

RADIOWEALTH FINANCE COMPANY, PETITIONER, VS. MANUELITO S. PALILEO, RESPONDENT.*G.R. No. 83432. May 20, 1991*

Ponente: GANCAYCO, J.

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If the same piece of land was sold to two different purchasers, to whom shall ownership belong? Article 1544 of the Civil Code provides that in case of double sale of an immovable property, ownership shall be transferred: (1) to the person acquiring it who in good faith first recorded it in the Registry of Property; (2) in default thereof, to the person who in good faith was first in possession; and (3) in default thereof, to the person who presents the oldest title, provided there is good faith. There is no ambiguity regarding the application of the law with respect to lands registered under the Torrens System. Section 51 of Presidential Decree No. 1529 (amending Section 50 of Act No. 496) clearly provides that the act of registration is the operative act to convey or affect registered lands insofar as third persons are concerned. Thus, 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 certificate of title.[1] Following this principle, this Court has time and again held that a purchaser in good faith of registered land (covered by a Torrens Title) acquires a good title as against all the transferees thereof whose right is not recorded in the registry of deeds at the time of the sale.[2]

The question that has to be resolved in the instant petition is whether or not the rule provided in Article 1544 of the Civil Code as discussed above, is applicable to a parcel of unregistered land purchased at a judicial sale. To be more specific, this Court is asked to determine who, as between two buyers of unregistered land, the rightful owner - the first buyer in a prior sale that was unrecorded, or the second buyer who purchased the land in an execution sale whose transfer was registered in the Register of Deeds.

The facts as found by the Court of Appeals are as follows:

"On April 13, 1970, defendant spouses Enrique Castro and Herminia R. Castro sold to plaintiff-appellee Manuelito Palileo (private respondent herein), a parcel of unregistered coconut land situated in Candiis, Mansayaw, Mainit, Surigao del Norte. The sale is evidenced by a notarized Deed of Absolute Sale (Exh. "E"). The deed was not registered in the Registry of Property for unregistered lands in the province of Surigao del Norte. Since the execution of the deed of sale, appellee Manuelito Palileo who was then employed at Lianga, Surigao del Sur, exercised acts of ownership over the land through his mother Rafaela Palileo, as administratrix or overseer. Appellee has continuously paid the real estate taxes on said land from 1971 until the present (Exhs. "C" to "C-7", inclusive).

On November 29, 1976, a judgment was rendered against defendant Enrique T. Castro, in Civil Case No. 0103145 by the then Court of First Instance of Manila, Branch XIX, to pay herein defendant-appellant Radiowealth Finance Company (petitioner herein), the sum of P22, 350.35 with interest thereon at the rate of 16% per annum from November 2, 1975 until fully paid, and the further sum of P2,235.03 as attorney's fees, and to pay the costs. Upon the finality of the judgment, a writ of execution was issued. Pursuant to said writ,

defendant provincial Sheriff Marietta E. Eviota, through defendant Deputy Provincial Sheriff Leopoldo Risma, levied upon and finally sold at public auction the subject land that defendant Enrique Castro had sold to appellee Manuelito Palileo on April 13, 1970. A certificate of sale was executed by the Provincial Sheriff in favor of defendant-appellant Radiowealth Finance Company, being the only bidder. After the period of redemption has (sic) expired, a deed of final sale was also executed by the same Provincial Sheriff. Both the certificate of sale and the deed of final sale were registered with the Registry of Deeds."^[3]

Learning of what happened to the land, private respondent Manuelito Palileo filed an action for quieting of title over the same. After a trial on the merits, the court a quo rendered a decision in his favor. On appeal, the decision of the trial court was affirmed. Hence, this petition for review on certiorari.

In its petition, Radiowealth Finance Company presents the following errors:

"1.

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE DEED OF ABSOLUTE SALE (EXHIBIT B) ALLEGEDLY EXECUTED BY ENRIQUE CASTRO IN FAVOR OF APPELLEE MANUELITO PALILEO, WAS SIMULATED OR FICTITIOUS.

2.

THE COURT OF APPEALS ERRED IN NOT FINDING APPELLEE MANUELITO PALILEO AS ADMINISTRATOR ONLY OF THE DISPUTED PROPERTY; AND

3.

THE COURT OF APPEALS ERRED IN NOT FINDING DEFENDANT-APPELLANT RADIOWEALTH FINANCE COMPANY OWNER OF THE DISPUTED PROPERTY BY REASON OF THE CERTIFICATE OF SALE AND THE DEED OF FINAL SALE WHICH WERE ALL REGISTERED IN THE REGISTER OF DEEDS, HENCE, SUPERIOR TO THAT OF THE DEED OF SALE IN POSSESSION OF MANUELITO PALILEO, FOR BEING NOT REGISTERED."^[4]

As regards the first and second assigned errors, suffice it to state that findings of fact of the Court of Appeals are conclusive on this Court and will not be disturbed unless there is grave abuse of discretion. The finding of the Court of Appeals that the property in question was already sold to private respondent by its previous owner before the execution sale evidenced by a deed of sale. Said deed of sale is notarized and is presumed authentic. There is no substantive proof to support petitioner's allegation that the document is fictitious or simulated. With this in mind, we see no reason to reject the conclusion of the Court of Appeals that private respondent was not a mere administrator of the property. That he exercised acts of ownership through his mother also remains undisputed.

Going now to the third assigned error which deals with the main issue presented in the instant petition, We observe that the Court of Appeals resolved the same in favor of private respondent due to the following reason: what the Provincial Sheriff levied upon and sold to petitioner is a parcel of land that does not belong to Enrique Castro, the judgment debtor, hence the execution is contrary to the directive contained in the writ of execution which commanded that the lands and buildings belonging to Enrique Castro be sold to satisfy the execution.^[5]

There is no doubt that had the property in question been a registered land, this case would have been decided in favor of petitioner since it was petitioner that had its claim first recorded in the Registry of Deeds. For, as already mentioned earlier, it is the act of registration that operates to convey and affect registered land. Therefore, a bona

fide purchaser of a registered land at an execution sale acquires a good title as against a prior transferee, if such transfer was unrecorded.

However, it must be stressed that this case deals with a parcel of unregistered land and a different set of rules applies. We affirm the decision of the Court of Appeals.

Under Act No. 3344, registration of instruments affecting unregistered lands is "without prejudice to a third party with a better right". The aforequoted phrase has been held by this Court to mean that the mere registration of a sale in one's favor does not give him any right over the land if the vendor was not anymore the owner of the land having previously sold the same to somebody else even if the earlier sale was unrecorded.

The case of *Carumba vs. Court of Appeals*[6] is a case in point. It was held therein that Article 1544 of the Civil Code has no application to land not registered under Act No. 496. Like in the case at bar, *Carumba* dealt with a double sale of the same unregistered land. The first sale was made by the original owners and was unrecorded while the second was an execution sale that resulted from a complaint for a sum of money filed against the said original owners. Applying Section 35, Rule 39 of the Revised Rules of Court,[7] this Court held that Article 1544 of the Civil Code cannot be invoked to benefit the purchaser at the execution sale though the latter was a buyer in good faith and even if this second sale was registered. It was explained that this is because the purchaser of unregistered land at a sheriff's execution sale only steps into the shoes of the judgment debtor, and merely acquires the latter's interest in the property sold as of the time the property was levied upon.

Applying this principle, the Court of Appeals correctly held that the execution sale of the unregistered land in favor of petitioner is of no effect because the land no longer belonged to the judgment debtor as of the time of the said execution sale.

WHEREFORE, in view of the foregoing, the decision of the Court of Appeals in CA-G.R. CV No. 10788 is hereby AFFIRMED. No costs.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] *William H. Anderson & Co. vs. Garcia*, 64 Phil. 506 (1937).

[2] *Vargas vs. Tancioco*, 67 Phil. 308 (1939).

[3] Pages 10-11, Rollo.

[4] Page 5, Rollo.

[5] Page 14, Rollo; Emphasis supplied.

[6] 31 SCRA 558 (1970).

[7] The second paragraph of this provision states that: "Upon the execution and delivery of said deed the purchaser, or redemptioner, or his assignee, shall be substituted to and acquire all the right, title, interest and claim of the judgment debtor to the property as of the time of the levy, except as against the judgment debtor in possession, in which case the substitution shall be effective as of the time of the deed. x x x" (Emphasis supplied.)

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