

SECOND DIVISION

[G.R. NO. 132281, September 15, 2006]

**ROLENDO T. DELFIN, PETITIONER, VS. JOSEFINA L. VALDEZ AND
JOSE V. LAGON, RESPONDENTS.**

D E C I S I O N

GARCIA, J.:

In this petition for review under Rule 45 of the Rules of Court, petitioner Rolendo T. Delfin seeks the annulment and setting aside of the Decision^[1] dated December 16, 1997 of the Court of Appeals (CA), as reiterated in its Resolution of January 26, 1998,^[2] in *CA G.R. CV No. 48751*, affirming *en toto* an earlier decision of the Regional Trial Court (RTC) of Sultan Kudarat, Branch 19, in an action to quiet title thereat commenced by the petitioner against the herein respondents, Josefina L. Valdez and Jose V. Lagon.

The material facts are undisputed:

The spouses Carlos Valdez, Sr. and Josefina de Leon-Valdez (Josefina, hereafter), were the owners of a parcel of land with an area of 24,725 square meters located in the commercial district of Isulan, Sultan Kudarat. The property was designated as Lot No. 3 of Pls-208-D-13 and covered by Transfer Certificate of Title (TCT) No. T-19529 (T-1902) issued on August 18, 1967. Carlos Valdez, Sr. died intestate on March 26, 1966, survived by his widow, Josefina, and their children, among whom is Carlos Valdez, Jr., a practicing lawyer.

On December 28, 1978, Josefina caused the subdivision of Lot No. 3 into eight (8) lots, namely, Lots Nos. 3-A to 3-H, all fronting the national road. To enhance the value of the property, she decided to sell a 4,094-square meter portion thereof, more particularly Lot No. 3-C and a portion of Lot No. 3-D to her co-respondent herein, Jose V. Lagon (Lagon, for short), a successful businessman in Sultan Kudarat who owned a construction firm and other business enterprises: the Lagon Enterprises and the Rural Bank of Isulan. He was also one of the clients of Josefina's son, Carlos Valdez, Jr.

Hence, on May 9, 1979, Josefina, through her attorney-in-fact, Carlos Valdez, Jr., and Lagon entered into a contract of sale involving the aforementioned 4,094-square meter portion of what used to be Lot No. 3. No transfer certificate of title could as yet be issued to Lagon because at the time of the sale, the intestate estate of the late Carlos Valdez, Sr. had still to be settled and partitioned.

On October 9, 1981, TCT No. T-19529, formerly covering Lot No. 3 was cancelled and superseded by eight (8) titles corresponding to the eight (8) resulting subdivision lots and bearing the following particulars:

TCT No.	Lot No.	Area
16436	3-A	2,586 sq. meters
16437	3-B	2,802 sq. meters
16438	3-C	2,534 sq. meters
16439	3-D	3,198 sq. meters
16440	3-E	3,359 sq. meters
16441	3-F	2,952 sq. meters
16442	3-G	3,650 sq. meters
16443	3-H	3,644 sq. meters

All the foregoing subdivision titles were under the name of "Josefina L. Valdez, married to Carlos Valdez, Sr."

Later, Josefina further caused the subdivision of Lot No. 3-D covered by TCT No. 16439, resulting in the existence of Lot No. 3-D-1, containing an area of 1,551 square meters. Lot No. 3-D-1 is the property involved in this case.

On June 4, 1987, Josefina sold Lot No. 3-D-1 to the herein petitioner, Rolendo T. Delfin (Delfin, for brevity). Delfin registered the sale on June 16, 1987 and obtained TCT No. 20380 therefor in his name.

It turned out that the area comprising the entirety of Lot No. 3-D-1 (1,551 square meters) which used to be a portion of Lot No. 3-D was already included in the earlier sale of May 9, 1979 between Josefina and Lagon over the 4,094-square meter portion of the mother lot, Lot No. 3.

On September 24, 1990, upon learning that a portion of the property already sold to him was subsequently sold by Josefina to Delfin, Lagon filed in the RTC of Sultan Kudarat a complaint for specific performance with damages against Josefina and her attorney-in-fact, Atty. Carlos Valdez, Jr. Lagon's complaint was docketed as Civil Case No. 778, which eventually reached this Court in **G.R. No. 140715**, entitled *Josefina L. Valdez and Carlos L. Valdez, Jr. v. Court of Appeals and Jose Lagon*,^[3] a petition for review interposed by Josefina and Carlos Valdez, Jr. against an amended decision of the CA in the aforesaid civil case.

For his part, upon knowing of Civil Case No. 778, Delfin instituted in the same court an action to quiet title against Josefina and Lagon, docketed as *Civil Case No. 779*, now the subject of the present petition.

On January 20, 1995, the RTC of Sultan Kudarat, Branch 90, upon its finding that Delfin, albeit a prior registrant, was a purchaser in bad faith because he allegedly knew the prior sale between Josefin and Lagon, came out with its decision in *Civil Case No. 779*, dismissing Delfin's complaint for quieting of title and rendering judgment for Lagon, to wit:

WHEREFORE, upon all the foregoing considerations, judgment is hereby rendered, dismissing [Delfin's] complaint.

In [Lagon's] counterclaim, judgment is hereby rendered:

(a) declaring [Delfin] a purchaser in bad faith, all consequently, a possessor in bad faith of Lot No. 3-D-1 xxx;

(b) declaring [Lagon] to have a superior right to the land in question, identified as Lot No. 3-D-1 xxx, the same being a portion of or is included in the parcel of land priorly purchased by said [Lagon];

(c) declaring the Deed of Absolute Sale xxx dated June 4, 1987, executed by xxx Josefina xxx in favor of xxx Delfin, covering Lot No. 3-D-1 xxx together with its corresponding Transfer Certificate of Title No. T-20380 issued in the name [Delfin], null and void;

(d) directing the Register of Deeds of Sultan Kudarat to cancel Transfer Certificate of Title No. T-20380 in favor of [Delfin], covering the disputed lot xxx, and to issue a new TRANSFER CERTIFICATE OF TITLE in favor of [Lagon] covering said Lot No. 3-D-1 xxx;

(e) ordering [Delfin], and those acting for and in his behalf to vacate Lot No. 3-D-1 xxx and surrender possession thereof to [Lagon]: [Delfin] may remove his aforementioned improvement from the said lot within TWO (2) MONTHS from the finality of this JUDGMENT, unless [Lagon] elects to acquire the same and pay [Delfin] the amount of TEN (10) THOUSAND PESOS within TWO (2) MONTHS from finality of this JUDGMENT. Should [Lagon] fail to pay the said amount within the said period of TWO (2) MONTHS from the finality of this Judgment, the period of Two (2) Months within which [Delfin] may remove his aforesaid useful improvement, consisting of a building housing the IVY PHARMACY and the Medical Specialist Center shall commence from the expiration of the TWO (2) MONTHS given [Lagon] to pay for the said useful improvement;

(f) ordering [Delfin] to pay [Lagon] the sums of:

1. P50,000.00 by way of moral and exemplary damages;
2. P50,000.00 by way of attorney's fees;
3. P30,000.00 by way of litigation expenses;
4. P43,191.50 representing the actual airplane transportation expenses incurred by [Lagon's] lawyer's attendance during the trial of the xxx case; and further

ordering [Delfin] to pay the costs of suit.

IT IS SO ORDERED.^[4] (Words in brackets added.)

From the above decision of the RTC, Delfin immediately went on appeal to the CA whereat his appellate recourse was docketed as *CA-G.R. CV No. 48751*.

As stated at the outset hereof, the CA, in its challenged Decision [5] dated December 16, 1987, affirmed *en toto* that of the trial court. With his motion for reconsideration having been denied by the CA in its affirmatory Resolution of January 26, 1998, Delfin is now with this Court *via* the present petition, claiming that the appellate court erred -

1. when it ruled that petitioner was a buyer in bad faith proceeding from evidence which are unsubstantiated, hearsay or mere conjectures;
2. when it failed to rule the issue involving [respondent] Josefina L. Valdez, which was timely raised by petitioner in his appeal brief but effectively brushed aside by affirmance *in toto* of the lower court's decision;
3. when it did not leave the parties where they are under the doctrine of *pari delicto*, which was timely raised as a question of law in his appeal brief;
4. in awarding by way of reconveyance to respondent Lagon the subject property not originally pleaded in his counterclaim; and
5. in affirming the award of damages not supported by substantial evidence.

We **GRANT** the petition, but upon a different ground.

From the very opening statement of the appellate court in the decision under review, it is obvious that said court, along with the court below it, resolved the controversy on the premise that there exists a case of **double sale**. On that premise, the CA and the trial court applied to this case the provisions of Article 1544 of the Civil Code, which reads:

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

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

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

To the two (2) courts below, the two (2) sales of the lot in question " Lot No. 3-D-1 " are: (1) the sale entered into on May 9, 1979 between Josefina, through her attorney-in-fact, Atty. Carlos Valdez, Jr., in favor of Lagon over the 4,094-square meter portion of the former Lot No. 3 which portion covered the entire area of Lot No. 3-D-1, referred to herein as the *first sale*; and (2) the sale of Lot No. 3- D-1 entered into between Josefina and Delfin on June 4, 1987, hereinafter referred to as the *second sale*.

While on the surface, there is apparently a situation of double sale, in truth and in law, there is only one: the sale of Lot No. 3-D-1 by Josefina to the petitioner on