

THIRD DIVISION

[G.R. No. 210845, January 22, 2020]

SPOUSES DANILO AND CLARITA GERMAN, PETITIONERS, VS. 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.

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 Certiorari^[1] under Rule 45 of the Rules of Court, assailing the Decision^[2] and Resolution^[3] of the Court of Appeals, Manila, in CA-G.R. CV. No. 93628. The Court of Appeals reversed and set aside a Decision^[4] 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]

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 Decision^[11] 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]

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 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 Reconsideration^[21] in

its December 18, 2013 Resolution.^[22]

On February 18, 2014, the German Spouses filed with this Court a Petition for Review on Certiorari^[23] 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.

On June 30, 2014, the Santuyo Spouses filed their Comment^[26] 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:

"(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]

However, when circumstances are present that should prompt a potential buyer to