613 Phil. 367

THIRD DIVISION

[G.R. No. 160346, August 25, 2009]

PURITA PAHUD, SOLEDAD PAHUD, AND IAN LEE CASTILLA (REPRESENTED BY MOTHER AND ATTORNEY-IN-FACT VIRGINIA CASTILLA), PETITIONERS, VS. COURT OF APPEALS, SPOUSES ISAGANI BELARMINO AND LETICIA OCAMPO, EUFEMIA SAN AGUSTIN-MAGSINO, ZENAIDA SAN AGUSTIN-MCCRAE, MILAGROS SAN AGUSTIN-FORTMAN, MINERVA SAN AGUSTIN-ATKINSON, FERDINAND SAN AGUSTIN, RAUL SAN AGUSTIN, ISABELITA SAN AGUSTIN-LUSTENBERGER AND VIRGILIO SAN AGUSTIN, RESPONDENTS.

DECISION

NACHURA, J.:

For our resolution is a petition for review on *certiorari* assailing the April 23, 2003 Decision[1] and October 8, 2003 Resolution[2] of the Court of Appeals (CA) in CA-G.R. CV No. 59426. The appellate court, in the said decision and resolution, reversed and set aside the January 14, 1998 Decision[3] of the Regional Trial Court (RTC), which ruled in favor of petitioners.

The dispute stemmed from the following facts.

During their lifetime, spouses Pedro San Agustin and Agatona Genil were able to acquire a 246-square meter parcel of land situated in *Barangay* Anos, Los Baños, Laguna and covered by Original Certificate of Title (OCT) No. O-(1655) 0-15.[4] Agatona Genil died on September 13, 1990 while Pedro San Agustin died on September 14, 1991. Both died intestate, survived by their eight (8) children: respondents Eufemia, Raul, Ferdinand, Zenaida, Milagros, Minerva, Isabelita and Virgilio.

Sometime in 1992, Eufemia, Ferdinand and Raul executed a Deed of Absolute Sale of Undivided Shares[5] conveying in favor of petitioners (the Pahuds, for brevity) their respective shares from the lot they inherited from their deceased parents for P525,000.00.[6] Eufemia also signed the deed on behalf of her four (4) other co-heirs, namely: Isabelita on the basis of a special power of attorney executed on September 28, 1991,[7] and also for Milagros, Minerva, and Zenaida but without their apparent written authority.[8] The deed of sale was also not notarized.[9]

On July 21, 1992, the Pahuds paid P35,792.31 to the Los Baños Rural Bank where the subject property was mortgaged.[10] The bank issued a release of mortgage and turned over the owner's copy of the OCT to the Pahuds.[11] Over the following months, the Pahuds made more payments to Eufemia and her siblings totaling to

P350,000.00.[12] They agreed to use the remaining P87,500.00[13] to defray the payment for taxes and the expenses in transferring the title of the property.[14] When Eufemia and her co-heirs drafted an extra-judicial settlement of estate to facilitate the transfer of the title to the Pahuds, Virgilio refused to sign it.[15]

On July 8, 1993, Virgilio's co-heirs filed a complaint[16] for judicial partition of the subject property before the RTC of Calamba, Laguna. On November 28, 1994, in the course of the proceedings for judicial partition, a Compromise Agreement[17] was signed with seven (7) of the co-heirs agreeing to sell their undivided shares to Virgilio for P700,000.00. The compromise agreement was, however, not approved by the trial court because Atty. Dimetrio Hilbero, lawyer for Eufemia and her six (6) co-heirs, refused to sign the agreement because he knew of the previous sale made to the Pahuds.[18]

On December 1, 1994, Eufemia acknowledged having received P700,000.00 from Virgilio.[19] Virgilio then sold the entire property to spouses Isagani Belarmino and Leticia Ocampo (Belarminos) sometime in 1994. The Belarminos immediately constructed a building on the subject property.

Alarmed and bewildered by the ongoing construction on the lot they purchased, the Pahuds immediately confronted Eufemia who confirmed to them that Virgilio had sold the property to the Belarminos.[20] Aggrieved, the Pahuds filed a complaint in intervention[21] in the pending case for judicial partition.

After trial, the RTC upheld the validity of the sale to petitioners. The dispositive portion of the decision reads:

> WHEREFORE, the foregoing considered, the Court orders:
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> 1. the sale of the 7/8 portion of the property covered by OCT No. O (1655) O-15 by the plaintiffs as heirs of deceased Sps. Pedro San Agustin and Agatona Genil in favor of the Intervenors-Third Party plaintiffs as valid and enforceable, but obligating the Intervenors-Third Party plaintiffs to complete the payment of the purchase price of P437,500.00 by paying the balance of P87,500.00 to defendant Fe (sic) San Agustin Magsino. Upon receipt of the balance, the plaintiff shall formalize the sale of the 7/8 portion in favor of the Intervenor[s]-Third Party plaintiffs;
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> 2. declaring the document entitled "Salaysay sa Pagsang-ayon sa Bilihan" (Exh. "2-a") signed by plaintiff Eufemia San Agustin attached to the unapproved Compromise Agreement (Exh. "2") as not a valid sale in favor of defendant Virgilio San Agustin;
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> 3. declaring the sale (Exh. "4") made by defendant Virgilio San Agustin of the property covered by OCT No. O (1655)-O-15 registered in the names of Spouses Pedro San Agustin and Agatona Genil in favor of Third-party defendant Spouses Isagani and Leticia Belarmino as not a valid sale and as inexistent;

4. declaring the defendant Virgilio San Agustin and the Third-Party defendants spouses Isagani and Leticia Belarmino as in bad faith in buying the portion of the property already sold by the plaintiffs in favor of the Intervenors-Third Party Plaintiffs and the Third-Party Defendant Sps. Isagani and Leticia Belarmino in constructing the two-[storey] building in (*sic*)the property subject of this case; and

5. declaring the parties as not entitled to any damages, with the parties shouldering their respective responsibilities regarding the payment of attorney[']s fees to their respective lawyers.

No pronouncement as to costs.

SO ORDERED.[22]

Not satisfied, respondents appealed the decision to the CA arguing, in the main, that the sale made by Eufemia for and on behalf of her other co-heirs to the Pahuds should have been declared void and inexistent for want of a written authority from her co-heirs. The CA yielded and set aside the findings of the trial court. In disposing the issue, the CA ruled:

WHEREFORE, in view of the foregoing, the Decision dated January 14, 1998, rendered by the Regional Trial Court of Calamba, Laguna, Branch 92 in Civil Case No. 2011-93-C for *Judicial Partition* is hereby REVERSED and SET ASIDE, and a new one entered, as follows:

(1) The case for partition among the plaintiffs-appellees and appellant Virgilio is now considered closed and terminated;

(2) Ordering plaintiffs-appellees to return to intervenors-appellees the total amount they received from the latter, plus an interest of 12% per annum from the time the complaint [in] intervention was filed on April 12, 1995 until actual payment of the same;

(3) Declaring the sale of appellant Virgilio San Agustin to appellants spouses, Isagani and Leticia Belarmino[,] as valid and binding;

(4) Declaring appellants-spouses as buyers in good faith and for value and are the owners of the subject property.

No pronouncement as to costs.

SO ORDERED.[23]

Petitioners now come to this Court raising the following arguments:

I. The Court of Appeals committed grave and reversible error when it did not apply the second paragraph of Article 1317 of the New Civil Code insofar as ratification is concerned to the sale of the 4/8 portion of the subject property executed by respondents San Agustin in favor of petitioners;

II. The Court of Appeals committed grave and reversible error in holding that respondents spouses Belarminos are in good faith when they bought the subject property from respondent Virgilio San Agustin despite the findings of fact by the court *a quo* that they were in bad faith which clearly contravenes the presence of long line of case laws upholding the task of giving utmost weight and value to the factual findings of the trial court during appeals; [and]

III. The Court of Appeals committed grave and reversible error in holding that respondents spouses Belarminos have superior rights over the property in question than petitioners despite the fact that the latter were prior in possession thereby misapplying the provisions of Article 1544 of the New Civil Code.[24]

The focal issue to be resolved is the status of the sale of the subject property by Eufemia and her co-heirs to the Pahuds. We find the transaction to be valid and enforceable.

Article 1874 of the Civil Code plainly provides:

> Art. 1874. When a sale of a piece of land or any interest therein is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void.

Also, under Article 1878,[25] a special power of attorney is necessary for an agent to enter into a contract by which the ownership of an immovable property is transmitted or acquired, either gratuitously or for a valuable consideration. Such stringent statutory requirement has been explained in *Cosmic Lumber Corporation v. Court of Appeals*:[26]

> [T]he authority of an agent to execute a contract [of] sale of real estate must be conferred in writing and must give him **specific authority**, either to conduct the general business of the principal or to execute a binding contract containing terms and conditions which are in the contract he did execute. A special power of attorney is necessary to enter into any contract by which the ownership of an immovable is transmitted or acquired either gratuitously or for a valuable consideration. **The express mandate** required by law to enable an appointee of an agency (couched) in general terms to sell **must be one that expressly mentions a sale or that includes a sale as a necessary ingredient of the act mentioned.** For the principal to confer the right upon an agent to sell real estate, a power of attorney must so express the powers of the agent in clear and unmistakable language. When there is any reasonable doubt that the language so used conveys such power, no such construction shall be given the document.[27]

In several cases, we have repeatedly held that the absence of a written authority to sell a piece of land is, *ipso jure*, void,[28] precisely to protect the interest of an unsuspecting owner from being prejudiced by the unwarranted act of another.

Based on the foregoing, it is not difficult to conclude, in principle, that the sale made by Eufemia, Isabelita and her two brothers to the Pahuds sometime in 1992 should

be valid only with respect to the 4/8 portion of the subject property. The sale with respect to the 3/8 portion, representing the shares of Zenaida, Milagros, and Minerva, is void because Eufemia could not dispose of the interest of her co-heirs in the said lot absent any written authority from the latter, as explicitly required by law. This was, in fact, the ruling of the CA.

Still, in their petition, the Pahuds argue that the sale with respect to the 3/8 portion of the land should have been deemed ratified when the three co-heirs, namely: Milagros, Minerva, and Zenaida, executed their respective special power of attorneys[29] authorizing Eufemia to represent them in the sale of their shares in the subject property.[30]

While the sale with respect to the 3/8 portion is void by express provision of law and not susceptible to ratification,[31] we nevertheless uphold its validity on the basis of the common law principle of estoppel.

Article 1431 of the Civil Code provides:

> Art. 1431. Through estoppel an admission or representation is rendered conclusive upon the person making it, and cannot be denied or disproved as against the person relying thereon.

True, at the time of the sale to the Pahuds, Eufemia was not armed with the requisite special power of attorney to dispose of the 3/8 portion of the property. Initially, in their answer to the complaint in intervention,[32] Eufemia and her other co-heirs denied having sold their shares to the Pahuds. During the pre-trial conference, however, they admitted that they had indeed sold 7/8 of the property to the Pahuds sometime in 1992.[33] Thus, the previous denial was superseded, if not accordingly amended, by their subsequent admission.[34] Moreover, in their Comment,[35] the said co-heirs again admitted the sale made to petitioners.[36]

Interestingly, in no instance did the three (3) heirs concerned assail the validity of the transaction made by Eufemia to the Pahuds on the basis of want of written authority to sell. They could have easily filed a case for annulment of the sale of their respective shares against Eufemia and the Pahuds. Instead, they opted to remain silent and left the task of raising the validity of the sale as an issue to their co-heir, Virgilio, who is not privy to the said transaction. They cannot be allowed to rely on Eufemia, their attorney-in-fact, to impugn the validity of the first transaction because to allow them to do so would be tantamount to giving premium to their sister's dishonest and fraudulent deed. Undeniably, therefore, the silence and passivity of the three co-heirs on the issue bar them from making a contrary claim.

It is a basic rule in the law of agency that a principal is subject to liability for loss caused to another by the latter's reliance upon a deceitful representation by an agent in the course of his employment (1) if the representation is authorized; (2) if it is within the implied authority of the agent to make for the principal; or (3) if it is apparently authorized, regardless of whether the agent was authorized by him or not to make the representation.[37]

By their continued silence, Zenaida, Milagros and Minerva have caused the Pahuds to believe that they have indeed clothed Eufemia with the authority to transact on