

## FIRST DIVISION

**[ G.R. No. 104769, September 10, 2001 ]**

**AFP MUTUAL BENEFIT ASSOCIATION, INC., PETITIONER, VS.  
COURT OF APPEALS, SOLID HOMES, INC., INVESTCO, INC., AND  
REGISTER OF DEEDS OF MARIKINA, RESPONDENTS.**

**[G.R. NO. 135016. September 10, 2001]**

**SOLID HOMES, INC., PETITIONER, VS. INVESTCO, INC.,  
SUBSTITUTED BY ARMED FORCES OF THE PHILIPPINES  
MUTUAL BENEFIT ASSOCIATION, INC., RESPONDENT.**

### R E S O L U T I O N

**PARDO, J.:**

What is before the Court is Solid Homes, Inc.'s motion for reconsideration of the decision promulgated on March 3, 2000, reversing the decision of the Court of Appeals and ordering the Register of Deeds to cancel the notice of *lis pendens* on the titles issued to petitioner AFP Mutual Benefit Association, Inc. (AFPMBAI), declaring it as buyer in good faith and for value.

We have defined a purchaser in good faith and for value as one who buys the 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 person in the property.<sup>[1]</sup>

Solid Homes, Inc.'s motion for reconsideration is based on the following grounds: (1) that the Court erred in ruling that petitioner was a purchaser in good faith and for value; (2) that the Court erred in failing to appreciate Solid Homes, Inc.'s cause of action (in Civil Case No. 52999); and (3) that the Court erred in denying Solid Homes, Inc.'s petition (in G. R. No. 135016) to set aside the trial court's order denying its motion to execute the decision in Civil Case No. 40615.

We find the motion without merit.

1. Solid Homes, Inc.'s position is anchored on the preposition that a notice of *lis pendens* was duly annotated on the vendor's title that must be deemed carried over to the titles issued to AFPMBAI, subjecting it to the final result of the litigation<sup>[2]</sup> as a transferee *pendente lite*.

However, the law is clear.<sup>[3]</sup> The Revised Rules of Court<sup>[4]</sup> allows the annotation of a notice of *lis pendens* in actions affecting the title or right of possession of real property,<sup>[5]</sup> or an interest in such real property.<sup>[6]</sup> We further declared that the rule of *lis pendens* applied to suits brought "to establish an equitable estate, interest, or

right in specific real property or to enforce any lien, charge, or encumbrance against it x x x."<sup>[7]</sup>

Pencil markings, which even Solid Homes, Inc. admits to be provisional,<sup>[8]</sup> are not an accepted form of annotating a notice of *lis pendens*. The Court cannot accept the argument that such pencil annotation can be considered as a valid annotation of notice of *lis pendens*, and thus an effective notice to the whole world as to the status of the title to the land. The law requires proper annotation, not "provisional" annotation of a notice of *lis pendens*.

If we allow provisional annotations as a valid form of annotation of notice of *lis pendens*, we would be eroding the very value of the indefeasibility of the torrens system. If there were a valid annotation of notice of *lis pendens*, the same would have been carried over to the titles issued to AFPMBAI. As it is, the transfer certificates of titles of the vendor Investco, Inc. conveyed to AFPMBAI were clean and without any encumbrance.

In the present case, there could be no valid annotation on the titles issued to AFPMBAI because the case used as basis of the annotation pending with the trial court was an action for collection of a sum of money and did not involve the titles to, possession or ownership of the subject property or an interest therein. This Court, in its final decision on the case categorized the action initiated by Investco, Inc. against Solid Homes, Inc. (Civil Case No. 40615 of the Regional Trial Court, Pasig, Metro Manila) as:

**"An action for collection of sums of money, damages** and attorney's fees was filed with the Regional Trial Court (Civil Case No. 40615) of Pasig by private respondents Investco, Angela Perez Staley and Antonio Perez, Jr. against petitioner Solid Homes, Inc."<sup>[9]</sup>

Unquestionably, such action did not directly involve titles to, ownership or possession of the subject property, and, therefore, was not a proper subject of a notice of *lis pendens*.

"The Torrens System was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized. If a person purchases a piece of land on the assurance that the seller's title thereto is valid, he should not run the risk of being told later that his acquisition was ineffectual after all. This would not only be unfair to him. What is worse is that if this were permitted, public confidence in the system would be eroded and land transactions would be attended by complicated and not necessarily conclusive investigations and proof of ownership. The further consequence would be that land conflicts could be even more numerous and complex than they are now and possibly also more abrasive, if not even violent."<sup>[10]</sup>

Prevailing jurisprudence recognizes that "All persons dealing with property covered by the torrens certificate of title are not required to go beyond what appears on the face of the title."<sup>[11]</sup> "The buyer is not even obligated to look beyond the certificate

to investigate the titles of the seller appearing on the face of the certificate."<sup>[12]</sup> Hence, we ruled that AFPMBAI is a buyer in good faith and for value.

Consequently, we reject movant Solid Homes, Inc.'s contention that AFPMBAI is a transferee *pendente lite* of Investco, Inc.

2. It should be emphasized that the contractual relation between Investco, Inc. and Solid Homes, Inc., is based on an agreement executed in 1976 as a contract to sell and to buy. AFPMBAI never figured in this contract. The relationship between AFPMBAI and Investco, Inc. arose out of a contract of absolute sale after Solid Homes, Inc. reneged or defaulted on its contract to sell, and Investco, Inc. rescinded extra-legally such contract to sell with Solid Homes, Inc. AFPMBAI did not acquire from Solid Homes, Inc. its rights or interest over the property in question; Investco, Inc. sold the property itself which AFPMBAI paid for in full, thus causing the transfer of titles in the name of AFPMBAI.

When the contract was entered into between Solid Homes, Inc. and Investco, Inc. in September 1976, the titles to the Quezon City and Marikina property had not been transferred in the name of Investco, Inc. as assignee of the owners. Hence, Investco, Inc. merely agreed to sell, and Solid Homes, Inc. to buy, the former's "rights and interest" in the subject property which at the time was still registered in the names of Angela Perez Staley and Antonio Perez, Investco, Inc.'s predecessors-in-interest.

Under the contract to sell and buy, the vendors bound themselves to cause the titles to the land to be transferred in the name of Investco, Inc. after which, should Solid Homes, Inc. complete the installment payments, Investco, Inc. would execute a "Deed of Absolute Sale" in favor of Solid Homes, Inc. and the latter would execute a first preferred mortgage in favor of Investco, Inc. The deed of absolute sale would replace the contract to sell. Only then would Solid Homes, Inc. be entitled to take possession of the Quezon City and Marikina parcels of land and introduce improvements thereon.

On or about March 21, 1979, the titles to the Marikina property were issued in the name of Investco, Inc. However, Investco, Inc. did not execute a deed of absolute sale in favor of Solid Homes, Inc. because Solid Homes, Inc. never paid in full its stipulated obligation payable in installments. In fact, Solid Homes, Inc. did not even bother to register its contract to sell with the Register of Deeds pursuant to Presidential Decree 1529, also known as the "Property Registration Decree."

3. We find untenable Solid Homes, Inc.'s contention that the transaction between AFPMBAI, Investco, Inc. and Solid Homes, Inc. is in the nature of a double sale. The transaction between Investco, Inc. and Solid Homes, Inc. was a contract to sell and to buy that was not fully paid because Solid Homes, Inc. defaulted on its payments. On the other hand, the contract between Investco, Inc. and AFPMBAI was an absolute sale that culminated in the registration of the deeds and the issuance of certificate of titles in favor of AFPMBAI.

In *Salazar v. Court of Appeals*,<sup>[13]</sup> we explained the distinction between a contract to sell and a contract of sale: