

FIRST DIVISION

[G.R. No. 172172, February 24, 2009]

SPS. ERNESTO V. YU AND ELSIE ONG YU, PETITIONERS, VS. BALTAZAR N. PACLEB, (SUBSTITUTED BY ANTONIETA S. PACLEB, LORNA PACLEB- GUERRERO, FLORENCIO C. PACLEB, AND MYRLA C. PACLEB), RESPONDENTS.

DECISION

PUNO, C.J.:

Before the Court is a Petition filed under Rule 45 of the Rules of Court assailing: (i) the Decision^[1] dated August 31, 2005 of the Court of Appeals in CA-G.R. CV No. 78629 setting aside the Decision^[2] dated December 27, 2002 of the Regional Trial Court in Civil Case No. 1325-96; and (ii) the Resolution^[3] dated April 3, 2006 of the Court of Appeals denying reconsideration of the said decision.

The facts are well established.

Respondent Baltazar N. Pacleb and his late first wife, Angelita Chan, are the registered owners of an 18,000-square meter parcel of land in Barrio Langcaan, Dasmariñas, Cavite, covered by Transfer Certificate of Title (TCT) No. T-118375^[4] (Langcaan Property).

In 1992, the Langcaan Property became the subject of three (3) documents purporting to transfer its ownership. On February 27, 1992, a Deed of Absolute Sale^[5] was entered into between Spouses Baltazar N. Pacleb and Angelita Chan and Rebecca Del Rosario. On May 7, 1992, a Deed of Absolute Sale^[6] was entered into between Rebecca Del Rosario and Ruperto L. Javier (Javier). On November 10, 1992, a Contract to Sell^[7] was entered into between Javier and petitioner spouses Ernesto V. Yu and Elsie Ong Yu. In their contract, petitioner spouses Yu agreed to pay Javier a total consideration of P900,000. Six hundred thousand pesos (P600,000) (consisting of P200,000 as previous payment and P400,000 to be paid upon execution of the contract) was acknowledged as received by Javier and P300,000 remained as balance. Javier undertook to deliver possession of the Langcaan Property and to sign a deed of absolute sale within thirty (30) days from execution of the contract.

All the aforementioned sales were not registered.

On April 23, 1993, petitioner spouses Yu filed with the Regional Trial Court of Imus, Cavite, a Complaint^[8] for specific performance and damages against Javier, docketed as Civil Case No. 741-93, to compel the latter to deliver to them ownership and possession, as well as title to the Langcaan Property. In their Complaint, they alleged that Javier represented to them that the Langcaan Property was not

tenanted. However, after they already paid P200,000 as initial payment and entered into an Agreement dated September 11, 1992 for the sale of the Langcaan Property, they discovered it was tenanted by Ramon C. Pacleb (Ramon).^[9] Petitioner spouses demanded the cancellation of their agreement and the return of their initial payment. Thereafter, petitioner spouses and Javier verified from Ramon if he was willing to vacate the property and the latter was agreeable. Javier then promised to make arrangements with Ramon to vacate the property and to pay the latter his disturbance compensation. Hence, they proceeded to enter into a Contract to Sell canceling the Agreement mentioned. However, Javier failed to comply with his obligations.

Javier did not appear in the proceedings and was declared in default. On September 8, 1994, the trial court rendered a Decision,^[10] the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered for the plaintiff and against the defendant based on the sale of subject parcel of land to the former who is entitled thereby to the ownership and possession thereof from the said defendant who is further directed to pay damages of Thirty Thousand Pesos (P30,000.00) including attorney's fees and expenses incurred by the plaintiff in this case as a consequence.

The defendant is further directed to deliver the certificate of title of the land to the plaintiff who is entitled to it as transferee and new owner thereof upon payment by the plaintiff of his balance of the purchase price in the sum of Three Hundred Thousand Pesos (P300,000.00) with legal interest from date.

SO ORDERED.

The said Decision and its Certificate of Finality^[11] were annotated on TCT No. T-118375 as Entry No. 2676-75^[12] and Entry No. 2677-75,^[13] respectively.

On March 10, 1995, petitioner spouses and Ramon and the latter's wife, Corazon Bodino, executed a "*Kusangloob na Pagsasauli ng Lupang Sakahan at Pagpapahayag ng Pagtalikod sa Karapatan*."^[14] Under the said agreement, petitioner spouses paid Ramon the amount of P500,000 in exchange for the waiver of his tenancy rights over the Langcaan Property.

On October 12, 1995, respondent filed a Complaint^[15] for annulment of deed of sale and other documents arising from it, docketed as Civil Case No. 1199-95. He alleged that the deed of sale purportedly executed between him and his late first wife and Rebecca Del Rosario was spurious as their signatures thereon were forgeries. Respondent moved to have summons served upon Rebecca Del Rosario by publication since the latter's address could not be found. The trial court, however, denied his motion.^[16] Respondent then moved to dismiss the case, and the trial court granted the motion in its Order^[17] dated April 11, 1996, dismissing the case without prejudice.

Meanwhile, on November 23, 1995, petitioner spouses filed an action for forcible entry against respondent with the Municipal Trial Court (MTC). They alleged that

they had prior physical possession of the Langcaan Property through their trustee, Ramon, until the latter was ousted by respondent in September 1995. The MTC ruled in favor of petitioner spouses, which decision was affirmed by the Regional Trial Court.^[18] However, the Court of Appeals set aside the decisions of the lower courts and found that it was respondent who had prior physical possession of the property as shown by his payment of real estate taxes thereon.^[19]

On May 29, 1996, respondent filed the instant case for removal of cloud from title with damages to cancel Entry No. 2676-75 and Entry No. 2677-75, the annotated Decision in Civil Case No. 741-93 and its Certificate of Finality, from the title of the Langcaan Property.^[20] Respondent alleged that the deed of sale between him and his late first wife and Rebecca Del Rosario, who is not known to them, could not have been possibly executed on February 27, 1992, the date appearing thereon. He alleged that on said date, he was residing in the United States^[21] and his late first wife, Angelita Chan, died twenty (20) years ago.^[22]

On May 28, 1997, during the pendency of the instant case before the trial court, respondent died without having testified on the merits of his case. Hence, he was substituted by his surviving spouse, Antonieta S. Pacleb, and Lorna Pacleb-Guerrero, Florencio C. Pacleb and Myrla C. Pacleb representing the children with the first wife.^[23]

On December 27, 2002, the trial court dismissed respondent's case and held that petitioner spouses are purchasers in good faith.^[24] The trial court ratiocinated that the dismissal of respondent's complaint for annulment of the successive sales at his instance "sealed the regularity of the purchase"^[25] by petitioner spouses and that he "in effect admits that the said sale...was valid and in order."^[26] Further, the trial court held that the Decision in Civil Case No. 741-93 on petitioner spouses' action for specific performance against Javier is already final and can no longer be altered. Accordingly, the trial court ordered the cancellation of TCT No. T-118375 in the name of respondent and the issuance of a new title in the name of petitioner spouses. The trial court also ordered the heirs of respondent and all persons claiming under them to surrender possession of the Langcaan Property to petitioner spouses.

On appeal by respondent, the Court of Appeals reversed and set aside the decision of the trial court.^[27] The Court of Appeals ruled that petitioner spouses are not purchasers in good faith and that the Decision in Civil Case No. 741-93 did not transfer ownership of the Langcaan Property to them. Accordingly, the appellate court ordered the cancellation of the annotation of the Decision in Civil Case No. 741-93 on the title of the Langcaan Property. The Court of Appeals denied reconsideration of said decision.^[28]

Hence, this Petition.

Two issues are involved in the instant petition. The first is whether petitioner spouses are innocent purchasers for value and in good faith. The second is whether ownership over the Langcaan Property was properly vested in petitioner spouses by virtue of the Decision in Civil Case No. 741-93.

Petitioner spouses argue that they are purchasers in good faith. Further, they contend that the Court of Appeals erred in finding that: "Ramon told him [Ernesto V. Yu] that the property is owned by his father, Baltazar, and that he is the mere caretaker thereof"[29] since Ramon clarified that his father was the **former** owner of the Langcaan Property. In support of their stance, they cite the following testimony of petitioner Ernesto V. Yu:

Atty. Abalos: Mr. Witness, you testified during the direct that you acquired the subject property from one Ruperto Javier, when for the first time have you come to know Mr. Ruperto Javier?

A: I first came to know him in the year 1992 when he was accompanied by Mr. Kalagayan. He showed me some papers to the office.

Q: Do you know the exact date Mr. Witness?

A: I forgot the exact date, ma'am

Q: .More or less can you estimate what month?

A: Sometime in February or March 1992.

Q: When you said that the subject property was offered to you for sale, what did you do Mr. Witness, in preparation for a transaction?

A: I asked my lawyer Atty. Florencio Paredes to check and verify the Deed of Sale.

Q: And after Atty. Florencio Paredes verified the document you decided to buy the property?

A: No, ma'am. We visited the place.

Q: When was that?

A: I could not remember the exact date but I visited the place and I met the son, Ramon Pacleb. I went there in order to verify if the property is existing. When I verified that the property is existing Mr. Javier visited me again to follow-up what decision I have but I told him that I will wait for my lawyer's advi[c]e.

Q: Mr. Witness, what particular instruction did you give to your lawyer?

A: To verify the title and the documents.

Court: Documents for the title?

A: Yes, Your Honor.

Atty. When you were able to get the title in whose name the Abalos: title was registered?

A: It was registered in the name of the older Pacleb.

Court: By the way Mr. Witness, when you said you met Ramon Pacleb the son of the owner of the property, was he residing there or he was (sic) just went there? When you visited the property did you find him to be residing in that property?

A: No, Your Honor.

Atty. You mean to say Mr. Witness, you just met Mr. Ramon Abalos: Pacleb in the place at the time you went there?

A: No, ma'am. He went to my office with Mr. Kalagayan. He was introduced to me at the Kelly Hardware. I do not know Mr. Ruperto Javier. He told me that there is a property that [is] tenanted and occupied by the son Ramon Pacleb after that I went with them to visit the place. On (sic) there he introduced me [to] Mr. Ramon Pacleb the caretaker of the property and I told them that I will still look at the property and he gave me some documents and that (sic) documents I gave it to my lawyer for verification.

Q: You said that Mr. Ruperto Javier went to your office with Mr. Kalagayan, so the first time you visited the property you did not see Mr. Ramon Pacleb there?

A: No, ma'am. When I went there I met Ramon Pacleb the caretaker and he was the one who showed the place to us.

Q: Mr. Witness, since you visited the place you were able to see the allege[d] caretaker Mr. Ramon Pacleb, did you ask him regarding the property or the whereabouts of the registered owner, did you ask him?

A: When Ruperto introduced me to Mr. Ramon Pacleb he told me that he is the son of the owner and he is the caretaker and his father is in the States. He showed me the place, I verified and I saw the monuments and I told him I will come back to check the papers and if it is okay I will bring with me the surveyor.

Q: **Could you estimate Mr. Witness, more or less what was the month when you were able to talk to Mr. Ramon Pacleb?**

A: I am not sure but it was morning of February.

Q: So it was in February, Mr. Witness?