

THE BOARD OF LIQUIDATORS AND PANAY DEVELOPMENT CO., INC., PETITIONERS, VS. JOSE ROXAS, RESPONDENTS.

G.R. No. 84419. December 04, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

This is a petition for certiorari of a decision of the Court of Appeals in CA-G.R. No. CV 63806 dated December 29, 1987 and its resolution of July 21, 1988 involving a certain property located in Panay, Capiz.[1] The record shows that petitioner Panay Development Co., Inc. (PDCI for short) is the owner of Lot No. 3247 under TCT No. 12651 of the Register of Deeds of Capiz,[2] and declared for taxation purposes under Tax Declaration No. 5859.[3] Said lot originally belonged to Maria Roxas Lisao who assigned the same to PDCI for and in consideration of her 2,680 shares valued at P26,800.00 as her contribution to its capital stocks. The Voting Trust Certificate No. 6 in the name of Maria Roxas Lisao shows that as of April 15, 1940 she deposited 2,680 shares of stocks with PDCI and that Stock Certificate No. 8 discloses that she is the owner of 2,680 shares of capital stocks of said corporation. This is also reflected in the Stock and Transfer Book of PDCI.

On April 12, 1940, PDCI entered into a management contract with the National Food Products Corporation (NFPC) whereby the latter agreed to finance the construction, maintenance, management and operation of the fishponds of PDCI and NFPC gave loans and advances necessary therefor. As security for the payment of said loan, PDCI executed a real estate mortgage on all its properties in favor of NFPC. Among the properties given as collateral was Lot No. 3247, formerly belonging to Maria Roxas Lisao and covered by TCT No. R0-4331 (17921) of the Register of Deeds of Capiz, which contains an annotation stating that the same was transferred and assigned in favor of PDCI and mortgaged to NFPC. Said original certificate of title was later cancelled by TCT No. 12651 in the name of PDCI.

The NFPC was later abolished under Executive Order No. 372, series of 1950, and petitioner Board of Liquidators (Board for short) was created to liquidate and settle its affairs and dispose of its properties. On December 13, 1972 petitioner Board executed with the PDCI a contract of amicable settlement whereby petitioner PDCI agreed to pay the Board the sum of P170,000.00 in full settlement of its mortgage obligation. Petitioner Board agreed to assist PDCI in ejecting the squatters in the premises and to deliver the certificates of title covering the property as well as the records pertinent thereto. Said contract of amicable settlement was approved by the Office of the President.

Respondent Jose Roxas was found illegally occupying said lot so petitioner PDCI demanded that he vacate the premises. PDCI also informed the Board of its predicament upon refusal of respondent Roxas to vacate the premises. The petitioners filed an action for recovery of possession with preliminary mandatory injunction and damages against respondent Jose Roxas, among others, in the Court of First Instance of Capiz docketed under Civil Case No. V3685.[4]

In his answer to the complaint respondent Jose Roxas claims that petitioners have no cause of action as he

acquired the property by legal means and having been in public, peaceful and uninterrupted possession in good faith in the concept of owner for more than ten (10) years and that the title thereto of petitioner PDCI has already been lost by reason of laches and prescription.[5]

After due hearing, on July 19, 1977 the trial court rendered a decision declaring PDCI the legal owner of the land in question and entitled to its possession and usufruct thereof and to whatever improvements, and ordering respondent Jose Roxas as well as the spouses Consolacion Bayot Roxas and Manuel Roxas to vacate and turn over possession, improvements, and usufruct of said Lot No. 3247 to PDCI and to pay the costs.[6]

Not satisfied therewith respondent Roxas appealed to the Court of Appeals wherein in due course a decision was rendered on December 29, 1987 reversing the appealed decision and rendering another judgment insofar as Lot No. 3247 is concerned without any pronouncement as to damages and costs. A motion for reconsideration was filed by petitioner but it was denied in a resolution dated July 21, 1988.

Hence, this petition. The following errors are assigned by the petitioner:

"I

THE HONORABLE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE DEED OF TRANSFER AND ASSIGNMENT IN TRUST TRANSFERRED AND CONVEYED LOT NO. 3247 IN FAVOR OF PETITIONER PDCI AND WHICH WAS IN TURN MORTGAGED BY THE LATTER TO THE NFPC.

II

THE HONORABLE COURT OF APPEALS ERRED IN CONSIDERING PETITIONER PDCI AS A REGISTRANT IN BAD FAITH BECAUSE AT THE TIME OF ISSUANCE OF TCT NO. T-12651, IT HAS NOTICE OF THE CLAIM OF JOSE ROXAS TO THE PROPERTY AND THE EXISTENCE OF THE QUITCLAIM DEED, AND THE FACT THAT PETITIONER BOARD ANSWERED JOSE ROXAS' LETTER WHICH MENTIONED THE EXISTENCE OF QUITCLAIM DEED AND DONATION EXECUTED ON APRIL 15, 1952.

III

THE HONORABLE COURT OF APPEALS ERRED IN ENTERTAINING THE ISSUE OF POSSESSION RAISED BY RESPONDENT IN THIS PROCEEDING FOR RECOVERY OF POSSESSION.

IV

THE HONORABLE COURT OF APPEALS ERRED IN REVERSING AND SETTING ASIDE THE DECISION OF THE TRIAL COURT APPEALED FROM WHEN THE INDUBITABLE FACTS ON RECORDS SHOW THAT TITLE TO LOT 3247 BELONGS TO PETITIONER PDCI."[7]

The petition is impressed with merit.

Since it is not disputed that petitioner PDCI is the titled owner of Lot No. 3247 having acquired the same by assignment from its owner Maria Roxas Lisao for and in consideration of her subscription to shares of capital stocks in the PDCI, petitioner PDCI is therefore the absolute owner of the property. And even if, as claimed by respondent Jose Roxas, Maria Roxas Lisao had subsequently executed a quitclaim, deed and donation of said property in favor of her brothers and sisters who in turn allegedly verbally sold the same to respondent, such subsequent disposition is of no legal effect whatsoever inasmuch as Maria has no more right or title whatever over the property in question to convey to her brothers and sisters including respondent Jose Roxas. And even if it may

be true that respondent Jose Roxas had been in actual possession of the property in question for more than ten (10) years, the registered title of the petitioner PDCI over the property cannot be lost by prescription or laches as respondent claims.

On the contrary, what is obvious is that respondent Roxas was in bad faith when he allegedly acquired said property as he knew and should have known that as early as 1940 the same had already been assigned by his sister Maria Roxas Lisao to PDCI. The assignment was duly registered and annotated on the Original Certificate of Title of Maria on the basis of which Transfer Certificate of Title was issued in the name of PDCI. Such annotation and issuance of title is notice to the whole world including respondent.

The contention of the respondent that the assignment to petitioner PDCI was only an assignment in trust so that his sister Maria still remained to be the owner of the same property, the title being held in trust by petitioner PDCI, is untenable. On the contrary, what appears from the record is that the assignment was not a mere assignment in trust but an assignment of the entire property in consideration of the shares of stocks that Maria acquired from the PDCI.

Thus, since what appears to have been conveyed by Maria to her brothers and sisters was no longer her property, the quit claim, deed and donation that she executed are null and void.[8] As a matter of fact even prior to said conveyance, the property had been mortgaged by PDCI to the NFPC who is certainly a mortgagee in good faith.

Furthermore, the alleged verbal sale executed by the donees brothers and sisters of Maria Roxas Lisao in favor of respondent Jose Roxas is also null and void not only because they had no title to convey but also because the sale of the land, which is verbal, and the presentation of which was timely objected to, are not enforceable under the statute of frauds.[9] It is not a valid sale, and is inadmissible in evidence.

Note must be taken of paragraph 4 of the quitclaim, deed and donation allegedly executed by Maria,[10] wherein it is stated "that Maria Roxas Lisao desires to donate the land or its equivalent share of stocks that the PDCI may issue in acceptance thereof x x x," Obviously, private respondent knew of the transfer of the said lot to PDCI in consideration of its shares of stocks. The quitclaim, deed and donation was executed only in 1952 long after the property was assigned to PDCI. Said document was not even registered in the office of the Register of Deeds. The Court of Appeals, therefore, erred in considering PDCI to have registered the property in its name in bad faith.

On the whole therefore, the Court finds that respondent Roxas has no leg to stand on to support his claim of ownership and possession of the land in question.

WHEREFORE, the decision of the Court of Appeals dated December 29, 1987 and its resolution dated July 21, 1988, are hereby SET ASIDE and another judgment is hereby rendered reinstating the judgment of the lower court dated July 19, 1988 declaring petitioner Panay Development Company, Inc. the true owner of Lot No. 3247 in question and entitled to the possession and usufruct thereof including all improvements thereon, ordering the respondent Jose Roxas to vacate and turn over its possession with all the improvements and usufruct to petitioner Panay Development Company, Inc. and to pay the costs.

SO ORDERED.

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

[1] Justice Leonor Ines Luciano was the ponente concurred in by Justices Oscar M. Herrera and Justo P. Torres, Jr.

[2] Exhibit C - PDCI.

[3] Exhibit D - PDCI

[4] Annex A to the Petition; pages 22 to 27, Rollo.

[5] Annex B to the Petition; pages 42 to 43, Rollo.

[6] Pages 42 to 43, Rollo.

[7] Pages 12 to 13, Rollo.

[8] *Esquejo v. Fortaleza*, 13 SCRA 187 (1965); *C.N. Hodges v. Dy Buncio & Co., Inc.*, 6 SCRA 287 (1962); and *Register of Deeds vs. Philippine National Bank*, 13 SCRA 46 (1965).

[9] Article 1403(2), Civil Code.

[10] Exhibit 7 - Jose Roxas, pages 15 to 16, Rollo.

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