

VICTORIA LEGARDA, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, NEW CATHAY HOUSE, INC., THE HONORABLE REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 94, RESPONDENTS.*G.R. No. 94457. October 16, 1997*

Ponente: ROMERO, J.

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For our resolution is the motion for reconsideration of the March 18, 1991, decision of the Court's First Division, filed by private respondents New Cathay House, Inc. (Cathay). A brief narration of facts is in order.

The parties hereto entered into a lease agreement over a certain Quezon City property owned by petitioner Victoria Legarda. For some reason or another, she refused to sign the contract although respondent lessee, Cathay, made a deposit and a down payment of rentals, prompting the latter to file before the Regional Trial Court of Quezon City, Branch 94 a complaint[1] against the former for specific performance with preliminary injunction and damages. The court a quo issued the injunction. In the meantime, Legarda's counsel, noted lawyer Dean Antonio Coronel, requested a 10-day extension of time to file an answer which the court granted. Atty. Coronel, however, failed to file an answer within the extended period. His client was eventually declared in default, Cathay was allowed to present evidence ex-parte, and on March 25, 1985, a judgment by default was reached by the trial court ordering Legarda to execute the lease contract in favor of, and to pay damages to, Cathay.

On April 9, 1985, a copy of said decision was served on Atty. Coronel but he took no action until the judgment became final and executory. A month later, the trial court issued a writ of execution and a public auction was held where Cathay's manager, Roberto V. Cabrera, Jr., as highest bidder, was awarded the property for P376,500.00 in satisfaction of the judgment debt. Consequently, a Certificate of Sale was issued by the sheriff on June 27, 1985. Upon failure of Legarda to redeem her property within the one-year redemption period, a Final Deed of Sale was issued by the sheriff on July 8, 1986, which was registered by Cabrera with the Register of Deeds three days later. Hence, Legarda's Transfer Certificate of Title (TCT) No. 270814 was cancelled with the issuance of TCT No. 350892 in the name of Cabrera.

Despite the lapse of over a year since the judgment by default became final and executory, Atty. Coronel made no move on behalf of his client. He did not even inform her of all these developments. When Legarda did learn of the adverse decision, "she nevertheless did not lose faith in her counsel"[2] and prevailed upon him to seek appropriate relief. Thus, on October 23, 1986, he filed a petition for annulment of judgment with prayer for the issuance of a writ of preliminary mandatory injunction before the Court of Appeals.[3]

On November 29, 1989, the appellate court rendered a decision affirming the March 25, 1985, decision of the trial court, dismissing the petition for annulment of judgment, and holding Legarda bound by the negligence of her counsel. It considered her allegation of fraud by Cathay to be "improbable," and added that there was "pure and simple negligence" on the part of petitioner's counsel who failed to file an answer and, later, a petition for relief from judgment by default. Upon notice of the Court of Appeals decision, Atty. Coronel again neglected to protect

his client's interest by failing to file a motion for reconsideration or to appeal therefrom until said decision became final on December 21, 1989.

Sometime in March 1990, Legarda learned of the adverse decision of the Court of Appeals dated November 29, 1989, not from Atty. Coronel but from his secretary. She then hired a new counsel for the purpose of elevating her case to this Court. The new lawyer filed a petition for certiorari praying for the annulment of the decision of the trial and appellate courts and of the sheriff's sale, alleging, among other things, that Legarda lost in the courts below because her previous lawyer was grossly negligent and inefficient, whose omissions cannot possibly bind her because this amounted to a violation of her right to due process of law. She, therefore, asked Cathay (not Cabrera) to reconvey the subject property to her.

On March 18, 1991, a decision[4] was rendered in this case by Mr. Justice Gancayco, ruling, *inter alia*, as follows: (a) granting the petition; (b) nullifying the trial court's decision dated March 25, 1985, the Court of Appeals decision dated November 29, 1989, the Sheriff's Certificate of Sale dated June 27, 1985, of the property in question, and the subsequent final deed of sale covering the same property; and (c) ordering Cathay to reconvey said property to Legarda, and the Register of Deeds to cancel the registration of said property in the name of Cathay (not Cabrera) and to issue a new one in Legarda's name.

The Court then declared that Atty. Coronel committed, not just ordinary or simple negligence, but reckless, inexcusable and gross negligence, which deprived his client of her property without due process of law. His acts, or the lack of it, should not be allowed to bind Legarda who has been "consigned to penury" because "her lawyer appeared to have abandoned her case not once but repeatedly." Thus, the Court ruled against tolerating "such unjust enrichment" of Cathay at Legarda's expense, and noted that counsel's "lack of devotion to duty is so gross and palpable that this Court must come to the aid of his distraught client."

Aggrieved by this development, Cathay filed the instant motion for reconsideration, alleging, *inter alia*, that reconveyance is not possible because the subject property had already been sold by its owner, Cabrera, even prior to the promulgation of said decision.

By virtue of the Gancayco decision, Cathay was duty bound to return the subject property to Legarda. The impossibility of this directive is immediately apparent, for two reasons: First, Cathay neither possessed nor owned the property so it is in no position to reconvey the same; second, even if it did, ownership over the property had already been validly transferred to innocent third parties at the time of promulgation of said judgment.

There is no question that the highest bidder at the public auction was Cathay's manager. It has not been shown nor even alleged, however, that Roberto Cabrera had all the time been acting for or in behalf of Cathay. For all intents and purposes, Cabrera was simply a vendee whose payment effectively extinguished Legarda's liability to Cathay as the judgment creditor. No proof was ever presented which would reveal that the sale occurred only on paper, with Cabrera acting as a mere conduit for Cathay. What is clear from the records is that the auction sale was conducted regularly, that a certificate of sale and, subsequently, a final deed of sale were issued to Cabrera which allowed him to consolidate his ownership over the subject property, register it and obtain a title in his own name, and sell it to Nancy Saw, an innocent purchaser for value, at a premium price. Nothing on record would demonstrate that Cathay was the beneficiary of the sale between Cabrera and Saw. Cabrera himself maintained that he was "acting in his private (as distinct from his corporate) capacity"[5] when he participated in the bidding.

Since the decision of the Court of Appeals gained finality on December 21, 1989, the subject property has been sold and ownership thereof transferred no less than three times, viz.: (a) from Cabrera to Nancy Saw on March 21, 1990, four months after the decision of the Court of Appeals became final and executory and one year before the promulgation of the March 18, 1991, decision under reconsideration; (b) from Nancy Saw to Lily Tanlo Sy Chua

on August 7, 1990, more than one year before the Court issued a temporary restraining order in connection with this case; and (c) from the spouses Victor and Lily Sy Chua to Janet Chong Luminlun on April 3, 1992. With these transfers, Cabrera's TCT No. 350892 gave way to Saw's TCT No. 31672, then to Chua's TCT No. 31673, and finally to Luminlun's TCT No. 99143, all issued by the Register of Deeds of Quezon City on April 3, 1990, August 8, 1990, and November 24, 1993, respectively.

We do not have to belabor the fact that all the successors-in-interest of Cabrera to the subject lot were transferees for value and in good faith, having relied as they did on the clean titles of their predecessors. The successive owners were each armed with their own indefeasible titles which automatically brought them under the aegis of the Torrens System. As the Court declared in *Sandoval v. Court of Appeals*,^[6] "(i)t is settled doctrine that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the title. He is charged with notice only of such burdens and claims as are annotated on the title."^[7] In the case at bar, it is not disputed that no notice of *lis pendens* was ever annotated on any of the titles of the subsequent owners. And even if there were such a notice, it would not have created a lien over the property because the main office of a lien is to warn prospective buyers that the property they intend to purchase is the subject of a pending litigation. Therefore, since the property is already in the hands of Luminlun, an innocent purchaser for value, it can no longer be returned to its original owner by Cabrera, much less by Cathay itself.

Another point to consider, though not raised as an issue in this case, is the fact that Cabrera was impleaded as a party-respondent only on August 12, 1991, after the promulgation of the *Gancayco* decision.^[8] The dispositive portion itself ordered Cathay, instead of Cabrera to reconvey the property to Legarda. Cabrera was never a party to this case, either as plaintiff-appellee below or as respondent in the present action. Neither did he ever act as Cathay's representative. As we held in the recent case of *National Power Corporation v. NLRC, et al.*,^[9] "(j)urisdiction over a party is acquired by his voluntary appearance or submission to the court or by the coercive process issued by the court to him, generally by service of summons."^[10] In other words, until Cabrera was impleaded as party respondent and ordered to file a comment in the August 12, 1991, resolution, the Court never obtained jurisdiction over him, and to command his principal to reconvey a piece of property which used to be HIS would not only be inappropriate but would also constitute a real deprivation of one's property without due process of law.

Assuming *arguendo* that reconveyance is possible, that Cathay and Cabrera are one and the same and that Cabrera's payment redounded to the benefit of his principal, reconveyance, under the facts and evidence obtaining in this case, would still not address the issues raised herein

The application of the sale price to Legarda's judgment debt constituted a payment which extinguished her liability to Cathay as the party in whose favor the obligation to pay damages was established.^[11] It was a payment in the sense that Cathay had to resort to a court-supervised auction sale in order to execute the judgment.^[12] With the fulfillment of the judgment debtor's obligation, nothing else was required to be done.

Under the *Gancayco* ruling, the order of reconveyance was premised on the alleged gross negligence of Legarda's counsel which should not be allowed to bind her as she was deprived of her property "without due process of law."

It is, however, basic that as long as a party was given the opportunity to defend her interests in due course, she cannot be said to have been denied due process of law, for this opportunity to be heard is the very essence of due process. The chronology of events shows that the case took its regular course in the trial and appellate courts but Legarda's counsel failed to act as any ordinary counsel should have acted, his negligence every step of the way amounting to "abandonment," in the words of the *Gancayco* decision. Yet, it cannot be denied that the

proceedings which led to the filing of this case were not attended by any irregularity. The judgment by default was valid, so was the ensuing sale at public auction. If Cabrera was adjudged highest bidder in said auction sale, it was not through any machination on his part. All of his actuations that led to the final registration of the title in his name were aboveboard, untainted by any irregularity.

The fact that Cabrera is an officer of Cathay does not make him a purchaser in bad faith. His act in representing the company was never questioned nor disputed by Legarda. And while it is true that he won in the bidding, it is likewise true that said bidding was conducted by the book. There is no call to be alarmed that an official of the company emerges as the winning bidder since in some cases, the judgment creditor himself personally participates in the bidding.

There is no gainsaying that Legarda is the judgment debtor here. Her property was sold at public auction to satisfy the judgment debt. She cannot claim that she was illegally deprived of her property because such deprivation was done in accordance with the rules on execution of judgments. Whether the money used to pay for said property came from the judgment creditor or its representative is not relevant. What is important is that it was purchased for value. Cabrera parted with real money at the auction. In his “Sheriff’s Certificate of Sale” dated June 27, 1985,[13] Deputy Sheriff Angelito R. Mendoza certified, inter alia, that the “highest bidder paid to the Deputy Sheriff the said amount of P376,500.00, the sale price of the levied property.” If this does not constitute payment, what then is it? Had there been no real purchase and payment below, the subject property would never have been awarded to Cabrera and registered in his name, and the judgment debt would never have been satisfied. Thus, to require either Cathay or Cabrera to reconvey the property would be an unlawful intrusion into the lawful exercise of his proprietary rights over the land in question, an act which would constitute an actual denial of property without due process of law.

It may be true that the subject lot could have fetched a higher price during the public auction, as Legarda claims, but the fail to betray any hint of a bid higher than Cabrera’s which was bypassed in his favor. Certainly, he could not help it if his bid of only P376,500.00 was the highest. Moreover, in spite of this allegedly low selling price, Legarda still failed to redeem her property within the one-year redemption period. She could not feign ignorance of said sale on account of her counsel’s failure to so inform her, because such auction sales comply with requirements of notice and publication under the Rules of Court. In the absence of any clear and convincing proof that such requirements were not followed, the presumption of regularity stands. Legarda also claims that she was in the United States during the redemption period, but she admits that she left the Philippines only on July 13, 1985, or sixteen days after the auction sale of June 27, 1985. Finally, she admits that her mother Ligaya represented her during her absence.[14] In short, she was not totally in the dark as to the fate of her property and she could have exercised her right of redemption if she chose to, but she did not.

Neither Cathay nor Cabrera should be made to suffer for the gross negligence of Legarda’s counsel. If she may be said to be “innocent” because she was ignorant of the acts of negligence of her counsel, with more reason are respondents truly “innocent.” As between two parties who may lose due to the negligence or incompetence of the counsel of one, the party who was responsible for making it happen should suffer the consequences. This reflects the basic common law maxim, so succinctly stated by Justice J.B.L. Reyes, that “. . . (B)etween two innocent parties, the one who made it possible for the wrong to be done should be the one to bear the resulting loss.”[15] In this case, it was not respondents, Legarda, who misjudged and hired the services of the lawyer who practically abandoned her case and who continued to retain him even after his proven apathy and negligence.

The Gancayco decision makes much of the fact that Legarda is now “consigned to penury” and, therefore, this Court “must come to the aid of the distraught client.” It must be remembered that this Court renders decisions, not on the basis of emotions but on its sound judgment, applying the relevant, appropriate law. Much as it may pity

Legarda, or any losing litigant for that matter, it cannot play the role of a “knight in shining armor” coming to the aid of someone, who through her weakness, ignorance or misjudgment may have been bested in a legal joust which complied with all the rules of legal proceedings.

In *Vales v. Villa*,^[16] this Court warned against the danger of jumping to the aid of a litigant who commits serious error of judgment resulting in his own loss:

“x x x Courts operate not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by them - indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it.”

Respondents should not be penalized for Legarda’s mistake. If the subject property was at all sold, it was only after the decisions of the trial and appellate courts had gained finality. These twin judgments, which were nullified by the *Gancayco* decision, should be respected and allowed to stand by this Court for having become final and executory.

“A judgment may be broadly defined as the decision or sentence of the law given by a court or other tribunal as the result of proceedings instituted therein.”^[17] It is “a judicial act which settles the issues, fixes the rights and liabilities of the parties, and determines the proceeding, and it is regarded as the sentence of the law pronounced by the court on the action or question before it.”^[18]

In the case at bar, the trial court’s judgment was based on Cathay’s evidence after Legarda was declared in default. Damages were duly awarded to Cathay, not whimsically, but upon proof of its entitlement thereto. The issue of whether the plaintiff (Cathay) deserved to recover damages because of the defendant’s (Legarda’s) refusal to honor their lease agreement was resolved. Consequently, the right of Cathay to be vindicated for such breach and the liability incurred by Legarda in the process were determined.

This judgment became final when she failed to avail of remedies available to her, such as filing a motion for reconsideration or appealing the case. At the time, the issues raised in the complaint had already been determined and disposed of by the trial court.^[19] This is the stage of finality which judgments must at one point or another reach. In our jurisdiction, a judgment becomes ipso facto final when no appeal is perfected or the reglementary period to appeal therefrom expires. “The necessity of giving finality to judgments that are not void is self-evident. The interests of society impose it. The opposite view might make litigations more unendurable than the wrongs (they are) intended to redress. It would create doubt, real or imaginary, and controversy would constantly arise as to what the judgment or order was. Public policy and sound practice demand that, at the risk of occasional errors, judgments of courts should become final at some definite date fixed by law. The very object for which courts were instituted was to put an end to controversies.”^[20] When judgments of lower courts gain finality, “they, too, become inviolable, impervious to modification. They may, then, no longer be reviewed, or in any way modified directly or indirectly, by a higher court, not even by the Supreme Court.”^[21] In other words, once a judgment becomes final, the only errors that may be corrected are those which are clerical.^[22]

From the foregoing precedents, it is readily apparent that the real issue that must be resolved in this motion for reconsideration is the alleged illegality of the final judgments of the trial and appellate courts.

Void judgments may be classified into two groups: those rendered by a court without jurisdiction to do so and those obtained by fraud or collusion.^[23] This case must be tested in light of the guidelines governing the latter class of judgments. “In this regard, an action to annul a judgment on the ground of fraud will not lie unless the fraud is extrinsic or collateral and facts upon which it is based (have) not been controverted or resolved in the case

where (the) judgment was rendered.”[24] Where is the fraud in the case at bar? Was Legarda unlawfully barred from the proceedings below? Did her counsel sell her out to the opponent?

It must be noted that, aside from the fact that no extrinsic fraud attended the trial and resolution of this case, the jurisdiction of the court a quo over the parties and the subject matter was never raised as an issue by Legarda. Such being the case, the decision of the trial court cannot be nullified. Errors of judgment, if any, can only be reviewed on appeal, failing which the decision becomes final and executory, “valid and binding upon the parties in the case and their successors in interest.”[25]

At this juncture, it must be pointed out that while Legarda went to the Court of Appeals claiming precisely that the trial court’s decision was fraudulently obtained, she grounded her petition before the Supreme Court upon her estranged counsel’s negligence. This could only imply that at the time she filed her petition for annulment of judgment, she entertained no notion that Atty. Coronel was being remiss in his duties. It was only after the appellate court’s decision had become final and executory, a writ of execution issued, the property auctioned off then sold to an innocent purchasers for value, that she began to protest the alleged negligence of her attorney. In most cases, this would have been dismissed outright for being dilatory and appearing as an act of desperation on the part of a vanquished litigant. The Gancayco ruling, unfortunately, ruled otherwise.

Fortunately, we now have an opportunity to rectify a grave error of the past.

WHEREFORE, the Motion for Reconsideration of respondent New Cathay House, Inc. is hereby GRANTED. Consequently, the decision dated March 18, 1991, of the Court’s First Division is VACATED and SET ASIDE. A new judgment is hereby entered DISMISSING the instant petition for review and AFFIRMING the November 29, 1989, decision of the Court of Appeals in CA-G.R. No. SP-10487. Costs against petitioner Victoria Legarda. SO ORDERED.

Regalado, Davide, Jr., Melo, Mendoza, Francisco, Panganiban, and Torres, Jr., JJ concur. Narvasa C.J., I dissent, reserving the filing of a separate opinion.

Bellosillo, J., I join J. Hermosisima Jr. in his dissent.

Puno, J., I join J. Kapunan.

Vitug, J., I join Justice Kapunan in his separate concurring and dissenting opinion. Kapunan, J., See separate concurring and dissenting opinion.

Hermosisima, Jr., J., I dissent. See dissenting opinion

[1] Civil Case No. Q-43811.

[2] Legarda v. Court of Appeals, 195 SCRA 418, 425 (1991).

[3] CA-G.R. No. SP-10487.

[4] Narvasa, Cruz, Griño-Aquino, and Medialdea, JJ., (First Division) concurring.

[5] Roberto V. Cabrera’s Comment, Rollo, p. 293.

[6] 260 SCRA 283 (1996).

[7] Citing Santos v. Court of Appeals, 189 SCRA 550 (1990); Unchuan v. Court of Appeals, 161 SCRA 710 (1988); Bailon-Casilao v. Court of Appeals, 160 SCRA 738 (1988); Director of Lands v. Abad, 61 Phil. 479; Agricultural and Home Extension Development Group v. Court of Appeals, 213 SCRA 563 (1992).

[8] Resolution dated August 12, 1991, Rollo, p. 235.

[9] G.R. Nos. 90933-61, May 29, 1997.

[10] Citing *Vda. de Macoy v. Court of Appeals*, 206 SCRA 244 (1992); *Munar v. Court of Appeals*, 238 SCRA 372 (1994); *Ablan v. Enage*, 120 SCRA 778 (1988); *Habaña v. Vamenta*, 33 SCRA 569 (1970).

[11] Article 1240, Civil Code of the Philippines.

[12] Tolentino, Civil Code of the Philippines, IV, 1991, p. 274, citing Muñoz, p. 445.

[13] Annex “F” of Petition, Rollo, pp. 49-50.

[14] Rollo, p. 19.

[15] *Francisco v. Government Service Insurance System*, 7 SCRA 577 (1963), reiterated in *Cuison v. Court of Appeals*, 227 SCRA 391 (1993) and again in the more recent case of *Bacaltos Coal Mines v. Court of Appeals*, 245 SCRA 460 (1995).

[16] 35 Phil. 769.

[17] 49 C.J.S. Judgments 1.

[18] *Ibid.*, 2.

[19] 47 Am Jur 2d, Judgments, 1053 (Citations omitted).

[20] *Domingo Lucenario*, “Annulment of Final Judgment,” 55 SCRA 294 (1974), citing *Sawit v. Rodas*, 40 O.G., No. 19, p. 3818; *Contreras v. Felix*, 44 O.G., No. 11, p. 4306; and *Peñalosa v. Tuason*, 22 Phil. 303.

[21] *In Re: Joaquin T. Borromeo*, 241 SCRA 405 (1995), citing *Miranda v. Court of Appeals*, 141 SCRA 302 (1986), in turn, citing *Malia v. Intermediate Appellate Court*, 138 SCRA 116 (1985); *Castillo v. Donato*, 137 SCRA 210 (1985); *Bethel Temple, Inc. v. General Council of Assemblies of God, Inc.*, 136 SCRA 203 (1985); *Insular Bank of Asia and America Employees’ Union (IBAAEU) v. Inciong*, 132 SCRA 663 (1984).

[22] *Korean Airlines Co., Ltd. v. Court of Appeals*, 247 SCRA 599 (1995), citing *Lim v. Jabalde*, 172 SCRA 211 (1989).

[23] *Moran*, Comments on the Rules of Court, II, 1979, pp. 236-237.

[24] *Severiano S. Tabios*, “Significant Characteristics of a Valid Judgment,” 95 SCRA 569 (1980), citing *Valera v. Villanueva, et al.*, 50 O.G. 4242 and *Ramos, et al. v. Albano, et al.*, 92 Phil. 834.

[25] *Vicente, et al. v. Lucas, et al.*, 95 Phil. 716, cited in *Moran*, *supra*.

DISSENTING OPINION

HERMOSISIMA, JR., J.:

I regret I cannot join the majority in ruling against petitioner Victoria Legarda.

The facts, as culled from the records, are not controverted.

It appears that petitioner Victoria Legarda was the owner of a parcel of land and the improvements thereon, located at 123 West Avenue, Quezon City. Sometime in November, 1984, petitioner agreed to lease unto private respondent New Cathay House, Inc. one of her two houses in said address. A serious disagreement having arisen between the parties as to the terms of the lease, private respondent, on January 21, 1985, filed a complaint against the petitioner for specific performance with preliminary injunction and damages with the Regional Trial Court of

Quezon City, Branch XCIV, alleging, inter alia, that: (1) petitioner entered into a lease agreement with the private respondent through the latter's representative, Roberto V. Cabrera, Jr., of the aforesaid property of petitioner effective January 1, 1985 until December 31, 1989 or a period of five (5) years; (2) the agreed rental is P12,000.00 per month with 5% escalation per year; (3) on November 23, 1984, the parties consummated their agreement upon private respondent's payment to petitioner of P72,000.00 as deposit and downpayment of rentals; (4) private respondent drew up the written contract and sent it to petitioner but the latter failed and refused to execute and sign the same despite repeated demands of respondent; and (5) that respondent suffered damages due to the delay in the renovation and opening of its restaurant business due to the efforts of the petitioner aimed at stopping the works and renovations being done by respondent's workers.

The private respondent prayed that pending the resolution of the case, a restraining order be issued against petitioner or her agents enjoining them from stopping the renovation and use of the premises by the respondent. It was also prayed that after due hearing the petitioner be ordered to execute the lease contract; to pay actual, compensatory, exemplary and other damages in such amount as may be proved during the trial including P30,000.00 attorney's fees plus P300.00 per appearance of counsel, and to pay the expenses of litigation.[1]

Petitioner engaged the services of the late Dean Antonio Coronel to handle her case. Said counsel filed his appearance with an urgent motion for extension of time to file petitioner's answer to the complaint within 10 (ten) days from February 6, 1985,[2] which motion was granted by the trial court giving petitioner until February 20, 1985 to file her answer. Petitioner's counsel, however, inexplicably failed to file her answer within the extended period given by the court, prompting private respondent to move that she be declared in default. The court granted the motion and private respondent was allowed to present evidence ex-parte. Thereafter, on March 25, 1985, the trial court rendered judgment by default against petitioner, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered ordering defendant Victoria G. Legarda to execute and sign Exhibit "D" the lease contract for the premises at 123 West Avenue, Quezon City. Accordingly, the preliminary injunction earlier issued on January 31, 1985 is hereby made permanent.

Judgment is likewise rendered ordering defendant to pay exemplary damages in the sum of P100,000.00 to serve as example and deterrent for others, and actual and compensatory damages as follows:

1. For lost and destroyed goodwill and reputation in the amount of P100,000.00;
2. The sum of P61,704.40 as adjustments in the costs of labor and materials for the renovation of the premises;
3. The sum of P50,000.00 as unearned income for the delay of plaintiff's operations from January 1, 1985 up to February 25, 1985 or a period of almost two (2) months;
4. The sum of P16,635.57 and P50,424 as additional compensatory damages incurred by plaintiff for the extension of the lease of its premises at Makati and salaries of idle employees, respectively;
5. The sum of P10,000.00 as and by way of attorney's fees; and
6. The costs of suit.

SO ORDERED."[3]

Copy of said decision was duly served on counsel for the petitioner on April 9, 1985 but counsel did not take any action. Consequently, the judgment became final and executory. On May 8, 1985, upon motion of private respondent, a writ of execution was issued by the trial court.

At public auction, the sheriff sold the subject property of the petitioner to Roberto V. Cabrera, Jr., Director and

General Manager of private respondent corporation, as the highest bidder, for the sum of P376,500.00 to satisfy the judgment debt. The sheriff issued a Certificate of Sale dated June 27, 1985[4] covering the said property. Uninformed by her counsel of these proceedings on execution, petitioner failed to redeem her property within the one-year redemption period, as a result of which, ownership over the same was consolidated in the name of Roberto V. Cabrera, Jr. The sheriff issued a Final Deed of Sale[5] on July 8, 1986 in his favor. Cabrera registered the deed in the office of the Register of Deeds on July 11, 1986.

Upon learning of this unfortunate turn of events, petitioner prevailed upon her counsel to seek the appropriate relief. On October 23, 1986, Atty. Coronel filed a petition before the respondent Court of Appeals, which upon order of said court, was amended on February 4, 1987, for the annulment of judgment rendered by the trial court on two grounds, viz:

- “1. The decision was obtained by private respondent through fraud.
2. The decision is not supported by the allegations in the pleadings not by the evidence submitted.”[6]

The petition prayed that a preliminary mandatory injunction issue ordering the private respondent to surrender the property to petitioner and to enjoin the former from further harassing and threatening the peaceful possession and enjoyment thereof by petitioner; that after hearing, the decision of the trial court in Civil Case No. Q-43811 and the sheriff’s certificate of sale be annulled; and that private respondent be adjudged to pay petitioner not less than P500,000.00 actual and moral damages, as well as exemplary damages and attorney’s fees in the amount of P50,000.00 plus the costs of the suit.[7]

On November 29, 1989, a decision was rendered by the respondent Court of Appeals. The court a quo made a following pertinent observations:

“x x x x [p]etitioner’s above allegation of fraud supposedly practiced upon her Roberto V. Cabrera, Jr. is so improbable as to inspire belief. For the Coronel Law Office had already entered its appearance as petitioner’s counsel by then, so that if it were true that Cabrera had already agreed to the conditions imposed by petitioner, said law office would have asked plaintiff to file the proper motion to dismiss or withdraw complaint with the Court, and if plaintiff had refused to do so, it would have filed defendant’s answer anyway so that she would not declared in default. Or said law office would have prepared a compromise agreement embodying the conditions imposed by their client in the lease contract in question which plaintiff had allegedly already accepted, so that the same could have been submitted to the Court and judgment on a compromise could be entered. All these, any conscientious lawyer of lesser stature than the Coronel Law Office, headed by no less than a former law Dean Antonio Coronel, or even a new member of the bar, would normally have done under the circumstances to protect the interests of their client, instead of leaving it to the initiative of plaintiff to withdraw its complaint against defendant, as it had allegedly promised the latter. Thus, it is our belief that this case is one of pure and simple negligence on the part of defendant’s counsel, who simply failed to file the answer in behalf of defendant. But counsel’s negligence does not stop here. For after it had been furnished with copy of the decision by default against defendant, it should then have appealed therefrom or filed a petition from relief from the order declaring their client in default or from the judgment by default. Again, counsel negligently failed to do either. x x x x x.”[8]

In view of these findings, the appellate court dismissed the petition for annulment of judgment, with costs against the petitioner, holding the latter bound by the negligent acts of her counsel. A copy of the said judgment appears to have been served on counsel for the petitioner. Counsel for the petitioner, however, did not, in any manner, attempt to file a motion for reconsideration or appeal therefrom, and so the appellate court’s decision became final on December 21, 1989.[9]

It was only sometime in March, 1990, that petitioner was informed of the adverse decision of the court a quo, not

by her counsel but by the latter's secretary, after persistent telephone inquiries by the petitioner.

Desperately aggrieved, petitioner secured the services of another lawyer who filed the instant petition for certiorari under Rule 65 wherein it was prayed that the judgment of the Regional Trial Court of Quezon City in Civil Case No. Q-43811, the decision of the Court of Appeals in CA-G.R. No. 10487, as well as the sheriff's sale at public auction of the property in question be annulled, considering that her loss was attributable to the gross negligence and inefficiency of her counsel, whose blunder cannot bind her as she was unduly deprived of the due process she deserves. It was further prayed that private respondent New Cathay House, Inc. be ordered to reconvey to petitioner the property covered by TCT No. 270814, which was sold at public auction to Roberto V. Cabrera, Jr. and in whose favor its ownership was thereafter consolidated.

On March 18, 1991, this Court, thru Justice Emilio A. Gancayco (now retired), rendered judgment^[10] granting the petition with the following ratiocinations:

“xxx xxx xxx

Judged by the actuations of said counsel in this case, he has miserably failed in his duty to exercise his utmost learning and ability in maintaining his client's cause. It is not only a case of simple negligence as found by the appellate court, but of reckless and gross negligence, so much as that his client was deprived of her property without due process of law.

xxx xxx xxx

In its questioned decision dated November 19, 1989 the Court of Appeals found, in no uncertain terms, the negligence of the then counsel for petitioner when he failed to file the proper motion to dismiss or to draw a compromise agreement if it was true that they agreed on a settlement of the case; or in simply filing an answer; and that after having been furnished a copy of the decision by the court he failed to appeal therefrom or to file a petition for relief from the order declaring petitioner in default. In all these instances the appellate court found said counsel negligent but his acts were held to bind his client, petitioner herein, nevertheless.

The Court disagrees and finds that the negligence of counsel in this case appears to be so gross and inexcusable. This was compounded by the fact, that after petitioner gave said counsel another chance to make up for his omissions by asking him file a petition for annulment of the judgment in the appellate court, again counsel abandoned the case of petitioner in that he received a copy of the adverse judgment of the appellate court, he did not do anything to save the situation or inform his client of the judgment. He allowed the judgment to lapse and become final. Such reckless and gross negligence should not be allowed to bind the petitioner. Petitioner was thereby effectively deprived of her day in court.

Thus, We have before Us a case where to enforce an alleged lease agreement of the property of petitioner, private respondent went to court, and that because of the gross negligence of the counsel for the petitioner, she lost the case as well as the title and ownership of the property, which is worth millions. The mere lessee then now became the owner of the property. Its true owner then, the petitioner, now is consigned to penury all because her lawyer appear to have abandoned her case not once but repeatedly.

The Court cannot allow such a grave injustice to prevail. It cannot tolerate such unjust enrichment of the private respondent at the expense of the petitioner. The situation is aggravated by the fact that said counsel is a well-known practicing lawyer and the dean of a law school as the Court at the beginning of this discourse observed. His competence should be beyond cavil. Thus, there appears to be no cogent excuse for his repeated negligence and inaction. His lack of devotion to duty is so gross and palpable that this Court must come to the aid of his distraught client, the petitioner herein,”^[11]

Thereupon, we ordered:

“WHEREFORE, the petition is GRANTED and the questioned decision of the Regional Trial Court of Quezon City dated March 25, 1985 in Civil Case No. Q-43811; the decision of the Court of Appeals dated November 29, 1989 in CA-G.R. No. SP-10487; the Sheriff’s Certificate of Sale dated June 27, 1985 of the property in question; and the subsequent final deed of sale covering the same property, are all hereby declared null and void. Private respondent New Cathay House, Inc. is directed to reconvey said property to the petitioner, and the Register of Deeds is ordered to cancel the registration of said property in the name of private respondent and to issue a new name of petitioner. Costs against private respondent. Said counsel for petitioner is hereby required to show cause within ten (10) days from notice why he should not be held administratively liable for his acts and omissions hereinabove described in this decision.

SO ORDERED.”[12]

Private respondent filed a motion to reconsider the aforesaid decision averring, inter alia, that respondent is no longer in a position to reconvey the property to petitioner since, prior to the promulgation of the High Tribunal’s decision on March 18, 1991, Roberto V. Cabrera, Jr., the purchaser at the public auction sale, had already sold the questioned property to one Nancy Saw for P4 million on March 21, 1990 and the Deed of Sale in her favor was duly registered by the Register of Deeds of Quezon City,[13] after payment of the corresponding capital gains tax, documentary stamps and other fees thereof. Nancy Saw, after being impleaded, in her Comment,[14] alleges that she is an innocent purchaser for value, since, at the time she bought the property from Mr. Cabrera, Jr., she never knew of the existence of the case between the petitioner and New Cathay House, Inc., and that, at the time of the sale, there were no existing encumbrance found at the back of Transfer Certificate of Title No. 350892 in the name of Cabrera. Neither was there any notice of lis pendens annotated thereto.

Alarmed by this development, this Court, thru the First Division, came out with a Resolution, dated August 12, 1991, viz:

“G.R. No. 94457 (Victoria Legarda vs. Court of Appeals, et al). The opposition to private respondent’s motion for reconsideration of the decision of March 18, 1991, filed by petitioner is NOTED. After due deliberation the Court resolved to require private respondent to submit to the Court within ten (10) days from notice a certified true copy of the certificate of sale and return of the deputy sheriff Angelito Mendoza relating to the execution sale of the subject property on June 27, 1985, as well as a certified true copy of the deed of sale of said property by Roberto V. Cabrera, Jr. in favor of Nancy Saw in March, 1990 and the proof of registration of the sale and transfer of title to Nancy Saw.

Let Roberto V. Cabrera, Jr. and Nancy Saw be IMPEADED as party respondents in this case to be served with this resolution through counsel for private respondent, who is hereby directed to serve copies thereof on said respondents, and said respondents are directed to submit their COMMENT to the petition and decision within ten (10) days from notice. Let a TEMPORARY RESTRAINING ORDER be issued on the private respondent Nancy Saw enjoining her from selling, transferring, encumbering or otherwise disposing of the property in litigation, until further orders of the Court. The Register of Deeds of Quezon City is hereby DIRECTED not to allow the registration of any sale, transfer, encumbrance or other disposition of the property subject of this suit which was previously covered by Transfer Certificate of Title No. 27014 in the name of petitioner Victoria Legarda which was allegedly sold to Roberto V. Cabrera, Jr. and who in turn sold the same to Nancy Saw.”[15]

It appears, however, that on August 7, 1990 or more than one (1) year prior to the issuance of the above TRO, Nancy Saw, for her part, had also sold the subject property to one Lily Tanlo Sy Chua for P4.5 million which sale was registered by the Register of Deeds of Quezon City on August 8, 1990.[16] Like Nancy Saw, Chua, as intervenor, maintains that she is a buyer in good faith and for value, considering that she only came to know of the alleged defect or flaw in the title when she tried to sell the property sometime in June, 1992 and was told by the Register of Deeds in Quezon City of the pendency of this petition and the temporary restraining order issued by

this Court on August 12, 1991. Chua argues that being a subsequent innocent buyer for value from one who has equally an innocent purchaser for value (referring to Nancy Saw), her title become even more indefeasible than her predecessors-in-interest.[17]

To further complicate matters, intervenor Lily Sy Chua and her husband, Victor Sy Chua, on April 3, 1992 executed a Contract to Sell[18] over the property in litigation to a certain Janet Chong Luminmun. A Deed of Absolute Sale was subsequently entered into by the parties, and on November 24, 1993, the Register of Deeds of Quezon City issued Transfer Certificate of Title No. 99143 in the name of Janet Chong Luminlun.

Thereafter, petitioner filed before us on March 23, 1994 an Omnibus Motion[19] bringing to our attention this latest development and praying that:

“WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Court, that:

- a) Lily T Chua, Victor Sy Chua and Samuel Cleofe, the Register of Deeds of Quezon City be ordered to explain why they should not be cited for contempt of court for ignoring its Order and for acts which tend to impede or obstruct the administration of justices;
- b) Samuel Cleofe, the Register of Deeds of Quezon City, be adjudged guilty of dereliction of duty and for the imposition of appropriate sanctions therefor;
- c) The ‘sale’ to Janet C. Luminlun be declared null and void for being sham and/or having been done in direct violation of the order of this Honorable Court and Transfer Certificate of Title No. 99143 be ordered cancelled.

Petitioner prays for such other reliefs as are just and equitable under the premises.

Manila, March 23, 1994.”[20]

I vote to grant the motion for reconsideration in part.

It is crucial to note that, when the First Division of this Court rendered its Decision on March 18, 1991, declaring null and void the March 25, 1985 judgment by default of the trial court in Civil Case No. Q-43811 and ordering the private respondent to reconvey said property to petitioner, Transfer Certificate of Title No. 270814 previously in the name of Legarda had already been cancelled and a new one, TCT No. 350892,[21] had already been issued on October 17, 1986 in the name of the highest bidder, Mr. Roberto V. Cabrera, Jr. This was a clean title bereft of any lien or encumbrance, adverse to the interest of Cabrera, Jr., annotated at the back thereof nor of any notice of lis pendens to apprise any prospective buyer of the pendency of this litigation. It was this later title which became the subject of a Deed of Absolute Sale[22] executed between Mr. Cabrera and Nancy Saw on March 21, 1990 for the price of P4 million. Thereupon, TCT No. 350892, in the name of Cabrera, Jr., was cancelled by the Register of Deeds of Quezon City and, after payment of the required fees, a new title, TCT No. 31672, was issued on April 3, 1990 in the name of Nancy Saw.[23] This title likewise contained no notice of any adverse claim from third parties. Relying on this clean title, Lily Sy Chua bought the subject property on August 7, 1990 from Saw, which Deed of Sale was duly registered at the back of Saw’s title. Thereafter, TCT No. 31672, in the name of Saw, was cancelled and TCT No. 31673,[24] in the name of Chua, was issued on August 8, 1990 by the Register of Deeds of Quezon City. Like its predecessor titles, TCT No. 31673 was a clean title. The property in dispute was, therefore, in the hands of Lily Sy Chua, when this Court came out with the Decision on March 18, 1991 in G.R. No. 94457 granting Legarda’s petition and ordering the reconveyance of the property back to Legarda.

I would reconsider this order of reconveyance.

Initially, it must be stressed that we are here dealing with a property registered under the Torrens System. This Court had, on more than one occasion, stated and hence must continuously state, as long as cases like the one at

bench involving titled lands subsist, that the primary and fundamental purpose of the Torrens System of Land Registration is to quiet title to land; to put a stop forever to any question of the legality of the title, except claims which were noted at the time of registration in the certificate or which may arise subsequent thereto. That being the purpose of the law, once a title is registered, the owner may rest secure, without the necessity of waiting in the portals of the court, or sitting in the “mirador su casa,” to avoid the possibility of losing his land.[25]

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 and order the total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing property registered under the Torrens System would have to inquire in every instance as to whether the title has been regularly or irregularly issued by the court.[26] Indeed, this is contrary to the evident purpose of the law. Every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.[27]

The subsequent transfers from Cabrera to Saw to Chua and, finally, to Janet Chong Luminlun all involve clean titles without any encumbrance or lien annotated thereto nor of any notice of lis pendens found at the back thereof. In fact, even if petitioner Legarda managed to have a lis pendens notice inscribed on these titles (which she was not able to do), this would not have the effect of establishing a lien or encumbrance on the property affected. As its name suggests, the only purpose of a notice of lis pendens is 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.[28] If the notice is effective, a third person who acquires the property affected by the lis pendens takes the same subject to the incidents and results of the pending litigation. But when the adverse right fails in such litigation, the lis pendens loses its efficacy.[29] This is the only import of a lis pendens notice which did not even find its way in any of the titles issued covering the subject property. Hence, it can be said without fear of contradiction that Saw, Chua, and Luminlun are innocent purchasers for value because they bought the subject real property covered by clean titles.

Petitioner, however, would like to disqualify Saw, Chua and Luminlun as innocent purchasers for value based on alleged suspicious circumstances surrounding the sales in their favor. These circumstances, according to her, point to the fact that these vendees bought the questioned property at less than its actual fair market value at the time of the respective sales. First, Saw allegedly bought the property from Cabrera at P4 million when the same property, at the time, could have been sold at P12,115,000.00. Likewise, the sale between Saw and Chua was merely simulated considering that the purchase price was only P4,500,000.00 when the property could have been valued at more than P12 million. The last buyer, Luminlun, could not be considered a purchaser in good faith, according to petitioner, because at the time the sale between Chua and Luminlun was executed on April 3, 1992, the parties were already charged with knowledge of the March 18, 1991 Decision of the Supreme Court as well as the August 12, 1991 temporary restraining order issued by the High Tribunal.

I do not agree.

A purchaser in good faith is one who buys 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 persons in the property. Good faith consists in an honest intention to abstain from taking any unconscientious advantage of another.[30]

Measured by this yardstick, Saw, Chua and Luminlun are purchasers in good faith and for value. They bought the subject property from their respective sellers free from any lien or encumbrance or any notice of adverse claim

annotated thereto. They were presented with clean titles already in the name of their sellers, and there were no indications from the records that, at the time of these sales, the property was in possession of a party or parties other than their respective sellers. In other words, there were no circumstances in these sales sufficient to put the buyers on inquiry as to the real status of their sellers' titles. From all indications, the titles presented to them were not defective titles. Thus, they have every right to rely on the correctness of these aforesaid certificates of title. If a person purchases a piece of land on the assurance that the seller's title thereto is valid, she should not run the risk of being told later that her acquisition was ineffectual after all. If we were to void a sale of property covered by a clean and unencumbered torrens title, public confidence in the Torrens System would be eroded and land transactions would have to be attended by complicated and inclusive investigations and uncertain proof of ownership. The consequence would be that land conflicts could proliferate and become more abrasive, if not violent.[31]

As to the averment of the petitioner that the subsequent transferees of the property from Cabrera are not good faith buyers due to the low purchase prices at which they acquired the property, suffice it to state that this fact alone is not sufficient to strip them of their being good faith purchasers for value. Good faith, or the lack of it, is in its last analysis a question of intention; but in ascertaining the intention by which one is actuated on a given occasion, we are necessarily controlled by the evidence as to the conduct and outward acts by which alone the inward motive may, with safety, be determined. Truly, good faith is not visible, tangible fact that can be seen or touched, but rather a state or condition of mind which can only be judged by actual or fancied tokens or signs.[32] Otherwise stated, good faith is the opposite of fraud and it refers to the state of mind which is manifested by the acts of the individual concerned.[33] Here, other than the fact that, to the mind of petitioner, the prices at which the property was sold in a series of transactions were allegedly less than its fair market value, there certainly is no direct proof to establish that these buyers were in cabal with their sellers to deliberately defraud the petitioner. Neither is there any proof to show that these purchasers knew the petitioner beforehand nor of the litigation the questioned property is involved in at the time they bought the property. Indeed, they merely relied on the certificates of title in the name of their respective sellers without any knowledge of facts and circumstances which should have put them such investigation, as might be necessary, to acquaint them with any possible defects in the titles of their vendors, which were clean titles to begin with.

Of special significance to be declared an innocent purchase for value, however, is Janet Chong Luminlun, the last transferee of the property who is now in possession of the realty with Transfer Certificate of Title No. 99143 registered in her name.

It is true that when Luminlun bought the property from Chua on November 18, 1993, our March 18, 1991 Decision ordering reconveyance of the property to Legarda already came out, followed by the issuance of our August 12, 1991 temporary restraining order. While, even considering arguendo that, Chua may have already known these developments even before she transacted the sale of the property to Luminlun, there is no iota of evidence that Luminlun, herself, was aware of these. In fact, petitioner Legarda in her Omnibus Motion, informing us of the Chua-Luminlun transaction, does not even make any asseveration to this effect. What is clear from the records is that the time the Deed of Absolute Sale was signed between the Chua spouses and Luminlun, the subject property was already titled under the name of the seller Lily Sy Chua. Whether or not had any malicious motive in effecting the transfer is of no moment. What is material is that the buyer Luminlun was presented with a clean title in the name of her seller, unencumbered and without any notice of adverse claim from any third party nor of any *lis pendens* notice inscribed thereto. There is likewise no indication that the seller Chua was not the one in possession of the property. Clearly, Luminlun had every right to rely on the transfer certificate of title already in the name of her seller. She was obliged to go beyond the title that was shown to her considering that there were no circumstances surrounding the sale sufficient to put her on inquiry. If the rule were otherwise,

the efficacy and conclusive of Torrens Certificate of Titles would be futile and nugatory.

Insofar, as Mr. Cabrera is concerned, however, his good faith or bad faith in buying the property at the auction sale is no longer material considering that the judgment by default upon which the auction sale was based is declared null and void by our March 18, 1991 Decision, for being rendered without due process of law. Thus, the title issued in the name of Cabrera has no more leg to stand on, and must, of necessity, be likewise struck down.

What is the basis of this nullity?

The gross negligence of the late Dean Antonio Coronel in handling, nay mishandling, petitioner's case, docketed as Civil Case No. Q-43811 in the court a quo, is actually beyond question as this Court had declared in a per curiam Resolution dated June 10, 1992,[34] where Coronel was meted a six (6)-month suspension from the practice of law, which suspension order was renewed for another six (6) months in another Resolution dated March 31, 1993.[35] In fact, the majority even concedes this.[36] Oddly though, while the majority acknowledges Coronel's gross negligence, it refuses to grant Legarda any relief arguing that as "between two innocent parties (referring to Legarda on the one hand and Cathay and Cabrera on the other hand), the one who made it possible for the wrong to be done should be the one to bear the resulting loss (referring to Legarda)." According to the majority, since it was Legarda who hired the services of the lawyer who practically abandoned her case, then it is just logically that she suffer the loss and not Cathay nor Cabrera.

With hue regard to the majority, this is not just a case of she who made possible the loss should suffer its consequences. It is true that the basic general rule that the negligence of counsel binds the client. Hence, if counsel commits a mistake in the course of litigation, thereby resulting in his losing the case, his client must perforce suffer the consequences of the mistake. The reason for the rule is to avoid the act of every losing party to raise the negligence of his or her counsel to escape an adverse decision of the court to the detriment of our justice system as no party will ever accept a losing verdict. This general rule, pertains only to simple negligence of the lawyer. Where the negligence of counsel, on the other hand, is one that is so gross, palpable, pervasive, reckless and inexcusable, such as in this case, this type of negligence does not bind the client, since in such a case, the client is effectively deprived of his or her day in court. However, the majority opinion, in effect, would remove the distinction between simple negligence and gross negligence of counsel insofar as they bind the client. It cannot overemphasized that any judgment rendered where there was gross negligence on the part of counsel of one of the parties is one rendered without due process of law and, thus, void.[37]

But what is the effect of a void judgment? Gomez v. Concepcion[38] and Heirs of Mayor Nemencio Galvez v. Court of Appeals, et al.[39] provide the answer:

"xxx A void judgment is in legal effect no judgment. By it no rights are divested. From it no rights can be obtained. Being worthless in itself, all proceedings founded upon it are equally worthless. It neither binds nor bars any one, All acts performed under it all claims flowing out of it are void. The parties attempting to enforce it may be responsible as trespassers. The purchaser at a sale by virtue of its authority finds himself without title and without redress."

Thus, the judgment by default in Civil Case No. Q-43811 being void, all acts and incidents arising therefrom must necessarily be void since nothing can arise from a void judgment. Inevitably, the writ of execution, the levy in the property of Legarda to satisfy the void judgment award, the subsequent public auction sale, the Deed of Sale issued in favor of the highest bidder Cabrera, as well as the title issued in the name of Cabrera ought to be struck down for they all arose from the judgment in Civil Case No. Q-43811, which is void judgment. Needless to state, these incidents have no leg to stand on. Reconveyance, therefore, of the Leagarda property by Cabrera, the purchaser at the auction sale, would have been in order had the property not been transferred to innocent

purchasers for value beginning with Nancy Saw. Consequently, the only thing that Cabrera can return now to Legarda is the money he received from the first innocent purchaser of the property worth P4 million with legal interest to be counted from the time the judgment by default of the respondent trial court was rendered on March 25, 1985. Respondent New Cathay House, Inc., Cabrera's Corporation, must return to him the auction price in the amount of P376,500 with legal interest bidden by him at the void auction sale.

WHEREFORE, I vote to partly grant the Motion for Reconsideration. Our March 18, 1991 Decision (Gancayco Decision) is hereby MODIFIED insofar as we ordered the reconveyance of the property back to Legarda. In lieu thereof, Mr. Roberto V. Cabrera, Jr. is hereby ordered to return to petitioner Victoria Legarda the amount of money he received from Nancy Saw worth Four Million Pesos (P4,000,000.00) plus legal interest counted from the time the judgment by default of the respondent trial court was rendered on March 25, 1985. Respondent New Cathay House, Inc., for its part, is hereby ordered to return to Cabrera the amount of P376,500.00 with legal interest paid by him at the auction sale as the highest bidder.

SO ORDERED.

[1] Rollo, pp. 32-34.

[2] Annex "B"; Rollo, pp. 41-42.

[3] Decision, p.3; Rollo, p. 46.

[4] Annex "F"; Rollo. Pp. 49-50.

[5] Rollo, pp. 281-283.

[6] Amended Petition, p. 9; Rollo, p. 77.

[7] Amended Petition, pp. 22-23; Rollo, pp. 90-91.

[8] Decision , pp. 6-7; Rollo, pp. 139-140.

[9] Rollo, p. 169

[10] Unanimously concurred in by Justices Andres R. Narvasa [now Chief Justice], Isagani A. Cruz, Carolina C. Griño-Aquino, and Leo D. Medialdea.

[11] Decision, pp. 10-13; Rollo pp. 207-210.

[12] Decision, p. 14; Rollo, p. 211.

[13] Annex "A-1"; Rollo, p. 268.

[14] Rollo, pp. 261-265.

[15] Rollo, p. 235.

[16] Annex "A-g"; Rollo, p. 268 [back page].

[17] Rollo, pp. 410-417.

[18] Annex "B"; Rollo, pp. 577-579.

[19] Rollo, pp. 568-575.

[20] Omnibus Motion, pp. 7-8; Rollo, pp. 574-574.

[21] Annex “A”; Rollo, pp. 267-268.

[22] Annex “B”; Rollo, pp. 269-270.

[23] Annex “G”; Rollo, pp. 349-350.

[24] Annex “E”; Rollo, p. 732.

[25] Reyes and Nadres v. Borbon and Director of Lands, 50 Phil. 791, 796 [1927]; Ching v Court Appeals, 181 SCRA 9, 18 [1990], citing National Grains Authority v. IAC, 157 SCRA 388 [1988].

[26] Tenio-Obsequio v. Court of Appeals, 230 SCRA 550, 557 [1994].

[27] Pino v. Court of Appeals, 198 SCRA 434, 445 [1991], citing Duran v. Intermediate Appellate Court, 138 SCRA 489, 494-495; Lopez v. Court of Appeals, 169 SCRA 271 [1989]; Director of Lands v. Abache, 73 Phil. 606 [1942].

[28] Agricultural and Home Extension Development Group v. Court of Appeals, 213 SCRA 563, 566 [1992].

[29] Tirado v. Sevilla, 188 SCRA 321-326 [1990].

[30] Fule v. De Legare, 7 SCRA 351, 356 [1963], citing Cui and Joven v. Henson, 51 Phil. 606.

[31] Tenio-Obsequio, supra, citing Republic y. Umali, 171 SCRA 647 [1989].

[32] Leung Yee v. F.L. Strong Machinery Co. and Williamson, 37 Phil. 644, 651-652 [1918], citing Wilder vs. Gilman, 55 Vt., 504, 505; Cf. Cardenas vs. Miller, 108 Cal., 250; Breaux-Renoudet, Cypress Lumber Co. vs. Shadel, 52 La. Ann., 2094-2098; Pinkerton Bros. Co. vs. Bromley, 119 Mich., 8, 10, 17.

[33] Duran, supra.

[34] Rollo, p. 403.

[35] Rollo, pp. 512-513.

[36] decision, p. 10

[37] See Escudero v. Dulay, 158 SCRA 69 [1988].

[38] 47 Phil. 717, 722-723 [1925].

[39] G.R. No. 119193, 29 March 1996, p. 18.

SEPARATE, CONCURRING AND DISSENTING OPINION

KAPUNAN, J.:

I fully subscribe to the ruling of the Court nullifying for lack of due process the decision of the Regional Trial Court of Quezon City dated March 25, 1995 in Civil Case No. Q-43811, as well as the decision of the Court of Appeals dated November 29, 1989 in CA-G.R. No. SP-10487. The rule is that a client is bound by the acts, even mistakes, of his counsel in the realm of procedural technique. The exception to this rule is when the negligence of counsel, as here, is so gross, reckless and inexcusable that the client is deprived of his day in court. (People’s Homesite & Housing Corp vs. Tiongco, 12 SCRA 471 [1964]; Escudero vs. Dulay, 158 SCRA 69 [1988]; De Guzman vs. Sandiganbayan, 256 SCRA 171 [1996]), in which case, the remedy then is to reopen the case and allow the party who was denied his day in court to adduce his evidence.

The decision, however, is erroneous insofar as it directs private respondent New Cathay House, Inc. to effect the “reconveyance” of the property to petitioner. Reconveyance is a remedy of the landowner whose property has been wrongfully or erroneously registered in the name of another but which recourse cannot be availed of if the property has passed to an innocent purchaser for value. Here, there has been no definite finding that New Cathay House, Inc. or its representative, Mr. Roberto V. Cabrera, Jr. has committed any wrongful, unlawful or fraudulent act which deprived petitioner of her land. As between two innocent parties, the one who made it possible for the wrong to be done should suffer the loss. Certainly, New Cathay House, Inc. cannot be made to suffer the loss by compelling it to reconvey the land to petitioner who lost her property due to the gross and inexcusable negligence of her counsel. Moreover, the remedy of reconveyance cannot be availed of if the property has passed to innocent third parties for value.

There being no legal ground to order New Cathay House, Inc. to reconvey the property to petitioner, the suggested alternative solution to direct Mr. Roberto V. Cabrera, Jr., the representative of New Cathay House, Inc. to turn over to petitioner the amount of P4 million he received from Nancy Saw has no leg to stand on, because, as already mentioned, there is yet no determination that he is a guilty party and, moreover, he cannot go against the transferees for indemnification or otherwise, if the subsequent transferees are innocent purchasers for value.

The nullification of the decisions of the Regional Trial Court and the Court of Appeals is the necessary consequence of the finding that petitioner was deprived of her day in court by the gross and inexcusable negligence of her counsel and for the purpose of reopening of Civil Case No. Q-43811 (for specific performance with preliminary injunction and damages) to afford opportunity to petitioner to file her answer to the complaint and adduce evidence in her favor. The rights of the parties should be threshed out in the case, including the determination of whether or not the transferees of the property had acquired the same in good faith and for value, and the legal consequences and effects of such determination.

In view of the foregoing considerations, I vote to:

1. MODIFY the decision of March 18, 1991 by deleting portions thereof ordering: (a) private respondent New Cathay House, Inc. to reconvey the property to petitioner; and (b) the Register of Deeds to cancel the registration of the property in the name of private respondent and to issue a new one in the name of petitioner; and
2. REMAND the case to the Regional Trial Court of Quezon City, Branch 94, for further proceedings.

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