

THIRD DIVISION

[G.R. NO. 156171, April 22, 2005]

**SPOUSES RICARDO AND FERMA PORTIC, PETITIONERS, VS.
ANASTACIA CRISTOBAL, RESPONDENT.**

DECISION

PANGANIBAN, J.:

An agreement in which ownership is reserved in the vendor and is not to pass to the vendee until full payment of the purchase price is known as a contract to sell. The absence of full payment suspends the vendors' obligation to convey title. This principle holds true between the parties, even if a transfer of title has already been registered. Registration does not vest, but merely serves as evidence of, title to a particular property. Our land registration laws do not give title holders any better ownership than what they actually had prior to registration.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, challenging the January 29, 2002 Decision^[2] and the November 18, 2002 Resolution^[3] of the Court of Appeals (CA) in CA-GR CV No. 66393. The assailed Decision disposed as follows:

"WHEREFORE, foregoing considered, the appealed decision is hereby REVERSED and SET ASIDE. A new one is hereby entered ORDERING defendant-appellant to pay the unpaid balance of P55,000.00 plus legal interest of 6% per annum counted from the filing of this case. The ownership of defendant-appellant over the subject property is hereby confirmed.

"No pronouncement as to costs."^[4]

In the challenged Resolution,^[5] the CA denied petitioners' Motion for Partial Reconsideration.

The Facts

The facts were summarized by the appellate court as follows:

"Spouses Clodualdo Alcantara and Candelaria Edrosalam were the original registered owners of a parcel of land with three-door apartment, located at No. 9, 1st Street BBB, Marulas, Valenzuela City. Transfer Certificate of Title No. T-71316 was issued in the names of spouses Clodualdo Alcantara and Candelaria Edrosalam.

"On October 2, 1968, spouses Clodualdo Alcantara and Candelaria Edrosalam sold the subject property in favor of [petitioners] with the condition that the latter shall assume the mortgage executed over the subject property by spouses Clodualdo Alcantara and Candelaria Edrosalam in favor of the Social Security System.

"[Petitioners] defaulted in the payment of the monthly amortizations due on the mortgage. The Social Security System foreclosed the mortgage and sold the subject property at public auction with the Social Security System as the highest bidder.

"On May 22, 1984, before the expiration of the redemption period, [petitioners] sold the subject property in favor of [respondent] in consideration of P200,025.89. Among others, the parties agreed that [respondent] shall pay the sum of P45,025.89 as down payment and the balance of P155,000.00 shall be paid on or before May 22, 1985. The parties further agreed that in case [respondent] should fail to comply with the conditions, the sale shall be considered void and [petitioners] shall reimburse [respondent] of whatever amount already paid.

"On the same date, [petitioners] and [respondent] executed a 'Deed of Sale with Assumption of Mortgage' whereby [petitioners] sold the subject property in favor of [respondent] in consideration of P80,000.00, P45,000.00 thereof shall be paid to the Social Security System.

"On July 30, 1984, spouses Clodualdo Alcantara and Candelaria Edrosalam, the original owners of the subject property, sold the subject property in favor of [respondent] for P50,000.00.

"On the same date, [respondent] executed a 'Deed of Mortgage' whereby [respondent] constituted a mortgage over the subject property to secure a P150,000.00 indebtedness in favor of [petitioners].

"[Respondent] paid the indebtedness due over the subject property to the Social Security System.

"On August 6, 1984, Transfer Certificate of Title No. T-71316 in the names of spouses Clodualdo Alcantara and Candelaria Edrosalam was cancelled and in lieu thereof Transfer Certificate of Title No. T-113299 was issued in the name of [respondent].

"On May 20, 1996, [petitioners] demanded from [respondent] the alleged unpaid balance of P55,000.00. [Respondent] refused to pay.

"On June 6, 1996, [petitioners] filed this instant civil case against [respondent] to remove the cloud created by the issuance of TCT No. T-113299 in favor of [respondent]. [Petitioners] claimed that they sold the subject property to [respondent] on the condition that [respondent] shall pay the balance on or before May 22, 1985; that in case of failure to pay, the sale shall be considered void and [petitioners] shall reimburse [respondent] of the amounts already paid; that [respondent] failed to fully pay the purchase price within the period; that on account of this

failure, the sale of the subject property by [petitioners] to [respondent] is void; that in spite of this failure, [respondent] required [petitioners] to sign a lease contract over the apartment which [petitioners] occupy; that [respondent] should be required to reconvey back the title to the subject property to [petitioners].

"[Respondent] on her part claimed that her title over the subject property is already indefeasible; that the true agreement of the parties is that embodied in the Deed of Absolute Sale with Assumption of Mortgage; that [respondent] had fully paid the purchase price; that [respondent] is the true owner of the subject property; that [petitioners'] claim is already barred by laches."^[6]

After trial, the Regional Trial Court (RTC) of Valenzuela City rendered this judgment in favor of petitioners:

"WHEREFORE, premises considered, this Court hereby adjudicates on this case as follows:

1.) The Court hereby orders the quieting of title or removal of cloud over the [petitioners'] parcel of land and three (3) door apartment now covered by Transfer Certificate of Title No. T-113299 of the Registry of Deeds for Caloocan City and Tax Declaration Nos. C-018-00235 & C-031-012077 respectively, of Valenzuela City;

2.) The Court hereby orders the [respondent] to reconvey in favor of the [petitioners] the parcel of land and three (3) door apartment now covered by Transfer Certificate of Title No. T-113299 of the Registry of Deeds of Caloocan City after reimbursement by the [petitioners] of the amount actually paid by the [respondent] in the total amount of P145,025.89;

3.) The Court hereby DENIES damages as claimed by both parties."^[7]

Ruling of the Court of Appeals

The Court of Appeals opined that the first Memorandum of Agreement (MOA) embodied the real agreement between the parties, and that the subsequent Deeds were executed merely to secure their respective rights over the property.^[8] The MOA stated that Cristobal had not fully paid the purchase price. Although this statement might have given rise to a cause of action to annul the Deed of Sale, prescription already set in because the case had been filed beyond the ten-year reglementary period,^[9] as observed by the CA. Nonetheless, in conformity with the principle of unjust enrichment, the appellate court ordered respondent to pay petitioners the remaining balance of the purchase price.^[10]

In their Motion for Partial Reconsideration, petitioners contended that their action was not one for the enforcement of a written contract, but one for the quieting of title -- an action that was imprescriptible as long as they remained in possession of the premises.^[11] The CA held, however, that the agreement between the parties was valid, and that respondent's title to the property was amply supported by the

evidence.^[12] Therefore, their action for the quieting of title would not prosper, because they failed to show the invalidity of the cloud on their title.

Hence, this Petition.^[13]

The Issue

In its Memorandum, petitioners raise the following issues for our consideration:

“(1) Whether or not the [petitioners’] cause of action is for quieting of title.

“(2) Whether or not the [petitioners’] cause of action has prescribed.”^[14]

The main issue revolves around the characterization of the parties’ agreement and the viability of petitioners’ cause of action.

This Court’s Ruling

The Petition has merit.

Main Issue:

Nature of the Action: Quieting of Title or Enforcement of a Written Contract

Petitioners argue that the action they filed in the RTC was for the quieting of title. Respondent’s demand that they desist from entering into new lease agreements with the tenants of the property allegedly attests to the fact of their possession of the subject premises.^[15] Further, they point to the existence of Civil Case No. 7446, an action for unlawful detainer that respondent filed against them,^[16] as further proof of that fact. Being in continuous possession of the property, they argue that their action for the quieting of title has not prescribed.^[17]

On the other hand, respondent joins the appellate court in characterizing the action petitioners filed in the RTC as one for the enforcement of the MOA. Being based on a written instrument, such action has already prescribed, respondent claims.^[18] She adds that petitioners could not have been in continuous possession of the subject property because, under a duly notarized lease agreement, they have been paying her a monthly rental fee of P500, which was later increased to P800.

Two questions need to be answered to resolve the present case; namely, (1) whether Cristobal’s title to the property is valid; and (2) whether the Portics are in possession of the premises, a fact that would render the action for quieting of title imprescriptible.

Validity of Title

The CA held that the action for the quieting of title could not prosper, because Cristobal’s title to the property was amply supported by evidence.

Article 476 of the Civil Code provides as follows: