

SPOUSES AQUILINO GATMAITAN & LILIA AYTON AND SPOUSES EMILIANO DEALINO AND TEODORA GATMAITAN, PETITIONERS, VS. THE COURT OF APPEALS, (FORMERLY IAC) AND SPS. DONATO PASCUAL AND RO...*G.R. No. 76500. August 02, 1991*

Ponente: FELICIANO, J.

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This is a Petition for Review of the Decision of the Court of Appeals in A.C.-G.R. CV No. 05688 which affirmed the decision of the trial court directing petitioner spouses Aquilino Gatmaitan and Lilia Ayton Gatmaitan to reconvey to private respondent spouses Donato Pascual and Rosita Cristobal one-half (1/2) of Lot No. 758 embraced in Transfer Certificate of Title ("TCT") No. 175077 and ordering the cancellation of the mortgage annotation on said title.

Lot No. 758 located at Baliuag, Bulacan with an area of 623 square meters was originally registered (Original Certificate of Title No. 12765) in the name of the deceased spouses Lorenzo Gatmaitan and Filomena Dela Cruz, parents of petitioner Aquilino Gatmaitan and his sister, Emeteria Gatmaitan. On 2 December 1952, Aquilino and Emeteria, for and in consideration of the sum of P300.00, executed in favor of respondents spouses Donato Pascual and Rosita Cristobal Pascual (Pascual spouses) an extrajudicial partition and sale with a right to repurchase covering Lot No. 758.[1] Thereafter, the Pascual spouses took possession of the property and introduced improvements thereon.

On 4 August 1956, Aquilino and Emeteria again executed an extrajudicial partition adjudicating this time to Aquilino and his wife petitioner Lilia Ayton the whole of Lot No. 758.[2] Consequently, Original Certificate of Title No. 12765 was cancelled and in lieu thereof, TCT No. 155759 was issued in the name of the spouses Aquilino and Lilia Gatmaitan.[3]

Sometime in January 1970, the Gatmaitan spouses executed in favor of the Pascual spouses an instrument entitled "Bilihan Tuluyan Ng Lupa"[4] by which they absolutely conveyed to the latter spouses for a stated consideration of P500.00, a one-half portion of Lot No. 758 consisting of about 331.5 square meters. While this instrument was neither notarized nor registered, the Pascual spouses, in accordance with the contract, continued in possession of the subject half of Lot No. 758.

Subsequently, on 17 January 1972, the Gatmaitan spouses by an instrument entitled "Kasulatan ng Bilihan"[5] sold to petitioner spouses Emiliano Dealino and Teodora Gatmaitan (Dealino spouses), who were neighbors of the Pascual spouses in Sto. Cristo, Baliuag, Bulacan, the whole of Lot No. 758.[6] As a consequence of this sale, TCT No. 155759 was cancelled and TCT No. 157176[7] was issued in the name of the Dealino spouses. This second sale came to the knowledge of the Pascual spouses sometime in November 1972. Thus, on 8 November 1972, Donato Pascual executed an Affidavit of Adverse Claim with respect to the one-half (1/2) portion of Lot No. 758 which had earlier been sold by the spouses Gatmaitan to him and his wife.

On 23 November 1972, the Dealino spouses in an instrument entitled "Kasulatan ng Bilihang Patuluyan,"[8] conveyed back to the Gatmaitan spouses the one-half (1/2) portion of Lot No. 758 which the Gatmaitan spouses had originally sold to the Pascual spouses. The following day, the Gatmaitan spouses executed a Deed of Real Estate Mortgage covering this same one-half (1/2) portion in favor of the Dealino spouses allegedly to secure an indebtedness of P1,000.00.

Hence, on 30 April 1973, the Pascual spouses filed a complaint for reconveyance of the one-half (1/2) portion of Lot No. 758 against the spouses Aquilino and Lilia Gatmaitan and the spouses Emiliano and Teodora Dealino.

The trial court in its decision[9] dated 13 June 1982 held that the earlier sale of the one-half (1/2) portion of Lot No. 758 to the Pascual spouses prevailed over the later sale of the whole lot to the Dealino spouses as the latter should be deemed to have had constructive notice of that earlier sale of the property, being neighbors of the Pascual spouses, the actual possessors of one-half (1/2) of the subject Lot No. 758. Thus, registration of the sale in their favor by the Dealino spouses had not effectively transferred to them the ownership of that one-half (1/2) portion of said lot.

On appeal, the then Intermediate Appellate Court ("IAC") on 17 April 1986[10] affirmed the decision of the trial court.

In the instant Petition for Review, petitioners (the Gatmaitan spouses and the Dealino spouses) allege that the IAC should not have affirmed the trial court's decision ordering reconveyance of one-half (1/2) of Lot No. 758 to the Pascual spouses since the whole property had not only been repurchased by the Gatmaitan spouses for P300.00 from the Pascual spouses, but had already been validly sold to the Dealino spouses who had registered the sale to them in the Registry of Property. Petitioners also urge that the sale of the one-half (1/2) portion of that lot to the Pascual spouses was not valid for lack of consideration.

Private respondents, upon the other hand, counter that although the deed of absolute sale executed in their favor by the Gatmaitan spouses covering one-half (1/2) portion of Lot No. 758 was not registered, their actual possession of the property was constructive notice to the Dealino spouses of that sale. Thus, the registration by the Dealino spouses of the sale of the whole Lot No. 758 in their favor, being registrants in bad faith, was legally ineffective to transfer ownership.

The issue to be resolved in this case is whether or not the registration of the sale of the whole property to the second vendees Dealino spouses had the effect of transferring to them the ownership of the whole of Lot No. 758, including the one-half (1/2) portion which had earlier been the subject of an absolute deed of sale executed by the Gatmaitan spouses in favor of the Pascual spouses.

It is well settled, that if immovable property is sold to two (2) different parties, the ownership shall pertain to the person acquiring it who, in good faith, first registered it in the Registry of Property. This rule however, admits of an exception, and that is where the second purchaser had knowledge of the other sale, prior to or at the time of the sale. In such case, his knowledge is equivalent to registration and taints his purchase with bad faith.[11] The applicable rule in this case would be that the ownership shall pertain to the person who, in good faith, first entered into possession of the property or, in the absence of possession, to the person who presents the oldest title, provided there is good faith.[12]

It appears that in 1952, the whole of Lot No. 758 was sold by the heirs of the deceased spouses Lorenzo Gatmaitan and Filomena De la Cruz to the Pascual spouses with the right to repurchase within two (2) years. The petitioner Gatmaitan spouses to whom Lot No. 758 was finally adjudicated in 1956, however, were only able to pay to the Pascual spouses an amount of P300.00 out of the repurchase price of P600.00.[13] Notwithstanding the

failure to redeem the property, the Pascual spouses did not consolidate formally the title of the property under their names. Instead, the Gatmaitan spouses executed in favor of the Pascual spouses a Deed of Absolute Sale conveying to them the one-half (1/2) portion of the subject lot.[14] This sale was not registered by the Pascual spouses; however, they remained in possession of the one-half (1/2) portion of the lot.

In the meantime, on January 1970, the Gatmaitan spouses sold the whole of Lot No. 758 to the Dealino spouses, neighbors of the Pascual spouses in Santo Cristo, Baliuag, Bulacan.[15] The Dealino spouses registered the property in their names and were issued TCT No. 157176. Thus, there resulted two (2) sales with respect to the one-half (1/2) portion which the Pascual spouses continued to possess.

As earlier noted, the trial court found that the Dealino spouses were buyers in bad faith in respect of the one-half (1/2) portion of Lot No. 758 earlier sold by the Gatmaitan spouses to the Pascual spouses. It held that the Dealino spouses should be considered to have had constructive notice of that earlier sale of the one-half (1/2) portion to the Pascual spouses, since the latter were in actual possession of the property and as they were neighbors in Sto. Cristo. The fundamental rule is that the factual conclusions and findings of the trial court are entitled to great weight on appeal and should not be disturbed except for cogent and strong reasons.[16] Petitioners have failed to adduce any sufficient ground to set aside the conclusions and findings of fact of the trial court which were affirmed by the Intermediate Appellate Court.

The fact that the Pascual spouses were in possession of the subject property, ought to have put the Dealino spouses on inquiry. Before consenting to the sale to themselves, they should have investigated the basis of the possession of the Pascual spouses. Since the Dealino spouses failed to exercise the ordinary care expected from a buyer of real property, they must suffer the consequence of their negligence.[17] The decision of the IAC should be upheld.

It is the contention of the Gatmaitan spouses that the second sale should prevail over the earlier one considering that they had repurchased the property for P300.00 from the Pascual spouses before selling the same to the Dealino spouses.

It appears that the receipt[18] issued by the Pascual spouses which the Gatmaitan spouses presented in evidence, stated that the repurchase price was not P300.00 as alleged by the Gatmaitan spouses, but P600.00 since the consideration was P500.00 plus the expenses for the preparation of the document amounting to P100.00. Thus, the P300.00 paid by the Gatmaitan spouses to the Pascual spouses was only a partial payment of the whole repurchase price. Having only repaid the amount of P300.00 instead of P600.00, as agreed upon, the Gatmaitan spouses were without any right to repossess the whole of Lot No. 758. This being the case, the sale to the Dealino spouses was valid only insofar as the other half portion is concerned.

The subsequent document executed by the Gatmaitan spouses in favor of the Pascual spouses sometime in January 1970, confirms beyond doubt the intention of the former to repurchase not the whole lot but only half of it. The "Bilihang Tuluyan ng Lupa," by which the Gatmaitan spouses conveyed in absolute sale a one-half (1/2) portion of the lot to the Pascual spouses, in effect confirmed and "consolidated", as it were, the title of the Pascual spouses over the other one-half (1/2) portion.

It is the position of the Gatmaitan spouses that the aforementioned "Bilihang Tuluyan ng Lupa" is not valid for lack of consideration. There is, however, the presumption that an instrument sets out the true agreement of the parties thereto and that it was executed for valuable consideration.[19] The Gatmaitan spouses failed to present any evidence showing that this instrument was later on disregarded by both parties. Mere allegation is not evidence; the presumption of the validity of the "Bilihang Tuluyan ng Lupa" was not overturned.

WHEREFORE, premises considered, the Petition for Review is hereby DENIED for lack of merit and the Decision of the Intermediate Appellate Court dated 17 April 1986 is hereby AFFIRMED. No pronouncement as to costs.

SO ORDERED.

Fernan, C.J., (Chairman), Gutierrez, Jr., Bidin, and Davide, Jr., JJ., concur.

- [1] Exhibit "A," Original Record, p. 155.
- [2] Exhibit "B," Original Record, pp. 156-158.
- [3] Original Record, p. 34; Exhibit "D," Original Record, p. 160.
- [4] Exhibit "C," Original Record, p. 159.
- [5] Original Record, p. 160.
- [6] Petition, p. 2; Rollo, p. 7.
- [7] Exhibit "E," Original Record, pp. 161-162.
- [8] Exhibit "5," Original Record, p. 60.
- [9] Original Record, pp. 33-47.
- [10] Rollo, pp. 64-69.
- [11] *Gustilo v. Maravilla*, 48 Phil. 442 (1925); *La Urbana v. Bernardo*, 62 Phil. 790 (1936).
- [12] Article 1544, Civil Code.
- [13] Exhibit "I," Record, pp. 0054.
- [14] Intermediate Appellate Court Decision, p. 4; Rollo, p. 67.
- [15] Petition, p. 2; Rollo, p. 7.
- [16] *Baliwag Transit, Inc. vs. Court of Appeals*, 147 SCRA 82 (1987); *People vs. Pimentel*, 147 SCRA 25 (1987).
- [17] *Caram, Jr. v. Laureta*, 103 SCRA 1 (1981).
- [18] Original Record, pp. 45-46; Court of First Instance Decision, pp. 13-14.
- [19] Section 5 (R), Rule 131, Rules of Court; Article 1370, Civil Code of the Philippines.

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