

SOCORRO COSTA CRISOSTOMO, PETITIONER, VS. COURT OF APPEALS AND NORMA SAN JOSE, DIANA J. TORRES, RESPONDENTS.

G.R. Nos. 91383-84. May 31, 1991

Ponente: PARAS, J.

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PARAS, J.:

This is a petition for review on certiorari of the: (1) decision[*] of the Court of Appeals dated July 31, 1989 in CA-G.R. CV Nos. 11816 and 11817, entitled "Socorro Costa Crisostomo vs. Norma San Jose and Diana Torres", which modified the decision of the Regional Trial Court, Branch 154, Pasig, Metro Manila, and (2) resolution dated December 11, 1989, which denied the motion for reconsideration.

As gathered from the records, the facts of the case are as follows:

Socorro Costa Crisostomo (Crisostomo for short) was the registered owner of a residential house and lot known as Lot No. 6, Block 60, located in Mandaluyong, Metro Manila and covered by Transfer Certificate of Title No. 39286 of the Register of Deeds of Pasig. Crisostomo has occupied the property ever since she had the house built and has introduced other improvements thereon like fruit bearing trees and ornamental plants (Rollo, Petition, p. 9).

Sometime in 1978, Norma San Jose (San Jose for short) offered to buy the above-mentioned parcel of land including the house thereon for the sum of P300,000.00 which amount was agreed upon to be paid from the proceeds of a loan that was to be obtained by said respondent San Jose from a bank using petitioner Crisostomo's title as collateral. As payment, San Jose issued three (3) post dated Far East Bank and Trust Company checks in the total amount of P300,000.00 (*Ibid.*, p. 4).

Crisostomo accepted the offer, lent her title to San Jose and on May 17, 1978 executed a Deed of Absolute Sale in favor of San Jose (Rollo, Petitioner's Memorandum, p. 106).

On May 22, 1978, Crisostomo, upon San Jose's request, executed another deed of sale over the same property with the understanding that said document was for the purpose of reducing San Jose's registration fees and tax liabilities (*ibid.*).

On May 26, 1978, San Jose registered the second deed of absolute sale with the Registry of Deeds of Pasig. At the same time, Transfer Certificate of Title No. 39286 was cancelled, and in its place, Transfer Certificate of Title No. 11835 was issued (Rollo, Petition, pp. 10-11).

After Crisostomo got tired of San Jose's unfulfilled promises to make good the postdated checks, the former decided to encash the postdated checks after their maturity dates with Far East Bank and Trust Company. Unfortunately, the same were all dishonored and returned to Crisostomo with the notation of the Bank as "Account Closed". (*Ibid.*).

Upon inquiry by Crisostomo, San Jose replied that when her application for a loan with a second bank, the

Philippine Commercial and Industrial Bank, was not approved, she shifted to Security Bank and Trust Company. Soon enough, Crisostomo discovered that San Jose's loan application was disapproved because the collateral was insufficient for the amount of the loan she was borrowing (Ibid.).

For Crisostomo's protection, San Jose signed a written undertaking for the forfeiture of the earnest money in the amount of P20,000.00 in favor of herein petitioner with a certification that the title to the property will be returned within one (1) month after non-effectivity of its sale, duly registered in petitioner's name. The aforementioned amount of P20,000.00 was the only payment Crisostomo ever received from San Jose (Ibid.).

Upon Crisostomo's insistence for the return of the title, San Jose informed Crisostomo that the title was in the possession of Diana J. Torres, the mortgagee (Rollo, Memorandum for Petitioner, p. 108).

San Jose never returned the said title as she had promised nor did she ever make any payment to the petitioner (Ibid.).

Crisostomo made a written demand to Diana J. Torres (Torres for short) to reconvey the subject property to her. This demand was not satisfied (Ibid.).

Petitioner was thus compelled to file Civil Case No. 34356 on September 3, 1979 against San Jose but this was later amended to include Torres (Ibid.).

On the other hand, San Jose filed in an apparent attempt to forestall the extra-judicial foreclosure and public auction sale scheduled on September 18, 1979, Civil Case No. 34489 on September 17, 1979 against respondent Torres. On January 9, 1980 both actions were consolidated on motion of the parties and were jointly tried thereafter (Ibid.). In a decision dated March 31, 1986, the Regional Trial Court of Pasig, Branch CLIV (154) decided in favor of the petitioner, the dispositive portion of which decision reads:

"WHEREFORE, judgment is hereby rendered against the defendants in favor of the plaintiff as follows:

In Civil Case No. 34356 -

- 1) The Deed Of Absolute Sale executed by plaintiff over the property covered by Transfer Certificate of Title No. 39286 of the Register of Deeds of Pasig, Metro Manila, is hereby ordered rescinded;
- 2) Transfer Certificate of Title No. 11835 of the Register of Deeds of Pasig, Metro Manila, in the name of defendant Norma San Jose is hereby ordered cancelled;
- 3) Defendant Norma San Jose is hereby ordered to reconvey the title covering subject property within twenty (20) days from the finality of this judgment;
- 4) Defendants are also hereby ordered, jointly and severally, to pay plaintiff (a) the amount of P100,000.00 representing moral damages, (b) P20,000.00 as attorney's fees, and (c) the costs;
- 5) As a consequence of the rescission of the sale, plaintiff is ordered to return the amount of P20,000.00 which she received as earnest money. However, this amount shall be off-set against the amount of damages assessed against defendants;
- 6) The Deed of Real Estate Mortgage executed by defendant Norma San Jose in favor of defendant Diana Torres is hereby order (sic) nullified. The Register of Deeds of Pasig, Metro Manila is authorized to cancel the annotation of said mortgage on the title to be issued in favor of plaintiff.

In Civil Case No. 34489 -

- 1) Defendant Norma San Jose is hereby ordered to pay defendant Diana Torres the amount of P100,000.00.

SO ORDERED." (Rollo, Annex "A", pp. 37- 38).

Torres appealed the above-quoted decision to the Court of Appeals which modified the judgment of the trial court in a decision, the dispositive portion of which reads as follows:

"WHEREFORE, the decision appealed from is hereby MODIFIED in that the Deed of Real Estate Mortgage in favor of appellant Diana Torres be noted on the Certificate of Title which is to be re-issued to the appellee, and, appellant Diana Torres is hereby excluded from indemnifying the appellee the amounts representing moral damages, attorney's fees, and costs, but is AFFIRMED in all other respects.

SO ORDERED." (Rollo, Annex "A", p. 41).

Petitioner filed a motion for partial reconsideration of the appellate court's decision but the same was denied in a Resolution dated December 11, 1989 (Rollo, Annex "B", p. 45).

Hence, the petition.

The Court in its resolution dated June 27, 1990 gave due course to the petition and required both parties to submit their respective memoranda (Rollo, Resolution, p. 78).

The only issue to be resolved in the instant case is whether or not private respondent Diana Torres is a mortgagee in good faith.

The petition is impressed with merit.

While it is settled that the jurisdiction of the Supreme Court in cases brought to it from the Court of Appeals is limited to reviewing and revising errors of law imputed to the latter, the findings of fact of the Court of Appeals may be set aside, among others, on the following grounds: ". . . (2) the inference made is manifestly mistaken; . . . (6) the findings of fact of the Court of Appeals are contrary to those of the trial court;" (Tolentino v. De Jesus, 56 SCRA 167 [1974]; Villamor v. Court of Appeals, 162 SCRA 574 [1988]; Layugan v. Intermediate Appellate Court, 167 SCRA 363 [1988]).

A careful study of the records shows that the Court of Appeals erred in finding that private respondent Diana Torres is a mortgagee in good faith on the basis of the evidence.

There are strong indications that Atty. Flor Martinez, the lawyer of Diana J. Torres, the mortgagee, knew of the defect of San Jose's title.

Atty. Martinez is a close acquaintance of Norma San Jose, their long relationship dating back to 1974 (Rollo, p. 60). When the subject property was offered by San Jose as collateral for a loan, Atty. Martinez referred her to a client, Diana Torres. For her part, Torres instructed and authorized Atty. Martinez to view and inspect the property as well as to ascertain the genuineness and authenticity of San Jose's title (Hearing of October 6, 1989, TSN, p. 6; Rollo, p. 113).

While feigning ignorance of the owner of subject property, she admitted later on cross-examination that Socorro Crisostomo was the owner from whom San Jose allegedly bought the property (Hearing of April 20, 1983, TSN, pp. 6-11).

Even more persuasive is the fact that when Atty. Martinez personally inspected the property with San Jose for her client Torres, she allowed herself to be introduced to Socorro Crisostomo who was then actually occupying the house, as a Bank Inspector of the Development Bank of Meycauayan, Bulacan from whom the loan was being obtained, obviously to convince Crisostomo that the procedure is in accordance with her agreement with San Jose.

Thus, petitioner Crisostomo and Atty. Flor Martinez testified as follows in the trial court:

TESTIMONY OF PETITIONER SOCORRO COSTA CRISOSTOMO:

"Atty. Beltran -

Q

Do you know Atty. Martinez here, have you ever met Atty. Martinez?

A

I met her June 17, 1978.

Q

Where did you meet Atty. Martinez?

A

She came at home that evening with Norma San Jose.

Q

Where were you when Atty. Martinez and Norma San Jose came to your house?

A

I was at home.

Q

Did you have any companion there?

A

I was with my maid.

Q

Before that date, did you have occasion to meet Atty. Martinez?

A

Yes. (sic) That was my first time to meet her.

Q

Was there any introduction made to you?

A

She was introduced as a Bank Inspector of Private Development Bank of Meycuayan, Bulacan. (Italics supplied)

Q

Who introduced her to you?

A

Norma San Jose.

Q

You mean she was introduced to you to inspect that property in question?

A

Yes.

Q

Why was that supposed inspection to be made on behalf of the Meycauyan Bank?

A

She claimed that that was the bank where-in she was borrowing her loan.

Q

In connection with that inspection supposed to be made, what was the purpose, if you know?

A

To facilitate to (sic) processing, according to them." (T.S.N., pp. 16-17, Feb. 5, 1981)

.....

On cross-examination of Atty. Flor Martinez by Atty. Beltran, she stated:

".

Q

But your visit of the premises was purposely for the benefit of this Diana Torres, am I right?

A

Of course, because she is my client.

Q

And so in that visit of yours, you saw the plaintiff here personally?

A

Yes, I saw her then.

Q

And you had a conversation with her?

A

I had.

.....

Q

Will you please tell the Honorable Court what was the main purpose of your visit at the premises?

A

As the lawyer of the prospective mortgagee, I was duty bound to make a fair assessment as to whether the proposed collateral (sic) commensurate to the amount applied for. In other words, it was in connection with the

mortgage.

.....

Q

And did you inquire from the plaintiff why was she there at the moment?

A

She was introduced to me as the Tia Coring.

Q

And from your conversation, did you come to know that the plaintiff here, Socorro Crisostomo, is the same Tia Coring whom she mentioned to you she bought the property from? (Italics supplied)

.....

A

Yes, the same Tia Coring who sold the property to her. (Italics supplied)

.....

Q

And under these circumstances, you never inquired from the plaintiff whom you personally saw why she was there in the property or until when she would remain in that place? (Italics supplied)

A

No, because it would be unethical to ask that question, she being the Tia Coring of (sic) the owner. (Italics supplied) (T.S.N., pp. 81-85, April 28, 1983)

....."

Finally, when Torres herself visited the property she carefully evaded seeing Crisostomo personally, the actual occupant thereof, who could have easily enlightened her as to the true owner (Rollo, p. 116). Such unnatural behavior points more convincingly to the fact that she was aware that San Jose was not its real owner.

In *Philippine National Bank v. Court of Appeals* (153 SCRA 435 [1987]), the Supreme Court had the occasion to rule that a person dealing with registered land has a right to rely upon the fact of the Torrens Certificate of Title and to dispense with the need of inquiring further, except when the party concerned has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make further inquiries (*Gonzales v. Intermediate Appellate Court*, 157 SCRA 587 [1988]). Even assuming that Torres does not in fact know the circumstances of the sale, she is bound by the knowledge of Atty. Martinez or by the latter's negligence in her haphazard investigation because the negligence of her agents is her own negligence (*PCIB v. Villalva*, 48 SCRA 37 [1972]).

It is a well-settled rule that a purchaser or mortgagee cannot close his eyes to facts which should put a reasonable man upon his guard, and then claim that he acted in good faith under the belief that there was no defect in the title of the vendor or mortgagor. His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in the vendor's or mortgagor's title, will not make him an innocent purchaser or mortgagee for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defects as would have led to its discovery had he acted with the measure of precaution which may be required of a prudent man in a like situation (*Leung Yee v. Strong Machinery Co.*, 37 Phil. 644; *RFC v. Javillonar*, 57 O.G. 39, September 25, 1961; *C.N. Hodges v. Dy Buncio and Co., Inc.*, 116 Phil. 595; *Manacop v. Cansino*, 61 O.G. 21, August 2, 1965, 1 SCRA 527; *Gaticana v. Gaffud*, 27 SCRA 706 [1969]).

The appellate court, therefore, gravely erred in the appreciation of evidence on the good faith of private respondent Diana Torres. Consequently, because respondent Torres was not a mortgagee in good faith, there is no sufficient basis for the appellate court to order the notation of the Deed of Real Estate Mortgage in favor of private respondent Diana Torres on the Certificate of title which is to be re-issued to herein petitioner.

PREMISES CONSIDERED, the decision of the respondent appellate court is REVERSED and SET ASIDE, and the decision of the trial court is REINSTATED.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Sarmiento, JJ., concur.

Regalado, J., no part. Had extended business dealings with respondent Torres in behalf of his former corporate clients.

[*] Penned by Associate Justice Antonio M. Martinez and concurred in by Associate Justices Florelina Castro-Bartolome and Jesus M. Elbinias.

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