

FIRST DIVISION

[G.R. No. 213669, March 05, 2018]

JEROME K. SOLCO, PETITIONER, VS. MEGAWORLD CORPORATION, RESPONDENT.

DECISION

TIJAM, J.:

This is a Petition for Review on *Certiorari*^[1] under Rule 45, assailing the Decision^[2] dated May 12, 2014 and Resolution^[3] dated July 23, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 100636, which reversed and set aside the Orders dated October 2, 2012^[4] and February 19, 2013^[5] of the Regional Trial Court (RTC) of Makati City, Branch 133 in LRC Case No. M-5031.

Factual Antecedents

Megaworld Corporation (Megaworld) was the registered owner of parking slots covered by Condominium Certificates of Title (CCT) Nos. 593823^[6] (Two Lafayette property) and 64023^[7] (Manhattan property) located in Two Lafayette Square Condominium and Manhattan Square Condominium, respectively, in Makati City.

For failure to pay real property taxes thereon from the year 2000 to 2008, the City Government of Makati issued a Warrant of Levy^[8] over the subject properties. On December 20, 2005, the properties were sold at a public auction, wherein Jerome Solco (Solco) emerged as the highest bidder in the amount of P33,080.03 for the Two Lafayette property and P32,356.83 for the Manhattan property.^[9]

On the same day, the City Government of Makati issued the certificates of sale to Solco. There being no redemption by Megaworld, a Final Deed of Conveyance was executed by the local treasurer dated February 22, 2007.^[10]

As the CCTs are still under Megaworld's name and the owner's duplicate copies of the same are still in Megaworld's possession, Solco filed a Petition for Issuance of Four New Condominium Certificates of Title and to Declare Null and Void Condominium Certificates of Title Nos. 593823 and 64023^[11] before the RTC of Makati docketed as LRC Case No. M-5031.

Megaworld filed a Comment on/Opposition to the Petition with Compulsory Counterclaims^[12] dated March 24, 2008, averring, among others, that on November 2, 1994, it entered into a Contract to Buy and Sell^[13] with Abdullah D. Dimaporo (Dimaporo) covering a unit in the condominium and the Two Lafayette property, which was delivered to Dimaporo on March 18, 1999; while on February 24, 1996 another Contract to Buy and Sell^[14] was entered into by it with Jose V. Delos Santos

(Delos Santos), covering another unit in the condominium and the Manhattan property, which was delivered to Delos Santos on May 5, 1999. By virtue of such transfers, the buyers assumed all the respective obligations, assessments, and taxes on the property from the time of delivery pursuant to their agreements. Hence, starting year 2000, Megaworld admittedly did not pay the real property taxes thereon.^[15]

It was further alleged that sometime in the third quarter of 2006, during the process of transferring the CCTs from Megaworld to the buyers, Megaworld learned that the subject properties were already auctioned off and that the redemption period therefor has already expired. Allegedly, it conducted its own investigation which revealed that the auction proceedings were tainted with fatal anomalies, to wit: (1) Megaworld nor Dimaporo or Delos Santos were notified of the warrants of levy purportedly issued by the city government; (2) the Notice of Delinquency was not posted in a conspicuous place in each barangay of Makati; (3) the published notice did not state the necessary recitals prescribed in Section 254 of the Republic Act No. 7160 or The Local Government Code (RA 7160); (4) the purported warrants of levy were not properly served upon the Register of Deeds and the City Assessor as the same were not annotated by the Register of Deeds in the CCTs and by the City Assessor in the tax declarations in violation of Section 258 of the RA 7160; (5) the levying officer did not verify receipt by Megaworld of the alleged warrants of levy and did not submit a written report on the completion of the service warrants to the City Council; (6) the City Treasurer proceeded with the advertisement of the public sale of the subject properties despite the absence of due notice to Megaworld and the service to the Register of Deeds and the City Assessor of the warrants of levy; (7) the subject properties were auctioned off at measly amounts; (8) that Solco as the lone bidder was also suspicious considering the prime location and marketability of the subject properties; (9) stenographic notes and minutes of the purported auction proceedings were not taken down and prepared; and, (10) an examination of the CCTs reveals that the warrants of levy were annotated only on January 5, 2006, on the same date that the Certificates of Sale were annotated only upon the instance of Solco's representative.^[16]

Delos Santos instituted a separate action with the RTC impleading Solco, Megaworld, the City Treasurer of Makati, and the Register of Deeds as defendants, basically averring the same factual circumstances and arguments that Megaworld has in its Comment on/Opposition to the Petition above-cited. This, however, was settled between Solco and Delos Santos by virtue of a Compromise Agreement.^[17] Consequently, on April 15, 2010, Solco moved to dismiss the case^[18] insofar as the Manhattan property is concerned, which was granted by the RTC in its Order^[19] dated May 21, 2010.

Hence, the case proceeded only with respect to the Two Lafayette property.

On January 27, 2011, Megaworld filed a Demurrer to Evidence,^[20] which was denied by the RTC in an Order^[21] dated June 15, 2011 for lack of merit.

On October 2, 2012, the RTC rendered its Order,^[22] the dispositive portion of which reads:

WHEREFORE, premises considered, finding the petition to be sufficiently established being supported by the evidence on records, judgment is hereby rendered in favor of xxx Jerome K. Solco ordering the oppositor Megaworld Corporation (formerly known as Megaworld Properties and Holdings, Inc.) and/or any other person withholding the owner's duplicate Condominium Certificate of Title No. 59382 of the Registry of Deeds of Makati to surrender the same to the Registry of Deeds, and directing it to issue a new condominium certificate of title upon such surrender.

In the event that the said certificate of title is not surrendered, the same is hereby annulled, and the Registrar (sic) of Deeds for the City of Makati is ordered to issue a new one in the name of Jerome K. Solco on the basis of the Certificate of Sale in his favor, after payment of the required legal fees.

SO ORDERED.^[23]

Megaworld's Motion for Reconsideration^[24] dated October 31, 2012 was denied in the RTC Order^[25] dated February 19, 2013.

On appeal, the CA, citing Sections 254, 256, 258, and 260 of RA 7160 found merit on Megaworld's arguments as to the irregularities which attended the entire delinquency proceedings. The CA found that Solco failed to present proof of compliance to the aforesaid provisions. Specifically, Solco did not present:

1. Proof of posting of the notice of delinquency at the main entrance of Makati City Hall and in a publicly accessible and conspicuous place in each barangay of Makati, violating Sec. 254;
2. Proof of publication of the notice of delinquency, once a week for two consecutive weeks, in a newspaper of general circulation in Makati in violation of Sec. 254;
3. Proof that the warrant of levy was mailed to or served upon Megaworld, the registered owner of the subject unit in violation of Sec. 258. In fact, the CA found that while the Warrant of Levy was addressed to Megaworld, there is no indication that the same was received by any of its representatives;
4. Report on the levy submitted by the levying officer to the sanggunian of Makati supposedly within ten (10) days after Megaworld's receipt of the Warrant of Levy in violation of Sec. 258;
5. Report of the sale to the sanggunian of Makati made by the local treasurer or his deputy supposedly within thirty (30) days after the sale in violation of Sec. 260;
6. Proof that before the auction sale, a written notice of levy with attached warrant was mailed to or served upon the assessor and the Register of Deeds, who shall annotate the levy on the tax declaration and CCT, respectively, in violation of Section 258. The CA found that the Notice of Levy was annotated on the CCT and the Certificate of Sale on

the same day on 5 January 2006, while the auction sale was held on 20 December 2005.^[26]

The CA held that strict adherence to the statutes governing tax sales is imperative not only for the protection of taxpayers but also to allay any possible suspicion of collusion between the buyer and the public officials called upon to enforce the laws. It held that the notice of sale to the delinquent land owners and to the public in general is an essential and indispensable requirement of law, the non-fulfillment of which vitiates the sale. The CA further held that the auction sale of land to satisfy alleged delinquencies in the payment of real estate taxes derogates property rights and due process, ruling thus that steps prescribed by law for the sale, particularly the notices of delinquency and of sale, must be followed strictly.

Thus, the appellate court disposed of the appeal as follows:

WHEREFORE, premises considered, the appeal is **GRANTED**. The Orders dated 02 October 2012 and 19 February 2013 of the Regional Trial Court, National Capital Judicial Region, Branch 133, City of Makati in LRC Case No. M-5031, are **REVERSED** and **SET ASIDE**. The entire auction proceedings of the subject parking slot covered by Condominium Certificate of Title No. 593823 of the Registry of Deeds for the City of Makati, including the levy thereof and the auction sale as well as the Certificate of Sale dated 20 December 2005 and Final Deed of Conveyance dated 22 February 2007 are all **NULLIFIED**. The Makati City Register of Deeds is hereby **ORDERED** to cancel Entry Nos. 26362 and 26363 inscribed on CCT No. 593823. The Petition dated 05 October 2007 is **DISMISSED** as to CCT No. 593832. Costs against [Solco].

SO ORDERED.^[27]

Solco's Motion for Reconsideration^[28] dated June 2, 2014 was denied by the CA in its Resolution^[29] dated July 23, 2014 which reads:

WHEREFORE, premises considered, the Motion for Reconsideration is **DENIED** for lack of merit.

SO ORDERED.^[30]

Hence, this petition.

Issues

Essentially, the petition raises the following issues for this Court's resolution, to wit:

- I. May the validity of a tax sale be the subject of a land registration case?
- II. In the affirmative, was the tax sale subject of this case valid?
- III. Assuming the tax sale was invalid, may Solco be considered as a purchaser in good faith to uphold the sale of the subject property in his favor?

This Court's Ruling

The issues shall be discussed *in seriatim*.

I.

Solco contends that the issue on the validity of a tax sale should be threshed out in a proper forum as: (1) the land registration court has limited jurisdiction; (2) Section 267 of RA 7160 requires a jurisdictional bond before a court can entertain any action assailing a tax sale; and (3) giving due course to the issue in a land registration case violated the local government's right to due process as it was not impleaded to answer the issue, as well as a violation to its immunity from suit as it is placed on a risk to be liable to return the proceeds of the tax sale in case the same shall be adjudged invalid.

Solco is patently mistaken.

First. It must be remembered that LRC Case No. M-5031 is a petition for declaration of nullity of a condominium certificate of title and the issuance of a new one in lieu thereof. Solco basically seeks for consolidation of ownership and issuance of a new title under his name over the subject property. Needless to say, in such a case, the resolution of the propriety of the claimant's right necessitates the determination of the issue of ownership over the subject property. Simply put, the court cannot just order the cancellation of a title registered under a certain person and the issuance of a new one in lieu thereof under the claimant's name without first ascertaining whether the claimant is the true and rightful owner of the subject property.

Thus, this Court has declared that Presidential Decree (PD) No. 1529, with the intention to avoid multiplicity of suits and to promote expeditious termination of cases, had eliminated the distinction between the general jurisdiction vested in the regional trial court and the latter's limited jurisdiction when acting merely as a land registration court. Land registration courts, as such, can now hear and decide even controversial and contentious cases, as well as those involving substantial issues.

[31]

Certainly, thus, the courts *a quo* had jurisdiction to rule on all matters necessary for the determination of the issue of ownership, including the validity of the tax sale. [32]

Second. Solco cannot invoke the provision under Section 267 of RA 7160, requiring the posting of a jurisdictional bond before a court can entertain an action assailing a tax sale, which provides:

SEC. 267. Action Assailing Validity of Tax Sale. - No court shall entertain any action assailing the validity of any sale at public auction of real property or rights therein under this Title until the taxpayer shall have deposited with the court the amount for which the real property was sold, together with interest of two percent (2%) per month from the date of sale to the time of the institution of the action. The amount so deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid but it shall be returned to the depositor if the action fails.

Neither shall any court declare a sale at public auction invalid by reason