

## THIRD DIVISION

[ G.R. No. 179597, February 03, 2014 ]

### IGLESIA FILIPINA INDEPENDIENTE, PETITIONER, VS. HEIRS OF BERNARDINO TAEZA, RESPONDENTS.

#### D E C I S I O N

##### PERALTA, J.:

This deals with the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court praying that the Decision<sup>[1]</sup> of the Court of Appeals (CA), promulgated on June 30, 2006, and the Resolution<sup>[2]</sup> dated August 23, 2007, denying petitioner's motion for reconsideration thereof, be reversed and set aside.

The CA's narration of facts is accurate, to wit:

The plaintiff-appellee Iglesia Filipina Independiente (IFI, for brevity), a duly registered religious corporation, was the owner of a parcel of land described as Lot 3653, containing an area of 31,038 square meters, situated at Ruyu (now Leonarda), Tuguegarao, Cagayan, and covered by Original Certificate of Title No. P-8698. The said lot is subdivided as follows: Lot Nos. 3653-A, 3653-B, 3653-C, and 3653-D.

Between 1973 and 1974, the plaintiff-appellee, through its then Supreme Bishop Rev. Macario Ga, sold Lot 3653-D, with an area of 15,000 square meters, to one Bienvenido de Guzman.

On February 5, 1976, Lot Nos. 3653-A and 3653-B, with a total area of 10,000 square meters, were likewise sold by Rev. Macario Ga, in his capacity as the Supreme Bishop of the plaintiff-appellee, to the defendant Bernardino Taeza, for the amount of P100,000.00, through installment, with mortgage to secure the payment of the balance. Subsequently, the defendant allegedly completed the payments.

In 1977, a complaint for the annulment of the February 5, 1976 Deed of Sale with Mortgage was filed by the Parish Council of Tuguegarao, Cagayan, represented by Froilan Calagui and Dante Santos, the President and the Secretary, respectively, of the Laymen's Committee, with the then Court of First Instance of Tuguegarao, Cagayan, against their Supreme Bishop Macario Ga and the defendant Bernardino Taeza.

The said complaint was, however, subsequently dismissed on the ground that the plaintiffs therein lacked the personality to file the case.

After the expiration of Rev. Macario Ga's term of office as Supreme Bishop of the IFI on May 8, 1981, Bishop Abdias dela Cruz was elected as

the Supreme Bishop. Thereafter, an action for the declaration of nullity of the elections was filed by Rev. Ga, with the Securities and Exchange Commission (SEC).

In 1987, while the case with the SEC is (sic) still pending, the plaintiff-appellee IFI, represented by Supreme Bishop Rev. Soliman F. Ganno, filed a complaint for annulment of the sale of the subject parcels of land against Rev. Ga and the defendant Bernardino Taeza, which was docketed as Civil Case No. 3747. The case was filed with the Regional Trial Court of Tuguegarao, Cagayan, Branch III, which in its order dated December 10, 1987, dismissed the said case without prejudice, for the reason that the issue as to whom of the Supreme Bishops could sue for the church had not yet been resolved by the SEC.

On February 11, 1988, the Securities and Exchange Commission issued an order resolving the leadership issue of the IFI against Rev. Macario Ga.

Meanwhile, the defendant Bernardino Taeza registered the subject parcels of land. Consequently, Transfer Certificate of Title Nos. T-77995 and T-77994 were issued in his name.

The defendant then occupied a portion of the land. The plaintiff-appellee allegedly demanded the defendant to vacate the said land which he failed to do.

In January 1990, a complaint for annulment of sale was again filed by the plaintiff-appellee IFI, this time through Supreme Bishop Most Rev.

Tito Pasco, against the defendant-appellant, with the Regional Trial Court of Tuguegarao City, Branch 3.

On November 6, 2001, the court *a quo* rendered judgment in favor of the plaintiff-appellee. It held that the deed of sale executed by and between Rev. Ga and the defendant-appellant is null and void.<sup>[3]</sup>

The dispositive portion of the Decision of Regional Trial Court of Tuguegarao City (RTC) reads as follows:

WHEREFORE, judgment is hereby rendered:

- 1) declaring plaintiff to be entitled to the claim in the Complaint;
- 2) declaring the Deed of Sale with Mortgage dated February 5, 1976 null and void;
- 3) declaring Transfer Certificates of Title Numbers T-77995 and T-77994 to be null and void *ab initio*;
- 4) declaring the possession of defendant on that portion of land under question and ownership thereof as unlawful;

5) ordering the defendant and his heirs and successors-in-interest to vacate the premises in question and surrender the same to plaintiff; [and]

6) condemning defendant and his heirs pay (sic) plaintiff the amount of P100,000.00 as actual/consequential damages and P20,000.00 as lawful attorney's fees and costs of the amount (sic).<sup>[4]</sup>

Petitioner appealed the foregoing Decision to the CA. On June 30, 2006, the CA rendered its Decision reversing and setting aside the RTC Decision, thereby dismissing the complaint.<sup>[5]</sup> The CA ruled that petitioner, being a corporation sole, validly transferred ownership over the land in question through its Supreme Bishop, who was at the time the administrator of all properties and the official representative of the church. It further held that "[t]he authority of the then Supreme Bishop Rev. Ga to enter into a contract and represent the plaintiff-appellee cannot be assailed, as there are no provisions in its constitution and canons giving the said authority to any other person or entity."<sup>[6]</sup>

Petitioner then elevated the matter to this Court *via* a petition for review on *certiorari*, wherein the following issues are presented for resolution:

- A.) WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT FINDING THE FEBRUARY 5, 1976 DEED OF SALE WITH MORTGAGE AS NULL AND VOID;
- B.) ASSUMING FOR THE SAKE OF ARGUMENT THAT IT IS NOT VOID, WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT FINDING THE FEBRUARY 5, 1976 DEED OF SALE WITH MORTGAGE AS UNENFORCEABLE, [and]
- C.) WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT FINDING RESPONDENT TAEZA HEREIN AS BUYER IN BAD FAITH.<sup>[7]</sup>

The first two issues boil down to the question of whether then Supreme Bishop Rev. Ga is authorized to enter into a contract of sale in behalf of petitioner.

Petitioner maintains that there was no consent to the contract of sale as Supreme Bishop Rev. Ga had no authority to give such consent. It emphasized that Article IV (a) of their Canons provides that "All real properties of the Church located or situated in such parish can be disposed of only with the approval and conformity of the laymen's committee, the parish priest, the Diocesan Bishop, with sanction of the Supreme Council, and finally with the approval of the Supreme Bishop, as administrator of all the temporalities of the Church." It is alleged that the sale of the property in question was done without the required approval and conformity of the entities mentioned in the Canons; hence, petitioner argues that the sale was null and void.

In the alternative, petitioner contends that if the contract is not declared null and void, it should nevertheless be found unenforceable, as the approval and conformity of the other entities in their church was not obtained, as required by their Canons.

Section 113 of the Corporation Code of the Philippines provides that:

Sec. 113. *Acquisition and alienation of property.* - Any corporation sole may purchase and hold real estate and personal property for its church, charitable, benevolent or educational purposes, and may receive bequests or gifts for such purposes. Such corporation may mortgage or sell real property held by it upon obtaining an order for that purpose from the Court of First Instance of the province where the property is situated; x x x ***Provided, That in cases where the rules, regulations and discipline of the religious denomination, sect or church, religious society or order concerned represented by such corporation sole regulate the method of acquiring, holding, selling and mortgaging real estate and personal property, such rules, regulations and discipline shall control, and the intervention of the courts shall not be necessary.***<sup>[8]</sup>

Pursuant to the foregoing, petitioner provided in Article IV (a) of its Constitution and Canons of the Philippine Independent Church,<sup>[9]</sup> that "[a]ll real properties of the Church located or situated in such parish can be disposed of only with the approval and conformity of the laymen's committee, the parish priest, the Diocesan Bishop, with sanction of the Supreme Council, and finally with the approval of the Supreme Bishop, as administrator of all the temporalities of the Church."

Evidently, under petitioner's Canons, any sale of real property requires not just the consent of the Supreme Bishop but also the concurrence of the laymen's committee, the parish priest, and the Diocesan Bishop, as sanctioned by the Supreme Council. However, petitioner's Canons do not specify in what form the conformity of the other church entities should be made known. Thus, as petitioner's witness stated, in practice, such consent or approval may be assumed as a matter of fact, unless some opposition is expressed.<sup>[10]</sup>

Here, the trial court found that the laymen's committee indeed made its objection to the sale known to the Supreme Bishop.<sup>[11]</sup> The CA, on the other hand, glossed over the fact of such opposition from the laymen's committee, opining that the consent of the Supreme Bishop to the sale was sufficient, especially since the parish priest and the Diocesan Bishop voiced no objection to the sale.<sup>[12]</sup>

The Court finds it erroneous for the CA to ignore the fact that the laymen's committee objected to the sale of the lot in question. The Canons require that ALL the church entities listed in Article IV (a) thereof should give its approval to the transaction. Thus, when the Supreme Bishop executed the contract of sale of petitioner's lot despite the opposition made by the laymen's committee, he acted beyond his powers.

This case clearly falls under the category of unenforceable contracts mentioned in Article 1403, paragraph (1) of the Civil Code, which provides, thus:

Art. 1403. The following contracts are unenforceable, unless they are ratified:

- (1) Those entered into in the name of another person by one who has been given no authority or legal representation, or who has acted beyond his powers;