

SECOND DIVISION

[G.R. No. 180523, March 26, 2010]

**DOÑA ROSANA REALTY AND DEVELOPMENT CORPORATION AND
SY KA KIENG, PETITIONERS, VS. MOLAVE DEVELOPMENT
CORPORATION REPRESENTED BY TEOFISTA TINITIGAN,
RESPONDENT.**

D E C I S I O N

ABAD, J.:

This case is about the propriety of the trial court's dismissal of the plaintiff's complaint after receiving evidence at a preliminary hearing of the affirmative defenses raised by the defendant.

The Facts and the Case

Carmelita Austria Medina (Medina) owned an 86.4959-hectare land in Anupil, Bamban, Tarlac, covered by Transfer Certificate of Title (TCT) T-31590. On December 16, 1994 she executed a contract to sell the land to respondent Molave Development Corporation (Molave Development), represented by its president, Teofista P. Tinitigan (Tinitigan), for P14 million. Molave Development paid P1 million to Medina upon the signing of the contract and P1.3 million more as first installment. But it refused to pay the rest of the installments on being informed by the Department of Agrarian Reform (DAR) of the existence of alleged tenants on the land.

Two years later or in January 1997, Medina wrote respondent Molave Development a letter, rescinding the contract to sell between them. Molave Development later learned that a month earlier or on December 18, 1996, Medina sold the land to petitioner Doña Rosana Realty and Development Corporation (Doña Rosana Realty) to whom the Register of Deeds issued TCT 288633.

After learning of the sale or on March 3, 1997 respondent Molave Development filed with the Regional Trial Court (RTC) of Capas, Tarlac, an action for specific performance, delivery of possession, and annulment of title in Civil Case 389 against Medina, petitioner Doña Rosana Realty, and its chairman of the board of directors, Sy Ka Kieng. Molave Development claimed that Medina and Doña Rosana Realty conspired to deprive it of the lot and prayed for an award of moral and exemplary damages plus attorney's fees for a total of P1.1 million.

By way of third party complaint, petitioner Doña Rosana Realty sued Medina's nephew, Wilfredo Miranda, and the latter's lawyer, Atty. Delfin Supapo, Jr., for allegedly conniving with Medina in concealing from it the contract to sell that Medina entered into with respondent Molave Development.

The RTC declared Medina in default. Petitioner Doña Rosana Realty, on the other hand, filed an answer and a motion to set the case for preliminary hearing on its special and affirmative defenses. Doña Rosana Realty claimed that it acted in good faith in purchasing the property and that respondent Molave Development was estopped from questioning the sale because it agreed to cancel the contract to sell and, after the complaint was filed, its president, Tinitigan, received from Medina's counsel a P1.3 million partial reimbursement as shown by a receipt dated March 13, 1997.^[1]

For its part, Molave Development presented Tinitigan's letter to Medina dated March 15, 1997, informing the latter that she (Tinitigan) was treating the P1.3 million as partial payment for the damages she sought in the pending case before the trial court.

On February 5, 1998 the RTC denied petitioner Doña Rosana Realty's motion to dismiss^[2] but, on petition with the Court of Appeals (CA), the latter court directed the RTC to conduct a preliminary hearing on Doña Rosana Realty's special affirmative defense of good faith.^[3] The RTC did so and on November 19, 2003 it dismissed the complaint insofar as Doña Rosana Realty and Sy Ka Kieng were concerned.^[4] It held that the latter were buyers in good faith and, therefore, respondent Molave Development had no cause of action against them. On July 16, 2004 the trial court denied Molave Development's motion for reconsideration.^[5]

On appeal, the CA held that contrary to the ruling of the trial court, respondent Molave Development's complaint in fact stated a cause of action against Medina and petitioner Doña Rosana Realty. The CA thus remanded the case to the RTC for further proceedings.^[6] Not satisfied with this ruling, Doña Rosana Realty took recourse to this Court through the present petition.

The Issue Presented

The issue presented in this case is whether or not the CA erred in holding that no ground existed for dismissing respondent Molave Development's complaint against petitioner Doña Rosana Realty given that such complaint stated a cause of action.

The Court's Ruling

The CA held, after closely examining respondent Molave Development's complaint below, that the same in fact stated a cause of action. The complaint alleged that the "circumstances show conspiracy and/or collusion to defraud plaintiffs by defendants."

But the CA seems to have missed the point in the RTC decision. It will be recalled that petitioner Doña Rosana Realty filed a motion with the RTC to hear and resolve its affirmative defenses. The RTC did so and resolved to deny the motion. On a petition filed with the CA, however, the latter court directed the RTC to hear and resolve Doña Rosana Realty's affirmative defense of good faith in buying Medina's property. The RTC complied and, after hearing the evidence of the parties, dismissed the case, holding that Doña Rosana Realty and its president were buyers of the property in good faith and Molave Development **did not have a cause of action** against them. Clearly, The RTC did not dismiss the case on the ground that **the**