

SECOND DIVISION

[G.R. No. 187824, November 17, 2010]

**FILINVEST DEVELOPMENT CORPORATION, PETITIONER, VS.
GOLDEN HAVEN MEMORIAL PARK, INC., RESPONDENT.**

[G.R. NO. 188265]

**GOLDEN HAVEN MEMORIAL PARK, INC., PETITIONER, VS.
FILINVEST DEVELOPMENT CORPORATION, RESPONDENT.**

D E C I S I O N

ABAD, J.:

These cases are about which of two real estate developers, both buyers of the same lands, acted in good faith and has a better title to the same.

The Facts and the Case

Petronila Yap (Yap), Victoriano and Policarpio Vivar (the Vivars), Benjamin Cruz (Cruz), Juan Aquino (Aquino), Gideon Corpuz (Corpuz), and Francisco Sobremesana (Sobremesana), and some other relatives inherited a parcel of land in Las Piñas City covered by Transfer Certificate of Title (TCT) 67462 RT-1. Subsequently, the heirs had the land divided into 13 lots and, in a judicial partition, the court distributed four of the lots as follows: a) Lots 1 and 12 to Aquino; b) Lot 2 to Corpuz and Sobremesana; and (c) Lot 6 to Yap, Cruz, and the Vivars. The other lots were distributed to the other heirs.

On March 6, 1989 Yap, acting for herself and for Cruz and the Vivars, executed an agreement to sell Lot 6 in favor of Golden Haven Memorial Park, Inc. (GHM), payable in three installments. On July 31, 1989 another heir, Aquino, acting for himself and for Corpuz and Sobremesana, also executed an agreement to sell Lots 1, 2, and 12 in favor of GHM, payable in the same manner. In both instances, GHM paid the first installment upon execution of the contract.

On August 4, 1989 GHM caused to be annotated a Notice of Adverse Claim on TCT 67462 RT-1. On September 20, 1989 the sellers of the four lots wrote GHM that they were still working on the titling of the lots in their names and wanted to know if GHM was still interested in proceeding with their agreements. GHM replied in the affirmative on September 21, 1989 and said that it was just waiting for the sellers' titles so it can pay the second installments.

Sometime in August of 1989, Filinvest Development Corporation (Filinvest) applied for the transfer in its name of the titles over Lots 2, 4, and 5 but the Las Piñas Register of Deeds declined its application. Upon inquiry, Filinvest learned that Lot 8, a lot belonging to some other heir or heirs and covered by the same mother title,

had been sold to Household Development Corporation (HDC), a sister company of GHM, and HDC held the owner's duplicate copy of that title. Filinvest immediately filed against HDC a petition for the surrender and cancellation of the co-owners' duplicate copy of TCT 67462 RT-1. Filinvest alleged that it bought Lots 1, 2, 6, and 12 of the property from their respective owners as evidenced by three deeds of absolute sale in its favor dated September 10, November 18, and December 29, 1989 and that Filinvest was entitled to the registrations of such sales.

On January 14, 1991 GHM filed against the sellers and Filinvest a complaint for the annulment of the deeds of sale issued in the latter's favor before the Regional Trial Court (RTC) of Las Piñas City in Civil Case 91-098. On March 16, 2006 the RTC rendered a decision after trial, declaring the contracts to sell executed by some of the heirs in GHM's favor valid and enforceable and the sale in favor of Filinvest null and void. Only Filinvest appealed among the defendants.

On November 25, 2008 the Court of Appeals (CA) affirmed the RTC decision with respect to the validity of the contract to sell Lot 6 in GHM's favor. But the CA declared the contracts to sell Lots 1, 2, and 12 in GHM's favor void and the sale of the same lots in favor of Filinvest valid.

Both parties filed their petitions for review before this Court, Filinvest in G.R. 187824, and GHM in G.R. 188265.

The Issue Presented

The issue presented in these cases is whether or not the contracts to sell that the sellers executed in GHM's favor covering the same lots sold to Filinvest are valid and enforceable.

The Court's Ruling

To prove good faith, the rule is that the buyer of registered land needs only show that he relied on the title that covers the property. But this is true only when, at the time of the sale, the buyer was unaware of any adverse claim to the property.^[1] Otherwise, the law requires the buyer to exercise a higher degree of diligence before proceeding with his purchase. He must examine not only the certificate of title, but also the seller's right and capacity to transfer any interest in the property.^[2] In such a situation, the buyer must show that he exercised reasonable precaution by inquiring beyond the four corners of the title.^[3] Failing in these, he may be deemed a buyer in bad faith.^[4]

Here, Filinvest was on notice that GHM had caused to be annotated on TCT 67462 RT-1, the mother title, as early as August 4, 1989 a notice of adverse claim covering Lot 6. This notwithstanding, Filinvest still proceeded to buy Lots 1, 2, 6, and 12 on September 10, November 18, and December 29, 1989.

Filinvest of course contends that, although the title carried a notice of adverse claim, that notice was only with respect to seller Yap's interest in Lot 6 and it did not affect Lots 1, 2, 12, and the remaining interests in Lot 6. The Court disagrees.

The annotation of an adverse claim is intended to protect the claimant's interest in