

**AGRICULTURAL AND HOME EXTENSION DEVELOPMENT GROUP,
REPRESENTED BY NICASIO D. SANCHEZ, SR., SUBSTITUTED BY
MILAGROS S. BUCU, PETITIONER, VS. COURT OF APPEALS, AND
LIBRADO CABAUTA...**

G.R. No. 92310. September 03, 1992

Ponente: CRUZ, J.

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CRUZ, J.:

We are asked again to determine who as between two successive purchasers of the same land should be recognized as its owner. The answer is simple enough. But we must first, as usual, plow through some alleged complications.

The pertinent background facts are as follows:

On March 29, 1972, the spouses Andres Diaz and Josefa Mia sold to Bruno Gundran a 19-hectare parcel of land in Las Piñas, Rizal, covered by TCT No. 287416. The owner's duplicate copy of the title was turned over to Gundran. However, he did not register the Deed of Absolute Sale because he said he was advised in the Office of the Register of Deeds of Pasig of the existence of notices of lis pendens on the title.

On November 20, 1972, Gundran and the herein petitioner, Agricultural and Home Development Group, entered into a Joint Venture Agreement for the improvement and subdivision of the land. This agreement was also not annotated on the title.

On August 30, 1976, the spouses Andres Diaz and Josefa Mia again entered into another contract of sale of the same property with Librado Cabautan, the herein private respondent.

On September 3, 1976, by virtue of an order of the Court of First Instance of Rizal, a new owner's copy of the certificate of title was issued to the Diaz spouses, who had alleged the loss of their copy. On that same date, the notices of lis pendens annotated on TCT No. 287416 were canceled and the Deed of Sale in favor of private respondent Cabautan was recorded. A new TCT No. S-33850/T-172 was thereupon issued in his name in lieu of the canceled TCT No. 287416.

On March 14, 1977, Gundran instituted an action for reconveyance before the Court of First Instance of Pasay City* against Librado Cabautan and Josefa Mia seeking, among others, the cancellation of TCT No. 33850/T-172 and the issuance of a new certificate of title in his name.

On August 31, 1977, the petitioner, represented by Nicasio D. Sanchez, Sr., filed a complaint in intervention with substantially the same allegations and prayers as that in Gundran's complaint.

In a decision dated January 12, 1987,[1] Gundran's complaint and petitioner's complaint in intervention were dismissed for lack of merit. So was the private respondent's counterclaims, for insufficiency of evidence.

Upon appeal, this decision was affirmed by the respondent Court of Appeals, with the modification that Josefa Mia was ordered to pay Gundran the sum of P90,000.00, with legal interest from September 3, 1976, plus the costs of suit.[2]

Under Article 1544 of the Civil Code of the Philippines:

Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.

Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith.

It is not disputed that the first sale to Gundran was not registered while the second sale to Cabautan was registered.

Following the above-quoted provision, the courts below were justified in according preferential rights to the private respondent, who had registered the sale in his favor as against the petitioner's co-venturer whose right to the same property had not been recorded.

The petitioner claims, however, that Cabautan was a purchaser in bad faith because he was fully aware of the notices of lis pendens at the back of TCT No. 287416 and of the earlier sale of the land to Gundran.

A purchaser in good faith is defined as "one who buys the property of another without notice that some other person has a right to or interest in such property and pays a full and fair price for the same at the time of such purchase or before he has notice of the claim or interest of some other person in the property." [3]

An examination of TCT No. 287416 discloses no annotation of any sale, lien, encumbrance or adverse claim in favor of Gundran or the petitioner. Well-settled is the rule that when the property sold is registered under the Torrens system, registration is the operative act to convey or affect the land insofar as third persons are concerned.[4] Thus, a person dealing with registered land is only charged with notice of the burdens on the property which are noted on the register or certificate of title.[5]

While it is true that notices of lis pendens in favor of other persons were earlier inscribed on the title, these did not have the effect of establishing a lien or encumbrance on the property affected. Their only purpose was to give notice to third persons and to the whole world that any interest they might acquire in the property pending litigation would be subject to the result of the suit.

Cabautan took this risk. Significantly, three days after the execution of the deed of sale in his favor, the notices of lis pendens were canceled by virtue of the orders of the Court of First Instance of Rizal, Branch 23, dated April 1, 1974, and April 4, 1974. Cabautan therefore acquired the land free of any liens or encumbrances and so could claim to be a purchaser in good faith and for value.

The petitioner insists that it was already in possession of the disputed property when Cabautan purchased it and that he could not have not known of that possession. Such knowledge should belie his claim that he was an innocent purchaser for value. However, the courts below found no evidence of the alleged possession, which we must also reject in deference to this factual finding.

The petitioner's reliance on *Casis v. Court of Appeals*[6] is misplaced.

The issue at bar is whether private respondent Cabautan is an innocent purchaser for value and so entitled to the

priority granted under Article 1544 of the Civil Code. The Casis case, on the other hand, involved the issues of whether or not: 1) certiorari was the proper remedy of the petitioner; 2) the previous petition for certiorari which originated from the quieting of title case was similar to and, hence, a bar to the petition for certiorari arising from the forcible entry case; and 3) the court a quo committed grave abuse of discretion amounting to lack or excess of jurisdiction in issuing the order which dissolved the restraining order issued in connection with the ejectment case. The Court was not called upon in that case to determine who as between the two purchasers of the subject property should be preferred.

The petitioner invokes the ruling of the lower court in that case to the effect that the registration of the sale in favor of the second purchaser and the issuance of a new certificate of title in his favor did not in any manner vest in him any right of possession and ownership over the subject property because the seller, by reason of their prior sale, had already lost whatever right or interest she might have had in the property at the time the second sale was made.

This excerpt was included in the ponencia only as part of the narration of the background facts and was not thereby adopted as a doctrine of the Court. It was considered only for the purpose of ascertaining if the court below had determined the issue of the possession of the subject property pending resolution of the question of ownership. Obviously, the Court could not have adopted that questionable ruling as it would clearly militate against the provision of Article 1544.

Worthy of note at this juncture is the observation of Justice Edgardo L. Paras, to wit:

True, no one can sell what he does not own, but this is merely the general rule. Is Art. 1544 then an exception to the general rule? In a sense, yes, by reason of public convenience (See *Aitken v. Lao*, 36 Phil. 510); in still another sense, it really reiterates the general rule in that insofar as innocent third persons are concerned, the registered owner (in the case of real property) is still the owner, with power of disposition.[7]

The language of Article 1544 is clear and unequivocal. In light of its mandate and of the facts established in this case, we hold that ownership must be recognized in the private respondent, who bought the property in good faith and, as an innocent purchaser for value, duly and promptly registered the sale in his favor.

WHEREFORE, the petition is DENIED and the questioned decision AFFIRMED in toto, with costs against the petitioner.

SO ORDERED.

Griño-Aquino, Medialdea, and Bellosillo, JJ., concur.

* Now Regional Trial Court, Branch 111.

[1] Thru Judge Sofronio G. Sayo; Rollo, p. 39.

[2] Penned by Mendoza, Filemon, J., with Marigomen and Isnani, JJ., concurring.

[3] *Co v. Court of Appeals*, 196 SCRA 705.

[4] *Radiowealth Finance Company v. Palileo*, 197 SCRA 245; *Quilisadio v. Court of Appeals*, 182 SCRA 401; *Lu v. IAC*, 169 SCRA 595.

[5] *Ibid.*

[6] 180 SCRA 732.

[7] Paras, Civil Code of the Philippines, 1990 Ed., Vol. V, p. 157.

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