

SECOND DIVISION

[G.R. No. 181359, August 05, 2013]

SPOUSES CLEMENCIO C. SABITSANA, JR. AND MA. ROSARIO M. SABITSANA, PETITIONERS, VS. JUANITO F. MUERTEGUI, REPRESENTED BY HIS ATTORNEY-IN-FACT DOMINGO A. MUERTEGUI, JR., RESPONDENT.

D E C I S I O N

DEL CASTILLO, J.:

A lawyer may not, for his own personal interest and benefit, gamble on his client's word, believing it at one time and disbelieving it the next. He owes his client his undivided loyalty.

Assailed in this Petition for Review on *Certiorari*^[1] are the January 25, 2007 Decision^[2] of the Court of Appeals (CA) which denied the appeal in CA-G.R. CV No. 79250, and its January 11, 2008 Resolution^[3] denying petitioner's Motion for Reconsideration.^[4]

Factual Antecedents

On September 2, 1981, Alberto Garcia (Garcia) executed an unnotarized Deed of Sale^[5] in favor of respondent Juanito Muertegui^[6] (Juanito) over a 7,500-square meter parcel of unregistered land (the lot) located in Dalutan Island, Talahid, Almeida, Biliran, Leyte del Norte covered by Tax Declaration (TD) No. 1996 issued in 1985 in Garcia's name.^[7]

Juanito's father Domingo Muertegui, Sr. (Domingo Sr.) and brother Domingo Jr. took actual possession of the lot and planted thereon coconut and *ipil-ipil* trees. They also paid the real property taxes on the lot for the years 1980 up to 1998.

On October 17, 1991, Garcia sold the lot to the Muertegui family lawyer, petitioner Atty. Clemencio C. Sabitsana, Jr. (Atty. Sabitsana), through a notarized deed of absolute sale.^[8] The sale was registered with the Register of Deeds on February 6, 1992.^[9] TD No. 1996 was cancelled and a new one, TD No. 5327,^[10] was issued in Atty. Sabitsana's name. Although Domingo Jr. and Sr. paid the real estate taxes, Atty. Sabitsana also paid real property taxes in 1992, 1993, and 1999. In 1996, he introduced concrete improvements on the property, which shortly thereafter were destroyed by a typhoon.

When Domingo Sr. passed away, his heirs applied for registration and coverage of the lot under the Public Land Act or Commonwealth Act No. 141. Atty. Sabitsana, in a letter^[11] dated August 24, 1998 addressed to the Department of Environment and Natural Resources' CENRO/PENRO office in Naval, Biliran, opposed the application,

claiming that he was the true owner of the lot. He asked that the application for registration be held in abeyance until the issue of conflicting ownership has been resolved.

On April 11, 2000, Juanito, through his attorney-in-fact Domingo Jr., filed Civil Case No. B-1097^[12] for quieting of title and preliminary injunction, against herein petitioners Atty. Sabitsana and his wife, Rosario, claiming that they bought the lot in bad faith and are exercising acts of possession and ownership over the same, which acts thus constitute a cloud over his title. The Complaint^[13] prayed, among others, that the Sabitsana Deed of Sale, the August 24, 1998 letter, and TD No. 5327 be declared null and void and of no effect; that petitioners be ordered to respect and recognize Juanito's title over the lot; and that moral and exemplary damages, attorney's fees, and litigation expenses be awarded to him.

In their Answer with Counterclaim,^[14] petitioners asserted mainly that the sale to Juanito is null and void absent the marital consent of Garcia's wife, Soledad Corto (Soledad); that they acquired the property in good faith and for value; and that the Complaint is barred by prescription and laches. They likewise insisted that the Regional Trial Court (RTC) of Naval, Biliran did not have jurisdiction over the case, which involved title to or interest in a parcel of land the assessed value of which is merely P1,230.00.

The evidence and testimonies of the respondent's witnesses during trial reveal that petitioner Atty. Sabitsana was the Muertegui family's lawyer at the time Garcia sold the lot to Juanito, and that as such, he was consulted by the family before the sale was executed; that after the sale to Juanito, Domingo Sr. entered into actual, public, adverse and continuous possession of the lot, and planted the same to coconut and *ipil-ipil*; and that after Domingo Sr.'s death, his wife Caseldita, succeeded him in the possession and exercise of rights over the lot.

On the other hand, Atty. Sabitsana testified that before purchasing the lot, he was told by a member of the Muertegui family, Carmen Muertegui Davies (Carmen), that the Muertegui family had bought the lot, but she could not show the document of sale; that he then conducted an investigation with the offices of the municipal and provincial assessors; that he failed to find any document, record, or other proof of the sale by Garcia to Juanito, and instead discovered that the lot was still in the name of Garcia; that given the foregoing revelations, he concluded that the Muerteguis were merely bluffing, and that they probably did not want him to buy the property because they were interested in buying it for themselves considering that it was adjacent to a lot which they owned; that he then proceeded to purchase the lot from Garcia; that after purchasing the lot, he wrote Caseldita in October 1991 to inform her of the sale; that he then took possession of the lot and gathered *ipil-ipil* for firewood and harvested coconuts and *calamansi* from the lot; and that he constructed a rip-rap on the property sometime in 1996 and 1997.

Ruling of the Regional Trial Court

On October 28, 2002, the trial court issued its Decision^[15] which decrees as follows:

WHEREFORE, in view of the foregoing considerations, this Court finds in favor of the plaintiff and against the defendants, hereby declaring the

Deed of Sale dated 2 September 1981 as valid and preferred while the Deed of Absolute Sale dated 17 October 1991 and Tax Declaration No. 5327 in the name of Atty. Clemencio C. Sabitsana, Jr. are VOID and of no legal effect.

The Provincial Assessor and the Municipal Assessor of Naval are directed to cancel Tax Declaration No. 5327 as void and done in bad faith.

Further, Atty. Clemencio C. Sabitsana, Jr. is ordered to pay plaintiff Juanito Muertigui, represented by his attorney-in-fact Domingo Muertigui, Jr. the amount[s] of:

- a) P30,000.00 [as] attorney's fees;
- b) P10,000.00 [as] litigation expenses; and
- c) Costs.

SO ORDERED.^[16]

The trial court held that petitioners are not buyers in good faith. Petitioner Atty. Sabitsana was the Muertegui family's lawyer, and was informed beforehand by Carmen that her family had purchased the lot; thus, he knew of the sale to Juanito. After conducting an investigation, he found out that the sale was not registered. With this information in mind, Atty. Sabitsana went on to purchase the same lot and raced to register the sale ahead of the Muerteguis, expecting that his purchase and prior registration would prevail over that of his clients, the Muerteguis. Applying Article 1544 of the Civil Code,^[17] the trial court declared that even though petitioners were first to register their sale, the same was not done in good faith. And because petitioners' registration was not in good faith, preference should be given to the sale in favor of Juanito, as he was the first to take possession of the lot in good faith, and the sale to petitioners must be declared null and void for it casts a cloud upon the Muertegui title.

Petitioners filed a Motion for Reconsideration^[18] but the trial court denied^[19] the same.

Ruling of the Court of Appeals

Petitioners appealed to the CA^[20] asserting that the sale to Juanito was null and void for lack of marital consent; that the sale to them is valid; that the lower court erred in applying Article 1544 of the Civil Code; that the Complaint should have been barred by prescription, laches and estoppel; that respondent had no cause of action; that respondent was not entitled to an award of attorney's fees and litigation expenses; and that they should be the ones awarded attorney's fees and litigation expenses.

The CA, through its questioned January 25, 2007 Decision,^[21] denied the appeal and affirmed the trial court's Decision *in toto*. It held that even though the lot admittedly was conjugal property, the absence of Soledad's signature and consent to the deed did not render the sale to Juanito absolutely null and void, but merely

voidable. Since Garcia and his wife were married prior to the effectivity of the Family Code, Article 173 of the Civil Code^[22] should apply; and under the said provision, the disposition of conjugal property without the wife's consent is not void, but merely voidable. In the absence of a decree annulling the deed of sale in favor of Juanito, the same remains valid.

The CA added that the fact that the Deed of Sale in favor of Juanito was not notarized could not affect its validity. As against the notarized deed of sale in favor of petitioners, the CA held that the sale in favor of Juanito still prevails. Applying Article 1544 of the Civil Code, the CA said that the determining factor is petitioners' good faith, or the lack of it. It held that even though petitioners were first to register the sale in their favor, they did not do so in good faith, for they already knew beforehand of Garcia's prior sale to Juanito. By virtue of Atty. Sabitsana's professional and confidential relationship with the Muertegui family, petitioners came to know about the prior sale to the Muerteguis and the latter's possession of the lot, and yet they pushed through with the second sale. Far from acting in good faith, petitioner Atty. Sabitsana used his legal knowledge to take advantage of his clients by registering his purchase ahead of them.

Finally, the CA declared that Juanito, as the rightful owner of the lot, possessed the requisite cause of action to institute the suit for quieting of title and obtain judgment in his favor, and is entitled as well to an award for attorney's fees and litigation expenses, which the trial court correctly held to be just and equitable under the circumstances.

The dispositive portion of the CA Decision reads:

WHEREFORE, premises considered, the instant appeal is DENIED and the Decision dated October 28, 2002 of the Regional Trial Court, 8th Judicial Region, Branch 16, Naval[,] Biliran, is hereby AFFIRMED. Costs against defendants-appellants.

SO ORDERED.^[23]

Issues

Petitioners now raise the following issues for resolution:

- I. THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE REGIONAL TRIAL COURT DID NOT HAVE JURISDICTION OVER THE CASE IN VIEW OF THE FACT THAT THE ASSESSED VALUE OF THE SUBJECT LAND WAS ONLY P1,230.00 (AND STATED MARKET VALUE OF ONLY P3,450.00).
- II. THE COURT OF APPEALS ERRED IN APPLYING ART. 1544 OF THE CIVIL CODE INSTEAD OF THE PROPERTY REGISTRATION DECREE (P.D. NO. 1529) CONSIDERING THAT THE SUBJECT LAND WAS UNREGISTERED.
- III. THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE COMPLAINT WAS ALREADY BARRED [BY] LACHES AND THE

STATUTE OF LIMITATIONS.

IV. THE COURT OF APPEALS ERRED IN AFFIRMING THE DECISION OF THE REGIONAL TRIAL COURT ORDERING THE PETITIONERS TO PAY ATTORNEY'S FEES AND LITIGATION EXPENSES TO THE RESPONDENT.^[24]

Petitioners' Arguments

Petitioners assert that the RTC of Naval, Biliran did not have jurisdiction over the case. They argue that since the assessed value of the lot was a mere P1,230.00, jurisdiction over the case lies with the first level courts, pursuant to Republic Act No. 7691,^[25] which expanded their exclusive original jurisdiction to include "all civil actions which involve title to, or possession of, real property, or any interest therein where the assessed value of the property or interest therein does not exceed Twenty thousand pesos (P20,000.00) or, in civil actions in Metro Manila, where such assessed value does not exceed Fifty thousand pesos (P50,000.00) exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses and costs."^[26] Petitioners thus conclude that the Decision in Civil Case No. B-1097 is null and void for lack of jurisdiction.

Petitioners next insist that the lot, being unregistered land, is beyond the coverage of Article 1544 of the Civil Code, and instead, the provisions of Presidential Decree (PD) No. 1529 should apply. This being the case, the Deed of Sale in favor of Juanito is valid only as between him and the seller Garcia, pursuant to Section 113 of PD 1529;^[27] it cannot affect petitioners who are not parties thereto.

On the issue of estoppel, laches and prescription, petitioners insist that from the time they informed the Muerteguis in writing about their purchase of the lot, or in October 1991, the latter did not notify them of their prior purchase of the lot, nor did respondent interpose any objection to the sale in their favor. It was only in 1998 that Domingo Jr. showed to petitioners the unnotarized deed of sale. According to petitioners, this seven-year period of silence and inaction on the Muerteguis' part should be taken against them and construed as neglect on their part to assert their rights for an unreasonable length of time. As such, their action to quiet title should be deemed barred by laches and estoppel.

Lastly, petitioners take exception to the award of attorney's fees and litigation expenses, claiming that since there was no bad faith on their part, such award may not be considered just and equitable under the circumstances. Still, an award of attorney's fees should remain the exception rather than the rule; and in awarding the same, there must have been an express finding of facts and law justifying such award, a requirement that is absent in this case.

Petitioners thus pray for the reversal of the questioned CA Decision and Resolution; the dismissal of the Complaint in Civil Case No. B-1097; the deletion of the award of attorney's fees and litigation expenses in respondent's favor; and a declaration that they are the true and rightful owners of the lot.

Respondent's Arguments