

## SECOND DIVISION

[ G.R. No. 195975, September 05, 2016 ]

**TAINA MANIGQUE-STONE, PETITIONER, VS. CATTLEYA LAND, INC., AND SPOUSES TROADIO B. TECSON AND ASUNCION ORTALIZ-TECSON, RESPONDENTS.**

### D E C I S I O N

**DEL CASTILLO, J.:**

*The sale of Philippine land to an alien or foreigner, even if titled in the name of his Filipino spouse, violates the Constitution and is thus, void.*

Assailed in this Petition for Review on *Certiorari*<sup>[1]</sup> are the August 16, 2010 Decision<sup>[2]</sup> of the Court of Appeals (CA) which dismissed the appeal by Taina Manigque-Stone (Taina) in CA-G.R. CV No. 02352, and its February 22, 2011 Resolution,<sup>[3]</sup> which denied Taina's motion for reconsideration<sup>[4]</sup> thereon.

#### ***Factual Antecedents***

Sometime in July 1992, Cattleya Land, Inc. (Cattleya) sent its legal counsel, Atty. Federico C. Cabilao, Jr. (Atty. Cabilao, Jr.), to Tagbilaran City to investigate at the Office of the Register of Deeds in that city the status of the properties of spouses Col. Troadio B. Tecson (Col. Tecson) and Asuncion Tecson (collectively, Tecson spouses), which Cattleya wanted to purchase. One of these properties, an 8,805-square meter parcel of land located at Doljo, Panglao, Bohol, is registered in the name of the Tecson spouses, and covered by Transfer Certificate of Title (TCT) No. 17655 (henceforth, the subject property). Atty. Cabilao, Jr. found that no encumbrances or liens on the subject property had been annotated on the TCT thereof, except for an attachment issued in connection with Civil Case No. 3399 entitled "*Tantrade Corporation vs. Bohol Resort Hotel, Inc., et al.*"<sup>[5]</sup>

On November 6, 1992, Cattleya entered into a Contract of Conditional Sale with the Tecson spouses covering nine parcels of land, including the subject property. In this transaction the Tecson spouses were represented by Atty. Salvador S. Pizarra (Atty. Pizarra). The Contract of Conditional Sale was entered in the Primary Book of the Office of the Register of Deeds of Bohol that same day, per Entry No. 83422. On August 30, 1993, the parties executed a Deed of Absolute Sale covering the subject property. This Deed of Absolute Sale was also entered in the Primary Book on October 4, 1993, per Entry No. 87549. However, neither the Contract of Conditional Sale nor the Deed of Absolute Sale could be annotated on the certificate of title covering the subject property because the then Register of Deeds of Bohol, Atty. Narciso S. De la Serna (Atty. De la Serna) refused to annotate both deeds. According to Atty. De la Serna it was improper to do so because of the writ of attachment that was annotated on the certificate of title of the subject property, in connection with the said Civil Case No. 3399.<sup>[6]</sup>

On December 1, 1993, Atty. Cabilao, Jr. and Atty. Pizarras, in representation of their respective clients, again requested Atty. De la Serna to annotate the Deed of Absolute Sale and all other pertinent documents on the original certificate of title covering the subject property. But Atty. De la Serna refused anew – this time saying that he would accede to the request only if he was presented with a court order to that effect. Atty. De la Serna still refused the request to annotate, even after Atty. Cabilao, Jr. had told him that all that he (Atty. Cabilao, Jr.) was asking was for the Deed of Absolute Sale to be annotated on the original certificate of title, and not for Atty. De la Serna to issue a new transfer of title to the subject property.<sup>[7]</sup>

The writ of attachment on the certificate of title to the subject property was, however, lifted, after the parties in Civil Case No. 3399 reached an amicable settlement or compromise agreement. Even then, however, Cattleya did not still succeed in having the aforementioned Deed of Absolute Sale registered, and in having title to the subject property transferred to its name, because it could not surrender the owner's copy of TCT No. 17655, which was in possession of the Tecson spouses. According to Cattleya, the Tecson spouses could not deliver TCT No. 17655 to it, because according to the Tecson spouses this certificate of title had been destroyed in a fire which broke out in Sierra Bullones, Bohol.<sup>[8]</sup>

This claim by the Tecson spouses turned out to be false, however, because Atty. Cabilao, Jr. came to know, while following up the registration of the August 30, 1993 Deed of Absolute Sale at the Office of the Register of Deeds of Bohol, that the owner's copy of TCT No. 17655 had in fact been presented by Taina at the Office of the Register of Deeds of Bohol, along with the Deed of Sale that was executed by the Tecson spouses, in favor of Taina covering the subject property.<sup>[9]</sup>

It appears that when Taina's then common-law husband, Michael (Mike) Stone, visited Bohol sometime in December 1985, he fell in love with the place and decided to buy a portion of the beach lot in Doljo, Panglao, Bohol. They met with Col. Tecson, and the latter agreed to sell them a portion of the beach lot for US\$8,805.00. Mike and Taina made an initial downpayment of US\$1,750.00 (or equivalent P35,000.00 at that time) for a portion of a beach lot, but did not ask for a receipt for this initial downpayment. On June 1, 1987, a Deed of Absolute Sale covering the subject portion was executed by Col. Tecson in Taina's favor. Subsequent payments were made by Mike totalling P40,000.00, as of August 29, 1986, although another payment of P5,000.00 was made sometime in August 1987. The last payment in the amount of P32,000.00, was made in September 1987.<sup>[10]</sup> In 1990, Troadio Tecson, Jr., the son of Col. Tecson and Taina's brother-in-law, delivered to Taina the owner's copy of TCT No. 17655.<sup>[11]</sup>

In the meantime, in October 1986, Taina and Mike got married.

On April 25, 1994, Taina filed a Notice of Adverse Claim covering the subject portion, after she learned that Col. Tecson and his lawyer had filed a petition for the issuance of a second owner's copy over TCT No. 17655.<sup>[12]</sup>

On February 8, 1995, Taina sought to have her Deed of Absolute Sale registered with the Office of the Register of Deeds of Bohol, and on that occasion presented the owner's copy of TCT No. 17655. Taina also caused a Memorandum of Encumbrance to be annotated on this certificate of title. The result was that on February 10, 1995, a new certificate of title, TCT No. 21771, was issued in the name of Taina, in lieu of

TCT No. 17655, in the name of the Tecson spouses.<sup>[13]</sup> The subject property is described in TCT No. 21771 as follows:

A parcel of Land (Lot 5 of the consolidation-subdivision plan Pcs-07-000907, being a portion of lots I-A and I-B, Psd-07-02-12550, LRC. Rec. No. \_\_\_\_), situated in the Barrio of Doljo, Municipality of Panglao, Province of Bohol, Island of Bohol. Bounded on the North, along lines 15-16-1 by Bohol Strait; on the East and Southeast, along line 1-2 by Lot 4 of the consolidation-subdivision plan; along line 3-4 by Primitivo Hora; and along line 4-5 by Lot 6 of the consolidation-subdivision plan; on the South and Southwest, along line 5-6-7-8 by Andres Guimalan; along line 8-9 by [Bienvenido] Biosino; along lines 9-10-11-12-13-14 by Angel Hora; and on the West, along lines 14-15 by Lot 7 of the consolidation-subdivision plan. Beginning at a point marked "1" on plan, being S. 83 deg. 08'E., 1045.79 m. from triangulation point TIP, USCGS, 1908, Doljo, Panglao, Bohol; containing an area of EIGHT THOUSAND EIGHT HUNDRED AND FIVE (8,805) SQUARE METERS, more or less.<sup>[14]</sup>

Whereupon, Cattleya instituted against Taina a civil action for quieting of title and/or recovery of ownership and cancellation of title with damages.<sup>[15]</sup> Docketed as Civil Case No. 5782 of the Regional Trial Court (RTC) of Bohol at Tagbilaran City, Cattleya therein initially impleaded Atty. De la Serna as party defendant; but as the latter had already retired as Register of Deeds of Bohol, both parties agreed to drop his name from the case.<sup>[16]</sup>

Taina likewise filed a motion for leave to admit a third-party complaint against the Tecson spouses; this motion was granted by the RTC.<sup>[17]</sup>

After due proceedings, the RTC of Bohol gave judgment<sup>[18]</sup> for Cattleya, thus:

WHEREFORE, in view of all the foregoing, judgment is hereby rendered in favor of the plaintiff and against the defendant in the main case as follows:

1. Quietening the title or ownership of the plaintiff in Lot 5 by declaring the sale in its favor as valid and enforceable by virtue of a prior registration of the sale in accordance with the provisions of Presidential Decree No. 1529 otherwise known as the Property Registration Decree;
2. Ordering the cancellation of Transfer Certificate of Title No. 21771 in the name of defendant TAINA MANIGQUE-STONE and the issuance of a new title in favor of the plaintiff after payment of the required fees; and
3. Ordering the defendant to desist from claiming ownership and possession thereof. Without pronouncement as to costs.

As to defendant's third[-]party complaint against spouses x x x Tecson[,]  
x x x judgment is hereby rendered as follows:

1. Ordering the return of the total amount of Seventy-seven Thousand (P77,000.00) Pesos to the third[-]party plaintiff with legal rate of interest from the time of the filing of the third[-]party complaint on June 28, 2004 until the time the same shall have been fully satisfied; and

2. Ordering the payment of P50,000.00 by way of moral and exemplary damages and x x x of attorney's fees in the amount of P30,000.00 and to pay the costs.

SO ORDERED.<sup>[19]</sup>

In finding for Cattleya, the RTC held that the sale entered by the Tecson spouses with Cattleya and with Taina involving one and the same property was a double sale, and that Cattleya had a superior right to the lot covered thereby, because Cattleya was the first to register the sale in its favor in good faith; that although at the time of the sale the TCT covering the subject property could not yet be issued, and the deed of sale could not be annotated thereon due to a pending case between the vendors-spouses (Tecson spouses) and Tantrade, Inc., the evidence convincingly showed nonetheless that it was Cattleya that was the first to register the sale in its favor with the Office of the Provincial Registry of Deeds of Bohol on October 4, [1993] as shown in Entry No. 87549.<sup>[20]</sup> Furthermore, the RTC found that Cattleya had no notice, nor was it aware, of Taina's claim to the subject property, and that the only impediment it (Cattleya) was aware of was the pending case (Civil Case No. 3399) between Tantrade Corporation and Bohol Resort Hotel, Inc.<sup>[21]</sup>

On the other hand, the RTC found Taina's position untenable because: *First*, the June 1, 1987 sale between Col. Tecson and Mike, Taina's then common-law husband, was a patent nullity, an absolutely null and void sale, because under the Philippine Constitution a foreigner or alien cannot acquire real property in the Philippines. *Second*, at the time of the sale, Taina was only Mike's dummy, and their subsequent marriage did not validate or legitimize the constitutionally proscribed sale earlier made in Mike's favor. And *third*, no less than Taina herself admitted that at the time she caused the sale to be registered and title thereto issued to her, she knew or was otherwise aware that the very same lot had already been sold to Cattleya, or at least claimed by the latter – and this is a state of affairs constitutive of bad faith on her part.<sup>[22]</sup>

The RTC likewise held that neither parties in the main case was entitled to damages, because they failed to substantiate their respective claims thereto.<sup>[23]</sup>

As regards Taina's third-party complaint against the Tecson spouses, the RTC ordered the return or restitution to her of the sum of P77,000.00, plus legal interest. Likewise awarded by the RTC in Taina's favor were moral and exemplary damages in the amount of P50,000.00 and attorney's fees in the amount of P30,000.00 plus costs.<sup>[24]</sup>

Dissatisfied with this judgment, Taina appealed to the CA.

### ***Ruling of the Court of Appeals***

On August 16, 2010, the CA handed down the assailed Decision,<sup>[25]</sup> which contained the following decretal portion:

WHEREFORE, the challenged Decision of the Regional Trial Court dated [August 10, 2007] is hereby AFFIRMED with MODIFICATIONS; to wit:

1. Quieting the title of ownership of the plaintiff-appellee, CATTLEYA LAND, INC. in the above-described property by declaring the sale in its

favor as valid and enforceable;

2. Ordering the cancellation of Transfer Certificate of Title No. 21771 in the name of defendant-appellant TAINA MANIGQUE-STONE;
3. Ordering the registration of the Deed of Absolute Sale involving the subject property executed in favor of CATTLEYA LAND, INC. and the issuance x x x of a new title in favor of the plaintiff-appellee CATTLEYA LAND, INC. ate payment of the required fees; and
4. Ordering the defendant-appellant, TAINA MANIGQUE-STONE to desist from claiming ownership and possession thereof. Without pronouncement as to cost.

As to the third-party defendants-appellees, the spouses Troadio B. Tecson and Asuncion Ortaliz Tecson, judgment is hereby rendered as follows:

1. Ordering third-party defendants-appellees, spouses TROADIO B. TECSON and ASUNCION ORTALIZ TECSON, [to] return x x x the total amount of Seventy-seven Thousand (P77,000.00) Pesos to the defendant-appellant, TAINA MANIGQUE-STONE, with legal rate of interest from the time of filing of the third[-]party complaint on June 28, 2004 until the time the same shall have been fully satisfied; and
2. Ordering third-party defendants-appellees, spouses TROADIO B. TECSON and ASUNCION ORTALIZ TECSON [to pay] P50,000.00 to the defendant-appellant, TAINA MANIGQUE-STONE by way of moral and exemplary damages and [to pay] attorney's fees in the amount of P30,000.00 x x x.

No pronouncement as to cost.

SO ORDERED.<sup>[26]</sup>

In support of its Decision, the CA ratiocinated —

Article 1498 of the Civil Code provides that, as a rule, the execution of a notarized deed of sale is equivalent to the delivery of a thing sold. In this case, the notarization of the deed of sale of TAINA is defective. TAINA testified that the deed of sale was executed and signed by Col. Troadio Tecson in Bohol but was notarized in Manila without the vendors appearing personally before the notary public.

Additionally, Article 1477 of the Civil Code provides that the ownership of the thing sold is transferred upon the actual or constructive delivery thereof; however, the delivery of the owner's copy of TCT 17655 to TAINA is dubious. It was not the owner, Col. Troadio Tecson, himself who delivered the same but his son who also happens to be TAINA's brother-in-law. Hence, the foregoing circumstances negate the fact that there was indeed an absolute delivery or transfer of ownership.

Anent the issue on validity of the sale to Taina Manigque-Stone, the fundamental law is perspicuous in its prohibition against aliens from holding title or acquiring private lands, except only by way of legal