

THIRD DIVISION

[G.R. No. 194846, June 19, 2013]

*** HOSPICIO D. ROSAROSO, ANTONIO D. ROSAROSO, MANUEL D. ROSAROSO, ALGERICA D. ROSAROSO, AND CLEOFE R. LABINDAO, PETITIONERS, VS. LUCILA LABORTE SORIA, SPOUSES HAM SOLUTAN AND ** LAILA SOLUTAN, AND MERIDIAN REALTY CORPORATION, RESPONDENTS.**

D E C I S I O N

MENDOZA, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the December 4, 2009 Decision^[1] of the Court of Appeals (CA), in CA G.R. CV No. 00351, which reversed and set aside the July 30, 2004 Decision^[2] of the Regional Trial Court, Branch 8, 7th Judicial Region, Cebu City (RTC), in Civil Case No. CEB-16957, an action for declaration of nullity of documents.

The Facts

Spouses Luis Rosaroso (*Luis*) and Honorata Duazo (*Honorata*) acquired several real properties in Daan Bantayan, Cebu City, including the subject properties. The couple had nine (9) children namely: Hospicio, Arturo, Florita, Lucila, Eduardo, Manuel, Cleofe, Antonio, and Angelica. On April 25, 1952, Honorata died. Later on, Luis married Lourdes Pastor Rosaroso (*Lourdes*).

On January 16, 1995, a complaint for Declaration of Nullity of Documents with Damages was filed by Luis, as one of the plaintiffs, against his daughter, Lucila R. Soria (*Lucila*); Lucila's daughter, Laila S. Solutan (*Laila*); and Meridian Realty Corporation (*Meridian*). Due to Luis' untimely death, however, an amended complaint was filed on January 6, 1996, with the spouse of Laila, Ham Solutan (*Ham*); and Luis' second wife, Lourdes, included as defendants.^[3]

In the Amended Complaint, it was alleged by petitioners Hospicio D. Rosaroso, Antonio D. Rosaroso (*Antonio*), Angelica D. Rosaroso (*Angelica*), and Cleofe R. Labindao (*petitioners*) that on November 4, 1991, Luis, with the full knowledge and consent of his second wife, Lourdes, executed the Deed of Absolute Sale^[4] (*First Sale*) covering the properties with Transfer Certificate of Title (TCT) No. 31852 (Lot No. 8); TCT. No. 11155 (Lot 19); TCT No. 10885 (Lot No. 22); TCT No. 10886 (Lot No. 23); and Lot Nos. 5665 and 7967, all located at Daanbantayan, Cebu, in their favor.^[5]

They also alleged that, despite the fact that the said properties had already been sold to them, respondent Laila, in conspiracy with her mother, Lucila, obtained the

Special Power of Attorney (SPA),^[6] dated April 3, 1993, from Luis (*First SPA*); that Luis was then sick, infirm, blind, and of unsound mind; that Lucila and Laila accomplished this by affixing Luis' thumb mark on the SPA which purportedly authorized Laila to sell and convey, among others, Lot Nos. 8, 22 and 23, which had already been sold to them; and that on the strength of another SPA^[7] by Luis, dated July 21, 1993 (*Second SPA*), respondents Laila and Ham mortgaged Lot No. 19 to Vital Lending Investors, Inc. for and in consideration of the amount of P150,000.00 with the concurrence of Lourdes.^[8]

Petitioners further averred that a second sale took place on August 23, 1994, when the respondents made Luis sign the Deed of Absolute Sale^[9] conveying to Meridian three (3) parcels of residential land for P960,500.00 (*Second Sale*); that Meridian was in bad faith when it did not make any inquiry as to who were the occupants and owners of said lots; and that if Meridian had only investigated, it would have been informed as to the true status of the subject properties and would have desisted in pursuing their acquisition.

Petitioners, thus, prayed that they be awarded moral damages, exemplary damages, attorney's fees, actual damages, and litigation expenses and that the two SPAs and the deed of sale in favor of Meridian be declared null and void *ab initio*.^[10]

On their part, respondents Lucila and Laila contested the First Sale in favor of petitioners. They submitted that even assuming that it was valid, petitioners were *estopped* from questioning the Second Sale in favor of Meridian because they failed not only in effecting the necessary transfer of the title, but also in annotating their interests on the titles of the questioned properties. With respect to the assailed SPAs and the deed of absolute sale executed by Luis, they claimed that the documents were valid because he was conscious and of sound mind and body when he executed them. In fact, it was Luis together with his wife who received the check payment issued by Meridian where a big part of it was used to foot his hospital and medical expenses.^[11]

Respondent Meridian, in its Answer with Compulsory Counterclaim, averred that Luis was fully aware of the conveyances he made. In fact, Sophia Sanchez (*Sanchez*), Vice-President of the corporation, personally witnessed Luis affix his thumb mark on the deed of sale in its favor. As to petitioners' contention that Meridian acted in bad faith when it did not endeavor to make some inquiries as to the status of the properties in question, it countered that before purchasing the properties, it checked the titles of the said lots with the Register of Deeds of Cebu and discovered therein that the First Sale purportedly executed in favor of the plaintiffs was not registered with the said Register of Deeds. Finally, it argued that the suit against it was filed in bad faith.^[12]

On her part, Lourdes posited that her signature as well as that of Luis appearing on the deed of sale in favor of petitioners, was obtained through fraud, deceit and trickery. She explained that they signed the prepared deed out of pity because petitioners told them that it was necessary for a loan application. In fact, there was no consideration involved in the First Sale. With respect to the Second Sale, she never encouraged the same and neither did she participate in it. It was purely her husband's own volition that the Second Sale materialized. She, however, affirmed

that she received Meridian's payment on behalf of her husband who was then bedridden.^[13]

RTC Ruling.

After the case was submitted for decision, the RTC ruled in favor of petitioners. It held that when Luis executed the second deed of sale in favor of Meridian, he was no longer the owner of Lot Nos. 19, 22 and 23 as he had already sold them to his children by his first marriage. In fact, the subject properties had already been delivered to the vendees who had been living there since birth and so had been in actual possession of the said properties. The trial court stated that although the deed of sale was not registered, this fact was not prejudicial to their interest. It was of the view that the actual registration of the deed of sale was not necessary to render a contract valid and effective because where the vendor delivered the possession of the parcel of land to the vendee and no superior rights of third persons had intervened, the efficacy of said deed was not destroyed. In other words, Luis lost his right to dispose of the said properties to Meridian from the time he executed the first deed of sale in favor of petitioners. The same held true with his alleged sale of Lot 8 to Lucila Soria.^[14] Specifically, the dispositive portion of the RTC decision reads:

IN VIEW OF THE FOREGOING, the Court finds that a preponderance of evidence exists in favor of the plaintiffs and against the defendants. Judgment is hereby rendered:

- a. Declaring that the Special Power of Attorney, Exhibit "K," for the plaintiffs and Exhibit "3" for the defendants null and void including all transactions subsequent thereto and all proceedings arising therefrom;
- b. Declaring the Deed of Sale marked as Exhibit "E" valid and binding;
- c. Declaring the Deed of Absolute Sale of Three (3) Parcels of Residential Land marked as Exhibit "F" null and void from the beginning;
- d. Declaring the Deed of Sale, Exhibit "16" (Solutan) or Exhibit "FF," null and void from the beginning;
- e. Declaring the vendees named in the Deed of Sale marked as Exhibit "E" to be the lawful, exclusive and absolute owners and possessors of Lots Nos. 8, 19, 22, and 23;
- f. Ordering the defendants to pay jointly and severally each plaintiff P50,000.00 as moral damages; and
- g. Ordering the defendants to pay plaintiffs P50,000.00 as attorney's fees; and P20,000.00 as litigation expenses.

The crossclaim made by defendant Meridian Realty Corporation against defendants Soria and Solutan is ordered dismissed for lack of sufficient evidentiary basis.

SO ORDERED."^[15]

Ruling of the Court of Appeals

On appeal, the CA reversed and set aside the RTC decision. The CA ruled that the first deed of sale in favor of petitioners was void because they failed to prove that they indeed tendered a consideration for the four (4) parcels of land. It relied on the testimony of Lourdes that petitioners did not pay her husband. The price or consideration for the sale was simulated to make it appear that payment had been tendered when in fact no payment was made at all.^[16]

With respect to the validity of the Second Sale, the CA stated that it was valid because the documents were notarized and, as such, they enjoyed the presumption of regularity. Although petitioners alleged that Luis was manipulated into signing the SPAs, the CA opined that evidence was wanting in this regard. Dr. Arlene Letigio Pesquera, the attending physician of Luis, testified that while the latter was physically infirmed, he was of sound mind when he executed the first SPA.^[17]

With regard to petitioners' assertion that the First SPA was revoked by Luis when he executed the affidavit, dated November 24, 1994, the CA ruled that the Second Sale remained valid. The Second Sale was transacted on August 23, 1994, before the First SPA was revoked. In other words, when the Second Sale was consummated, the First SPA was still valid and subsisting. Thus, "Meridian had all the reasons to rely on the said SPA during the time of its validity until the time of its actual filing with the Register of Deeds considering that constructive notice of the revocation of the SPA only came into effect upon the filing [of the] Adverse Claim and the aforementioned Letters addressed to the Register of Deeds on 17 December 1994 and 25 November 1994, respectively, informing the Register of Deeds of the revocation of the first SPA."^[18] Moreover, the CA observed that the affidavit revoking the first SPA was also revoked by Luis on December 12, 1994.^[19]

Furthermore, although Luis revoked the First SPA, he did not revoke the Second SPA which authorized respondent Laila to sell, convey and mortgage, among others, the property covered by TCT T-11155 (Lot No. 19). The CA opined that had it been the intention of Luis to discredit the Second Sale, he should have revoked not only the First SPA but also the Second SPA. The latter being valid, all transactions emanating from it, particularly the mortgage of Lot 19, its subsequent redemption and its second sale, were valid.^[20] Thus, the CA disposed in this wise:

WHEREFORE, the appeal is hereby **GRANTED**. The Decision dated 30 July 2004 is hereby **REVERSED AND SET ASIDE**, and in its stead a new decision is hereby rendered:

1. DECLARING the Special Power of Attorney, dated 21 July 1993, as valid;

2. DECLARING the Special Power of Attorney, dated 03 April 1993, as valid up to the time of its revocation on 24 November 1994;
3. DECLARING the Deed of Absolute [sale], dated 04 November 1991, as ineffective and without any force and effect;
4. DECLARING the Deed of Absolute Sale of Three (3) Parcels of Residential Land, dated 23 August 1994, valid and binding from the very beginning;
5. DECLARING the Deed of Absolute Sale, dated 27 September 1994, also valid and binding from the very beginning;
6. ORDERING the substituted plaintiffs to pay jointly and severally the defendant-appellant Meridian Realty Corporation the sum of Php100,000.00 as moral damages, Php100,000.00 as attorney's fee and Php100,000.00 as litigation expenses; and
7. ORDERING the substituted plaintiffs to pay jointly and severally the defendant-appellants Leila Solutan et al., the sum of Php50,000.00 as moral damages.

SO ORDERED.^[21]

Petitioners filed a motion for reconsideration, but it was denied in the CA Resolution,^[22] dated November 18, 2010. Consequently, they filed the present petition with the following

ASSIGNMENT OF ERRORS

I.

THE HONORABLE COURT OF APPEALS (19TH DIVISION) GRAVELY ERRED WHEN IT DECLARED AS VOID THE FIRST SALE EXECUTED BY THE LATE LUIS ROSAROSO IN FAVOR OF HIS CHILDREN OF HIS FIRST MARRIAGE.

II.

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN NOT SUSTAINING AND AFFIRMING THE RULING OF THE TRIAL COURT DECLARING THE MERIDIAN REALTY CORPORATION A BUYER IN BAD FAITH, DESPITE THE TRIAL COURT'S FINDINGS THAT THE DEED OF SALE (First Sale), IS GENUINE AND HAD FULLY COMPLIED WITH ALL THE LEGAL FORMALITIES.

III.

THE HONORABLE COURT OF APPEALS FURTHER ERRED IN NOT HOLDING THE SALE (DATED 27 SEPTEMBER 1994), NULL AND