



Misael DC Batt
MISAELO DOMINGO C. BATTUNG III
Division Clerk of Court
Third Division

JUL 02 2020

Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

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BY: JORDAN
TIME: 1:35

SPOUSES **DANILO** AND **G.R. No. 210845**
CLARITA GERMAN,
Petitioners, Present:

-versus-

LEONEN, *J.*, Chairperson,
GESMUNDO,
CARANDANG,
ZALAMEDA, and
GAERLAN, *JJ.*

SPOUSES **BENJAMIN** AND
EDITHA SANTUYO AND **HELEN**
S. MARIANO, deceased,
SUBSTITUTED BY HER HEIRS,
NAMELY, **JOSE MARIO S.**
MARIANO, MA. **CATALINA**
SAFIRA S. MARIANO, MA.
LEONOR M. HUELGAS, MARY
THERESA IRENE S. MARIANO
AND **MACARIO S. MARIANO,**
Respondents.

Promulgated:
January 22, 2020
Misael DC Batt

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DECISION

LEONEN, *J.*:

When circumstances are present that should prompt a potential buyer of registered real property to be on guard, it is expected that they inquire first into the status of the property and not merely rely on the face of the certificate of title.

This is a Petition for Review on Certiorari¹ under Rule 45 of the Rules

¹ Rollo, pp. 10-40.

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of Court, assailing the Decision² and Resolution³ of the Court of Appeals, Manila, in CA-G.R. CV. No. 93628. The Court of Appeals reversed and set aside a Decision⁴ rendered by the Regional Trial Court of Naga City, Branch 61 in Civil Case No. 2001-0200, and held that Spouses Benjamin and Editha Santuyo were purchasers in good faith of a 400-square meter parcel of land in Naga City.

Francisco and Basilisa Bautista (the Bautista Spouses) were the registered owners of a 400-square meter parcel of land in Barangay Balatas, Naga City, under Transfer Certificate of Title No. 11867.⁵

Allegedly, since 1985, Danilo and Clarita German (the German Spouses) had been occupying the property as the lessees of Soledad Salapare, the caretaker for Jose and Helen Mariano (the Mariano Spouses). On April 22, 1986, the Bautista Spouses sold the property to the Mariano Spouses. On the same day, the Mariano Spouses sold the property to the German Spouses on the condition that Helen Mariano would sign the Deed of Sale upon the the German Spouses' payment of the full purchase price.⁶

On July 28, 1992, Benjamin and Editha Santuyo (the Santuyo Spouses) filed a case for Recovery of Ownership and Damages against the German Spouses before the Naga City Regional Trial Court, docketed as Civil Case No. RTC-92-2620. There, the Santuyo Spouses alleged that they and the Bautista Spouses entered into a sale of the property on December 27, 1991, and that they became the registered owners of the property under Transfer Certificate of Title No. 22931 as of April 28, 1992.⁷

The case was dismissed, but afterwards, the Santuyo Spouses filed a case for Unlawful Detainer and Damages against the German Spouses with the Naga City Metropolitan Trial Court, docketed as Civil Case No. 10575. While the Metropolitan Trial Court and the Regional Trial Court both dismissed the unlawful detainer case for lack of jurisdiction, in 2000, the Court of Appeals in ruled that the first-level courts had jurisdiction and held that the Santuyo Spouses had the right to possess the property as they were its registered owners. The Court of Appeals' Decision became final and executory on August 13, 2000.⁸

² Id. at 54–73. The October 29, 2012 Decision was penned by Associate Justice Ramon A. Cruz, and concurred in by Associate Justices Noel G. Tijam (Chair and former Member of this Court) and Romeo F. Barza of the Seventh Division of the Court of Appeals, Manila.

³ Id. at 97–98. The December 18, 2013 Resolution was penned by Associate Justice Ramon A. Cruz, and concurred in by Associate Justices Noel G. Tijam (Chair and Former Member of this Court) and Romeo F. Barza of the Former Seventh Division of the Court of Appeals, Manila.

⁴ Id. at 41–52. The January 30, 2009 Decision was penned by Judge Maria Eden Huenda Altea.

⁵ Id. at 56.

⁶ Id.

⁷ Id. at 56–57.

⁸ Id.

On January 12, 2001, the German Spouses filed a case for Declaration of Nullity of Sale, Recovery of Ownership, Reconveyance with Damages against the Santuyo Spouses and Helen Mariano before the Naga City Regional Trial Court. The case was docketed as Civil Case No. 2001-0200.⁹ The German Spouses claimed that, despite their payment of the full purchase price in 1988, the Mariano Spouses failed to execute the final Deed of Sale. Instead, the property was sold to Helen Mariano's sister, Editha Santuyo, and Editha's husband.¹⁰

The Regional Trial Court ruled in favor of the German Spouses. The dispositive portion of its January 30, 2009 Decision¹¹ stated:

WHEREFORE, in the [sic] light of the foregoing considerations, judgment is hereby rendered:

1. Making permanent the preliminary injunction issued by this Court in its Order of February 21, 2001.
2. Declaring as null and void the deed of sale purportedly executed by Francisco Bautista in favor of Benjamin Santuyo over Lot 6, Block 6 of the Consolidation Subdivision [P]lan (LRC) Pcs-758, being a portion of the consolidation of Lot 3, Pcs-4257 and Lot 5-A, (LRC) Psd-2672, LRC (GRRO Record No. 33067) situated in Naga City and covered by [Transfer Certificate of Title] No. 11867.
3. Ordering the cancellation of [Transfer Certificate of Title] No. 22931 issued in the name of Benjamin Santuyo by virtue of the deed of sale, and declaring the same to be without force and effect.
4. Declaring plaintiffs spouses Danilo and Clarita German as the rightful owners of the lot in question covered by [Transfer Certificate of Title] No. 11867.
5. Ordering defendants Heirs of Helen Mariano to execute in favor of plaintiffs spouses Danilo and Clarita German, a deed of absolute sale covering the lot in question covered by [Transfer Certificate of Title] No. 11867; and once accomplished to immediately deliver the said document of sale to plaintiffs Germans.

No pronouncement as to costs.

SO ORDERED.¹²

⁹ Id. at 57.

¹⁰ Id. at 56.

¹¹ Id. at 41-52.

¹² Id. at 51-52.

The Regional Trial Court found that the sale of the property to the German Spouses was valid and enforceable, despite Helen Mariano's failure to sign the Deed of Sale.¹³ As the German Spouses fully paid the price, the Mariano Spouses or their heirs were obliged to convey title to them. The Bautista Spouses could not transfer ownership to the Santuyo Spouses in a subsequent sale because they were no longer the owners of the property at the time.¹⁴ Moreover, the Santuyo Spouses were not purchasers in good faith, as the trial court was unconvinced that Editha Santuyo did not know about the prior sale to the German Spouses. It held that the German Spouses' continued possession of the property was known by the Santuyo Spouses even before they bought the property.¹⁵

In its October 29, 2012 Decision,¹⁶ the Court of Appeals reversed and set aside the Regional Trial Court's Decision, dismissing the German Spouses' complaint.

First, the Court of Appeals noted that both the marriage of the Mariano Spouses and their April 22, 1986 sale of the property to the German Spouses were governed by the New Civil Code. As such, the Mariano Spouses' property regime is that of conjugal partnership of gains. While Jose was the sole administrator of the conjugal property, he could not sell the property without Helen's consent. However, any sale he made without her consent was not void, but only voidable. Pursuant to Article 173 of the New Civil Code, Helen had 10 years from the date of the sale to annul it. Thus, since there was no proof that she sought to annul the April 22, 1986 sale, it was still valid and enforceable.¹⁷

Second, the Court of Appeals did not give credence to the German Spouses' claim that the rules on double sale under Article 1544 of the Civil Code applied. The April 22, 1986 Deed of Sale was a contract to sell, as the Mariano Spouses reserved ownership over the property despite its delivery to the German Spouses. Moreover, the transactions were made by two (2) different sellers: (1) the April 22, 1986 sale between the Mariano Spouses and the German Spouses; and (2) the December 27, 1991 sale between the Bautista Spouses and the Santuyo Spouses.¹⁸

Third, the Court of Appeals held that the contract between the Mariano Spouses and the German Spouses was a contract to sell, not a contract of sale. The Mariano Spouses reserved ownership of the property and would only execute the deed of sale after full payment of the sale price. Thus, since the deed of sale was not executed, the German Spouses did not

¹³ Id. at 47.

¹⁴ Id. at 48.

¹⁵ Id. at 49-50.

¹⁶ Id. at 54-73.

¹⁷ Id. at 61-62.

¹⁸ Id. at 67-68.

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have any right to file a case for reconveyance of the property, or to have the sale between the Bautista Spouses and the Santuyo Spouses nullified.¹⁹

Finally, even if the sale to the German Spouses was not under a contract to sell, the Court of Appeals held that they were unable to prove that the Santuyo Spouses were purchasers in bad faith. It noted that the property's certificate of title did not have any liens or encumbrances that the Santuyo Spouses should have been aware of.²⁰

The Court of Appeals denied the German Spouses' Motion for Reconsideration²¹ in its December 18, 2013 Resolution.²²

On February 18, 2014, the German Spouses filed with this Court a Petition for Review on Certiorari²³ under Rule 45 of the Rules of Court, assailing the October 29, 2012 Decision and December 18, 2013 Resolution of the Court of Appeals. In their Petition for Review, they argue that the Court of Appeals erred in finding that the Santuyo Spouses bought the property in good faith.

They point out that the Regional Trial Court found that they were in actual possession of the property, which was known to respondent Editha Santuyo at the time of the 1991 sale, especially because she regularly passed by the property when she went to work. Further, the Santuyo Spouses bought the property despite never being in possession of it. These should have further prompted them to closely inspect the property they were buying.²⁴

Petitioners also claim that Helen Mariano conspired with the Santuyo Spouses in order to acquire the property. Respondent Helen Mariano assisted the Santuyo Spouses despite knowing that the property had been previously sold to her and her spouse, Jose Mariano; even going so far as to execute a deed of guarantee, freeing the Bautista Spouses from liability in the sale transaction with the Santuyo Spouses.²⁵

Because of these circumstances, petitioners claim that the Santuyo Spouses could not have been in good faith when they registered the property in their names.

¹⁹ Id. at 70.

²⁰ Id.

²¹ Id. at 74–95.

²² Id. at 97–98.

²³ Id. at 10–40.

²⁴ Id. at 31.

²⁵ Id. at 33.

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On June 30, 2014, the Santuyo Spouses filed their Comment²⁶ to the Petition for Review, claiming that the German Spouses did not have the right to assert ownership over the property because their transaction with the Mariano Spouses was only a contract to sell. Since the German Spouses failed to pay the full purchase price, they could not compel the Mariano Spouses to execute a Deed of Sale in their favor.²⁷ Moreover, they argue that they have a better right of ownership over the property, because unlike the 1986 sales, they were able to register their title.²⁸ According to them, their registration was in good faith because, at the time the property was sold to them, the certificate of title was still in the name of the seller, and there was no defect in the title which would require them to go beyond it. They claim that, since Francisco Bautista was Editha Santuyo's godfather, there was no reason to doubt his title.²⁹

The issues to be resolved by this Court are as follows:

First, whether or not Article 1544 of the Civil Code applies; and

Second, whether or not respondents the Santuyo Spouses were purchasers in good faith.

Article 1544 of the Civil Code states:

ARTICLE 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.

For Article 1544 to apply, the following requisites must concur:

... This provision connotes that the following circumstances must concur:

²⁶ Id. at 110-136.

²⁷ Id. at 120.

²⁸ Id. at 131.

²⁹ Id. at 133.

“(a) The two (or more) sales transactions in the issue must pertain to exactly the same subject matter, and *must be valid sales transactions.*

(b) The two (or more) *buyers at odds over the rightful ownership* of the subject matter must each represent conflicting interests; and

(c) The two (or more) buyers at odds over the rightful ownership of the subject matter *must each have bought from the very same seller.*”³⁰ (Emphasis in the original)

The rule on double sales applies when the same thing is sold to multiple buyers by one seller, but not to sales of the same thing by multiple sellers.³¹

Contrary to the finding of the Court of Appeals, there was a double sale. The Bautista Spouses sold the same property: first, to the Mariano Spouses in 1986; and second, to the respondents Santuyo Spouses in 1991. Neither of the parties contest the existence of these two (2) transactions. The lower courts made no findings that put into doubt the respective validities of the sales. Clearly, there are conflicting interests in the ownership, because if title over the property had already been transferred to the Mariano Spouses, then no right could be passed on to respondents Santuyo Spouses in the second sale.

Pursuant to Article 1544, ownership of immovable property subject of a double sale is transferred to the buyer who first registers it in the Registry of Property in good faith. Undisputedly, the respondents Santuyo Spouses were the ones who were able to register the property in their names with the Registry of Deeds for Naga City under Transfer Certificate of Title No. 22931.

Nonetheless, the Regional Trial Court was correct in finding that respondents Santuyo Spouses were not in good faith when they registered the property.

Generally, persons dealing with registered land may safely rely on the correctness of the certificate of title, without having to go beyond it to determine the property’s condition.³²

³⁰ *Cheng v. Genato*, 360 Phil. 891, 909 (1998) [Per J. Martinez, Second Division].

³¹ *Manlan v. Beltran*, G.R. No. 222530, October 16, 2019, <<http://sc.judiciary.gov.ph/8952/>> [Per J. Inting, Third Division].

³² *Ruffloe v. Burgos*, 597 Phil. 261 (2009) [Per J. Leonardo-De Castro, First Division].

However, when circumstances are present that should prompt a potential buyer to be on guard, it is expected that they inquire first into the status of the land. One such circumstance is when there are occupants or tenants on the property, or when the seller is not in possession of it. In *Spouses Vallido v. Spouses Pono*:³³

Moreover, although it is a recognized principle that a person dealing on a registered land need not go beyond its certificate of title, it is also a firmly settled rule that where there are circumstances which would put a party on guard and prompt him to investigate or inspect the property being sold to him, such as the presence of occupants/tenants thereon, it is expected from the purchaser of a valued piece of land to inquire first into the status or nature of possession of the occupants. As in the common practice in the real estate industry, an ocular inspection of the premises involved is a safeguard that a cautious and prudent purchaser usually takes. Should he find out that the land he intends to buy is occupied by anybody else other than the seller who, as in this case, is not in actual possession, it would then be incumbent upon the purchaser to verify the extent of the occupant's possessory rights. The failure of a prospective buyer to take such precautionary steps would mean negligence on his part and would preclude him from claiming or invoking the rights of a "purchaser in good faith." It has been held that "the registration of a later sale must be done in good faith to entitle the registrant to priority in ownership over the vendee in an earlier sale."³⁴ (Citations omitted)

Here, as pointed out by the Regional Trial Court, petitioners had continuously possessed the land even prior to the 1986 sales:

At the time of the sale between Jose Mariano and spouses German, the latter were already in possession of the land way back in 1985 and after the sale in 1986, with the permission of the spouses Mariano, plaintiffs German renovated their residential house therein which was completed in 1987. Since then they have been in actual physical possession of the land and residing therein. The plaintiffs' possession thereof was known to the defendants Santuyo even before the execution of the deed of sale in their favor on December 27, 1991. The claim of defendants Santuyo cannot prevail upon the plaintiffs Germans who first acquired and possessed the property from spouses Mariano after the latter has bought the land from the Bautistas.

....

This court is not convinced by what defendant Editha has declared that before she bought the land from the Bautistas, she had not yet seen the land but she knows that it is located inside Mariano Subdivision; that in 1986, she does not know where it is located. That even in 1990 when she was already employed by the Mariano spouses at the Sto. Niño Memorial park, she did not visit the land. And that before the land was sold to her in

³³ 709 Phil. 371 (2013) [Per J. Mendoza, Third Division].

³⁴ Id. at 378.

1991, she did not investigate or determine what was the physical condition of the land[.]³⁵

Respondent Santuyo Spouses' claim that it is enough that the title is in the name of the seller is unavailing. To buy real property while having only a general idea of where it is and without knowing the actual condition and identity of the metes and bounds of the land to be bought, is negligent and careless. Failure to take such ordinary precautionary steps, which could not have been difficult to undertake for respondents Santuyo Spouses, as they were situated near where the property is located, precludes their defense of good faith in the purchase.

Likewise, the involvement and cooperation of respondent Helen Mariano in the 1991 sale casts doubt on respondents Santuyo Spouses' good faith. According to the Regional Trial Court:

Despite the denial of defendants spouses Santuyo knowledge of the presence of the plaintiffs on the land in question and claim of ownership thereof, their evidence failed to show good faith in their purchase and registration of the land. Defendant Editha presented the alleged down payment receipt she made on October 2, 1986 (Exh. "4") for the lot in question she purchased from Francisco M. Bautista. The document however, which is quoted hereunder:

.....

R E C E I P T

Received from Mrs. Editha Santuyo, the amount of Twenty Thousand Pesos (P20,000.00) covered by PNB Check No. 0000038345 (Demand Draft) dated August 19, 1986, representing payment for a parcel of land located at Naga City, sold to her by Jose Mariano.

Quezon City, October 2, 1986.

(SGD) FRANCISCO M. BAUTISTA

speaks differently. If the lot was sold to defendant Editha, by Jose Mariano, why would Francisco Bautista sign the receipt? If the her could have been his, what is the necessity of stating that the lot was sold by Jose Mariano when it was registered in the name of Francisco Bautista?

If indeed the registered owner Bautista has sold the lot in question to defendants Santuyo, why should defendant Helen sign a letter of guarantee (Exh. "2") before Bautista signed the deed of sale. Defendant Editha claimed that Bautista allegedly told her that the lot was previously mortgaged to him (Bautista) by Jose Mariano. If it was the reason then why was it not told to defendant Helen? Why would also defendant Helen sign a letter of guarantee without any question? Or probably, this letter of

³⁵ Rollo, pp. 48-50.

guarantee gives relevance to the receipt (Exh. "4") mentioning about the "lot sold to her by Jose Mariano"? These foregoing documents give semblance on the verified answer of Francisco Bautista (Exh. "H") to the third party compliant in the case docketed as Civil case No. 92-2620 before Branch 27 of RTC Naga City, for the "Recovery of Ownership with Damages" filed by defendants Santuyo as against the herein plaintiffs German. In the said pleading, the Bautistas claimed that the sale between them and the Santuyos is fictitious since the former did not receive any payment or consideration thereon. There is likewise an allegation in the Answer to the Amended Complaint in the same case (Exh. "I") by Bautista which alleged in paragraph 6 thereof the following:

"6. Answering defendants specifically deny the allegations of paragraph 15 of the complaint, the truth of matter being that they were tricked and deceived into signing the alluded Deed of Sale between them. Actually such deceitful machination and/or manipulation supervened when the plaintiffs and their co-third party defendants Heirs of Jose Mariano prevailed upon them to sign the Deed of Absolute Sale referred to in paragraph 4 hereof. This was accomplished through the joint effort of plaintiff Editha S. Santuyo and Third Party Defendant Helen S. Mariano, who are sisters, upon their representation that the letter has not sold or conveyed the subject parcel of land to any party. According to them if the sale would have to be made from the herein defendants to the plaintiffs, and not from the Marianos to the plaintiffs, there would be no assessment of penalty charges by Bureau of Internal Revenue for the registration of the sale. Relying on the foregoing representation of plaintiff Editha Santuyo and third party defendant Helen S. Mariano, the herein defendants acceded [sic] to the former's request."³⁶
(Emphasis in the original)

"The second buyer who has actual or constructive knowledge of the prior sale cannot be a registrant in good faith."³⁷ The totality of documents executed by all of the respondents show that the respondents Santuyo Spouses knew or should have known that there is some cloud or doubt over the seller's title. Moreover, the Regional Trial Court correctly pointed to the dubious circumstance by which one of parties to the 1986 sales, respondent Helen Mariano, actively participated in the 1991 sale, especially in light of her familial relationship with respondent Editha Santuyo.


Due to respondents' lack of good faith, they cannot rely on the indefeasibility of their Transfer Certificate of Title. Thus, in accordance with Article 1544 of the Civil Code, it is the first buyer, namely the Mariano Spouses, who had a better right of ownership, and no ownership could pass on to the respondents Santuyo Spouses as a result.

³⁶ Id. at 49-50.

³⁷ *Spouses Vallido v. Spouses Pono*, 709 Phil. 371, 377 (2013) [Per J. Mendoza, Third Division] citing *Spouses Limon v. Spouses Borrás*, 452 Phil. 178, 207 (2003) [Per J. Carpio, First Division].

WHEREFORE, the Petition for Review is **GRANTED**. The Decision and Resolution of the Court of Appeals, Manila, in CA-G.R. CV. No. 93628 are **REVERSED AND SET ASIDE**. The January 30, 2009 Decision of the Regional Trial Court of Naga City, Branch 61 in Civil Case No. 2001-0200 is **REINSTATED**.

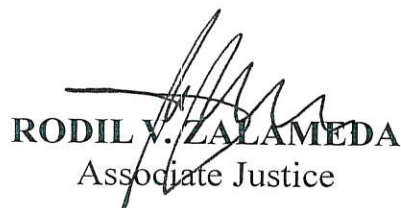
SO ORDERED.


MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:


ALEXANDER G. GESMUNDO
Associate Justice


ROSMARI D. CARANDANG
Associate Justice


RODIL V. ZALAMEDA
Associate Justice


SAMUEL H. GAERLAN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARVIC M.V.F. LEONEN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice

CERTIFIED TRUE COPY

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MISAELO DOMINGO C. BATTUNG III
Division Clerk of Court
Third Division

JUL 02 2020