

THIRD DIVISION

[G.R. No. 231053, April 04, 2018]

**DESIDERIO DALISAY INVESTMENTS, INC., PETITIONER, VS.
SOCIAL SECURITY SYSTEM, RESPONDENT.**

DECISION

VELASCO JR., J.:

The Case

This Petition for Review on Certiorari under Rule 45 of the Rules of Court seeks the reversal and setting aside of the August 12, 2016 Decision^[1] and March 10, 2017 Resolution of the Court of Appeals (CA) in CA-G.R. CV No. 03233-MIN.

The Facts

Involved is a parcel of land covered by Transfer Certificate of Title (TCT) Nos. T-18203, T-18204, T-255986, and T-255985, with an aggregate area of 2,450 sq.m., including the building erected thereon, situated in Agdao, Davao City.

Sometime in the year 1976, respondent Social Security System (SSS) filed a case before the Social Security Commission (SSC) against the Dalisay Group of Companies (DGC) for the collection of unremitted SSS premium contributions of the latter's employees. The said cases are: (1) *SSS v. Desiderio Dalisay Investments, Inc.* (SSC Case No. 6414); (2) *SSS v. Desidal Fruits Corporation* (SSC Case No. 6415); and (3) *SSS v. Davao Stevedore Terminal Co., Inc.* (SSC Case No. 6416).^[2]

On March 11, 1977, Desiderio Dalisay, then President of petitioner Desiderio Dalisay Investments, Inc. (DDII), sent a Letter to SSS offering the subject land and building to offset DGC's liabilities subject of the aforementioned cases at P3,500,000.^[3] The parties, however, failed to arrive at an agreement as to the appraised value thereof. Thus, no negotiation took place.

Later, or on December 15, 1981, Desiderio Dalisay sent another Letter seeking further negotiation with SSS by recommending that the appraisal be done by Asian Appraisal, Co. Inc.^[4] SSC agreed, but it later turned out that Asian Appraisal, Inc. did not respond to Dalisay's request. Thus, Atty. Honesto Cabarroguis, DGC's lawyer, suggested that the appraisal be done by Joson, Capili and Associates instead. The suggestion was later approved.^[5]

On July 24, 1982, DDII's Special Board of Directors issued a Resolution stating that the properties covered by TCT Nos. T-18204 and T-8227^[6] together with all improvements thereon be sold to SSS in order to settle the unremitted premiums and penalty obligations of DDII, Davao Stevedore Terminal Co., and Desidal Fruits,

Inc. In the same Board Resolution, Desiderio Dalisay, or in his absence, Veronica Dalisay-Tirol (Dalisay-Tirol), was authorized to sign in behalf of the corporation any and all papers pertinent to effect full and absolute transfer of said properties to the SSS.^[7]

On May 21, 1982, the real estate appraisers Joson, Capili and Associates, whose services Dalisay engaged for the purpose of appraising the value of the properties being offered to SSS, sent a letter^[8] to him informing him that the total value of the lots is One Million Nine Hundred Fifty Four Thousand Seven Hundred Seventy-Seven & 78/100 (P1,954,777.78), rounded to P1,955,000.^[9] This Appraisal Report was then indorsed to the SSC.^[10]

On May 27, 1982, during a meeting (1982 Meeting) of the SSS' Committee on Buildings, Supplies and Equipment (Committee) attended by Atty. Cabarroguis, the latter, representing DGC, explained that the DGC is in financial distress and is in no way capable of settling its obligation in cash.^[11] When asked what the DGC's offer is, he stated that he has "the authority to offer [the properties] in the amount of 2 million pesos."^[12] He also assured them that that they will turn the properties over to SSS free of liens and encumbrances.^[13] The offer for *dacion* was accepted at the appraised value of P2,000,000. As regards the implementation of the *dacion*, Atty. Cabarroguis stated that "[t]he Legal Department of the SSS can prepare the Deed of Sale or whatever documents that have to be prepared. My clients are ready to vacate the premises and you can have it occupied anytime."^[14] During the same Meeting, Atty. Cabarroguis likewise relayed to SSS that they are requesting that the P2,000,000 amount be applied first to the unpaid premiums and the excess be used to settle part of the penalties due.^[15]

On May 28, 1982, DDII's total liabilities with SSS covering unpaid premium contributions, inclusive of penalties and salary/calamity loan amortizations, amounted to P4,421,321.62.^[16]

On June 9, 1982, the SSC issued Resolution No. 849 - s. 82.^[17] In said Resolution, it accepted DDII's proposed *dacion en pago* pegged at the appraised value of P2,000,000. Said Resolution reads:

On motion duly seconded,

RESOLVED, that the acceptance of the offer of the Dalisay Group of Companies to offset their outstanding liabilities with the SSS with their lot and building at Davao City valued at 2M, as recommended by the SSC Committee on Building, Supplies and Equipment, be, as it is hereby, approved and confirmed, subject to the terms and conditions contained in the Memorandum, dated June 8, 1982, of the Executive Officer of the said Committee.

RESOLVED FURTHER, That the following additional conditions be, as they are hereby, imposed:

1. That part of tge (sic) 2M is to be applied to its outstanding educational/salary loans obligations;

2. That the criminal cases against the Dalisay Group of companies shall not be withdrawn as the penalties are not being paid in full and it is up to them to make the necessary representations with the Fiscal's Office.^[18]

The SSC then informed DDII of its acceptance of the proposed *dacion* in payment, including its specified terms and conditions, via a Letter dated June 17, 1982.^[19] Said Letter^[20] reads:

We are pleased to inform you that pursuant to Resolution No. 849 dated June 9, 1982, the Social Security Commission approved and confirmed the acceptance of the offer of your client, the Dalisay Group of Companies, that they be allowed to offset their outstanding liabilities with the SSS with their property (lot and building), as described in the offer, at Davao City valued at P2 million, subject to the following terms and conditions:

1. The P2 million consideration in this transaction shall be applied first to the premium contribution in arrears which amounts to P1.5 million, more or less, and whatever amount in excess of the P2 million after premium contribution shall then be applied to the payment of penalties.
2. Part of the P2 million shall also be applied to its outstanding education/salary loan obligations.
3. The criminal cases against the Dalisay Group of Companies shall not be withdrawn as the penalties have not as yet been valid (sic) in full and it is up to them to make the necessary representations with the Fiscal's Office.

May we invite you, therefore, to sit down with us for the preparation of the documents preparatory to the final transfer of the titles of the properties to the SSS.

On July 8, 1982, Dalisay-Tirol, then Acting President and General Manager of Dalisay Investment, informed SSS that the company is preparing the subject property, especially the building, for its turnover on August 15, 1982.^[21] Said Letter reads:

We are pleased to advise you that by August 15, 1982, we will already transfer to the next building. Desidal Building will already be available for you to prepare for your own transfer. The delay is caused by the preparation we have to make for the transfer of our office equipment and records.

Kindly, send somebody on August 15th, so we can effect the proper turnover of the building to you.^[22]

Later, on or July 31, 1982, An Affidavit of Consent for the Sale of Real Property was executed by the surviving heirs of the late Regina L. Dalisay, stating that in order to

settle the companies' obligations to SSS, they expressly agree to the sale thereof to the SSS for its partial settlement.^[23]

On September 18, 1989, Desiderio Dalisay passed away.

As of November 30, 1995, the company's total obligations allegedly amounted to P15,689,684.93.^[24]

Later, or on December 29, 1995, the Philippine National Bank (PNB) executed a Deed of Confirmatory Sale in favor of DDII for properties that it reacquired, including the property subject of the present dispute.

On March 20, 1998, Eddie A. Jara (Jara), Assistant Vice-President of the SSS - Davao I Branch, executed an Affidavit of Adverse Claim^[25] over the properties subject of the instant case because of the companies' failure to turn over the certificates of title to SSS.

Then, on April 2, 1998, Jara sent a letter to Dalisay-Tirol, formally demanding the certificates of title over the properties subject of the *dacion*.^[26] In said letter, Jara stated that "[t]he mortgage with PNB has already been settled by Desiderio Dalisay Investments, Inc. last January 20, 1994, but the titles were not delivered to the SSS in violation of the express terms in the *dacion* in payment that the Dalisay group should deliver the titles after the release of the mortgage with the PNB."^[27]

In her reply dated May 5, 1998 to the April 2, 1998 Letter, Dalisay-Tirol, who was then the President of DDII, stated that the corporation could not at that time give due course to and act on the matter because of several issues that need to be resolved first, including two cases involving the subject properties, to wit: (1) the properties are being claimed by the estate of Desiderio F. Dalisay, Sr. and included in the inventory already filed by the executrix, where the corporation's stockholders are contesting said inclusion; and (2) the SSS' pending petition covering the properties where the accuracy and propriety of the amount of P15,605,079.25 contained therein has yet to be substantiated and verified.^[28] She likewise pointed out that the "Board Resolution covers only two (2) parcels of land which were proposed and submitted for the purpose of a negotiated sale to settle unremitted premiums and penalties."^[29]

On November 18, 1999, DDII, through its Managing Director Edith L. Dalisay-Valenzuela (Dalisay-Valenzuela), wrote a letter addressed to SSS President and Chief Executive Officer Carlos A. Arellano, requesting the reevaluation and reconsideration of their problem.^[30] In said Letter, DDII requested the following:

- 1) Condonation of penalties and interest or accrual of rentals for offsetting against the penalties, interest and principal;
- 2) Payment of original liabilities for unpaid premiums of P4,421,321.62;
- 3) Return of the property to DDII; and
- 4) Withdrawal of claim against the Estate of Desiderio F. Dalisay, Sr.^[31]

On January 18, 2000, DDII issued a Letter to SSS proposing the "offset of SSS obligations with back rentals on occupied land and building of the obligor." It alleged that SSS is bound to pay back rentals totaling P34,217,988.19^[32] for its use of the subject property from July 1982 up to the present. It likewise demanded for the return of the said property.^[33]

Meanwhile, despite repeated written and verbal demands made by SSS for DDII to deliver the titles of the subject property, free from all liens and encumbrances, DDII still failed to comply.

On October 8, 2002, DDII filed a complaint for Quieting of Title, Recovery of Possession and Damages against SSS with the Regional Trial Court (RTC), Branch 14, in Davao City, docketed as Civil Case No. 29, 353-02.

In said complaint, DDII asserted that it is the owner of the subject property. It averred that when SSS filed the abovementioned cases, the late Desiderio Dalisay, during his lifetime and as president of the company, offered the property appraised at P3,500,000 to SSS for the offsetting of said amount against DGC's total liability to SSS. SSS accepted such but only in the amount of P2,000,000 and subject to certain conditions. It also insists that while negotiations with SSS were still ongoing, it decided to vacate the subject property in favor of SSS to show goodwill on its part. Unfortunately, the negotiations were not fruitful as they failed to agree on the terms and conditions set forth by SSS. Furthermore, DDII insists that Atty. Cabarroguis' alleged acceptance of the proposals of SSS was not covered by any Board Resolution or Affidavit of Consent by the corporate and individual owners of the properties. Thus, according to DDII, there was no meeting of the minds between the parties. Consequently, there was no dation in payment to speak of, contrary to the claim of SSS. With these, DDII asserted that SSS owes it P43,208,270.99 as back rentals for its use of the property from 1982 onwards. It also prayed for attorney's fees and costs of litigation.^[34]

In its Answer, SSS argued that the offer for *dacion* was categorically accepted by SSS, thereby perfecting such.^[35]

RTC Judgment

On July 22, 2010, the RTC resolved the case in favor of DDII, holding that there was no perfected *dacion* in payment between the parties. Consequently, SSS has no legal personality to own, possess, and occupy the property. The dispositive portion thereof reads:

WHEREFORE, judgment is hereby rendered as follows:

- a) Declaring [DDII] as the true and absolute owner of the properties covered by TCT Nos. T-18203, T-18204, T-255986 and T-255985, free from all liens and encumbrances, and that [SSS] has no right or interest over the same whatsoever;
- b) Ordering the Registrar, Registry of Deeds, Davao City, to cancel the adverse claims caused by [SSS] to be annotated on the foregoing [TCTs];
- c) Ordering [SSS] to pay [DDII] the reasonable amount of P50,000.00 a month for the use and continued occupation by