equitable and proper in the premises, such as the dismissal of the petition in G.R. No. L-48630".

Petitioners Bustamante in G.R. No. L-48630, assail the grant ex parte by the trial court of the writ of possession over the property, likewise the subject of G.R. No. 70623, in favor of Aurora Francisco. It is alleged that a court has no jurisdiction, power, and authority to eject a third person who is not a party to the foreclosure proceedings or mortgage by a mere writ of possession summarily issued in a foreclosure suit.

Respondent St. Dominic Corporation moved and was allowed to intervene as successor-in-interest by purchase to all the rights, title, and interest of respondent Francisco over the lot in question.

Section 6 of Act No. 3135, as amended by Act 4118, the law that regulates the methods of affecting extrajudicial foreclosure of mortgage makes applicable Sections 464 to 466 of the Code of Civil Procedure, now sections 29 to 31 and 35 of Rule 39 of the Revised Rules which provide: "If no redemption be made within twelve (12) months after the sale, the purchaser, or his assignee, is entitled to a conveyance and possession of the property x x x," and "The possession of the property shall be given to the purchaser or last redemptioner by the officer unless a third person is actually holding the property adversely to the judgment debtor." Petitioners capitalize on this last proviso of the law.

On this point, the trial court held, and We quote with approval that:

"The Court is aware of the limitation that writ of possession may not issue when the property is in the possession of a third party who holds the property adverse to the buyer in the foreclosure sale. But, by their express admission in their motion, movants are merely 'occupants-applicants' for the purchase of the land from the defunct PHHC. Under such claim which is, at best inchoate, we cannot refuse to grant the writ of possession prayed for; to do so, would be to becloud the integrity of the torrens title, and it would be in derogation of its indefeasibility.

xxx xxx xxx

"In the instant case, the property involved is covered by a certificate of title. It has passed through different owners until it was bought by petitioner, Aurora Francisco, at a public auction sale by reason of the foreclosure of the mortgage in the property and subsequently sold by said Aurora Francisco to intervenor St. Dominic. And movants here, would like us to quash the writ of possession we issued, on the ground that the same was issued upon an ex parte petition is permitted and allowed by virtue of Act 3135, and on the allegation that movants 'have been in possession of the subject property since 1962 as occupants-applicants for the purchase thereof from the defendant PHHC x x x' (p. 3, Motion to Quash) which, as we said above is a matter of expectancy (inchoate) and should not be allowed to prevail over the clean title of the petitioner and/or intervenor herein." (pp. 73-74, Rollo - G.R. No. 48630).

Indeed, the rules contemplate a situation where a third party holds the property by adverse title or right such as a co-owner, tenant or usufructuary. In such cases, a grant of a writ of possession, would be denial of such third person's rights without giving them their day in court. Especially, where question of title is involved, the matter would well be threshed out in a separate action and not in a motion for a writ of possession. But such is not the state of affairs in the case at bar.

The right of the respondent to the possession of the property is clearly unassailable. It is founded on the right of ownership. As the purchaser of the properties in the foreclosure sale, and to which the respective titles thereto have already been issued, the petitioner's rights over the property has become absolute, vesting upon it the right of possession of the property which the court must aid in affecting its delivery. After such delivery, the purchaser becomes the absolute owner of the property. As we said in *Tan Soo Huat v. Ongwico* (63 Phil., 746), the deed of conveyance entitled the purchaser to have and to hold the purchased property. This means, that the purchaser is entitled to go immediately upon the real property, and that it is the sheriff's inescapable duty to place him in such possession. (*Philippine National Bank v. Adil*, 118 SCRA 110). With more reason that the said writ of possession

should be granted Aurora Francisco or, in her stead, St. Dominic Corporation in the light of our pronouncements in G. R. No. 70623. Ownership has been consolidated in St. Dominic's favor. There being no clear title or right enforceable by the Bustamante spouses, a writ of execution or a writ of possession, may issue in favor of Aurora Francisco and/or St. Dominic Corporation.

Be it noted that as the trial court had said "the writ of possession issued by us has been complied with and satisfied", meaning to say that the movants vacated the property. But in the hearing held in this case, it has been admitted by the parties that the movants returned to the land in question and constructed again thereon their respective houses. This being so, the movants must vacate and remove from the disputed premises whatever they have built or constructed thereon. The writ of possession issued and enforced may no longer be quashed.

WHEREFORE, judgment is hereby rendered in G. R. No. 70623, GRANTING the petition of ST. DOMINIC CORPORATION. The decision of the Intermediate Appellate Court, now Court of Appeals, dated January 31, 1985 in AC-G. R. SP No. 00513 and its resolution dated April 16, 1985, are REVERSED and SET ASIDE. The writ of execution issued by the trial court in Civil Case No. Q-11895, with the qualification excluding the petitioner, is in accord with the facts and the applicable law and is accordingly sustained as correct. However, the decision of the trial court directing the PHHC (now NHA) to process the application of Francisca Banzon Bustamante to purchase the property in question and to execute the requisite documents for the award of said lot to her having been rendered ineffective by circumstances supervening in Civil Case No. Q-11895 the writ of execution issued by the court a quo therefore is hereby declared without force and effect.

G. R. No. L-48630 is DISMISSED for lack of merit.

SO ORDERED.

Fernan, (Chairman), Paras, Padilla, Bidin, and Cortes, JJ., concur.

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