

SECOND DIVISION

[G.R. No. 165888, September 14, 2007]

**SPS. BRILLY V. BERNARDEZ AND OLIVIA BALISI-BERNARDEZ,
PETITIONERS, VS. HON. COURT OF APPEALS AND SPS.
LEOPOLDO MAGTOTO AND CLARITA MAGTOTO, RESPONDENTS.**

D E C I S I O N

QUISUMBING, J.:

For review on certiorari are both the Decision^[1] dated September 7, 2004 and the Resolution^[2] dated November 5, 2004 of the Court of Appeals in CA-G.R. CV No. 78642, which had affirmed the Decision^[3] dated October 15, 2002 of the Regional Trial Court (RTC) of Quezon City, Branch 80 in Civil Case No. Q-98-36074.

The facts, borne by the records, are as follows:

Aurea Paredes Vda. de Pascual and Araceli Felicia P. Sevilla are among the registered owners of a parcel of land covered by Transfer Certificate of Title (TCT) No. RT-18756 (224112) PR-26276 consisting of 746 square meters located at No. 315 Roosevelt Avenue, San Francisco Del Monte, Quezon City. On the said lot stands a four-door apartment.

Sometime in 1970, herein respondent spouses Leopoldo and Clarita Magtoto rented a unit of the apartment and used it as a grocery store. After several years, they also rented the adjoining unit as a junkshop.

In December 1985, Aurea, represented by her attorney-in-fact, Araceli, sold to the Magtoto spouses the two units consisting of 154 square meters for ₱700,000.00. The Conditional Deed of Sale executed by the parties stated:

1. That the VENDEE shall pay the VENDOR the sum of ONE HUNDRED FIFTY THOUSAND (₱150,000.00) PESOS representing the down payment;
2. That the subject property will be resurveyed to determine the exact area and a separate title will be applied in favor of the VENDEE;
3. That upon issuance of said title, the same will be used to apply for a loan, after which, the sum of TWO HUNDRED THOUSAND (₱200,000.00) PESOS will be paid to the VENDOR as part of the purchase price;
4. That the remaining balance of the purchase price shall be annotated at the back of the title which shall be paid by the VENDEE to the VENDOR within one (1) year from January 15, 1986 to January 15, 1987; on a monthly basis of ₱27,500 per month;
5. That in case any of the aforementioned terms and conditions will not materialize, this Conditional Deed of Sale shall automatically

and without any formality, becomes null and void, and the VENDOR is given the right to retain 15% of the down payment as rentals of the premises.^[4]

However, in July 1990, Araceli, as co-owner and attorney-in-fact of the other co-owners, offered to sell the whole lot consisting of 746 square meters to herein petitioner spouses Brilly and Olivia Bernardez. At that time, the property was mortgaged in favor of Banco Filipino; but the mortgage was cancelled upon payment of ₱754,753.26 by the Bernardez spouses.

Meanwhile, the Magtoto spouses filed a complaint for injunction and damages against Aurea and Araceli for their alleged refusal to honor the first Conditional Deed of Sale disposing of the 154-square meter portion of the property. A notice of *lis pendens* was accordingly inscribed at the back of TCT No. RT-18756 (224112) PR-26276 in October 1990.

In November 1990, a second Deed of Conditional Sale^[5] was executed by Aurea and Araceli, this time over the whole lot consisting of 746 square meters, in favor of the Bernardez spouses, for ₱7,000,000.00 payable as follows:

- A. PESOS: One Million (₱1,000,000.00), Philippine Currency, upon execution hereof and receipt of which is hereby acknowledged by the VENDOR to their complete satisfaction;
- B. PESOS: Two Million (₱2,000,000.00), Philippine Currency, upon submission to the VENDEE by co-owner Araceli Felicia P. Pascual-Sevilla of the appropriate Special Power/s of Attorney from her co-owners re-confirming her authority to represent them in this transaction, which submission Vendor Araceli Felicia P. Pascual-Sevilla undertakes shall be not later than 15 January 1991;
- C. PESOS: Two Million (₱2,000,000.00), Philippine Currency, on or before 31 January 1991, provided that Vendor Araceli Felicia P. Pascual-Sevilla's authority as attorney-in-fact of her other co-owners has been reconfirmed as above provided, and that the Certificate of Title to the property which the VENDOR represented to have been destroyed by the fire that hit the Quezon City Hall including the offices of the Register of Deeds, shall have been duly reconstituted in accordance with law;
- D. PESOS: Two Million (₱2,000,000.00), Philippine Currency, on or before 15 May 1991, provided the conditions stated in the immediately preceding paragraph have been fully satisfied and the premises shall have been completely vacated by tenants and other occupants; otherwise, this installment payment shall become due and payable only on such later date as all such prior conditions shall have been fully and completely complied with.^[6]

Thereafter, the Bernardez spouses paid ₱1,000,000.00 as down payment and the second Deed of Conditional Sale was annotated on TCT No. RT-18756 (224112) PR-26276.

In an interesting twist, the notice of *lis pendens* was meanwhile cancelled by virtue of an alleged court order, which the RTC later disclaimed. Upon discovery of the forgery, the trial court immediately ordered the re-annotation of the notice of *lis*

pendens.

Alarmed by the forgery, the Magtoto spouses informed the Bernardez spouses of the pending case involving the disputed property and advised them to review the sale before they make the next payment.^[7]

In the intervening time, the trial court dismissed the civil case filed by the Magtoto spouses. The latter appealed the said dismissal to the Court of Appeals.

Meanwhile, the Bernardez spouses and the vendors entered into a Memorandum of Agreement^[8] concerning the second Deed of Conditional Sale. Under the said agreement, the spouses made an additional payment of P2,300,000.00 in order to proceed with the sale.

Acting on the appeal filed by the Magtoto spouses, the Court of Appeals ruled favorably, to wit:

WHEREFORE, in view of the foregoing considerations, the decision appealed from is hereby **REVERSED** and **SET ASIDE** and a new one is **entered**:

1) Declaring the Conditional Deed of Sale enforceable in accordance with this Decision;

2) Ordering the appellees to cause the issuance of a separate title in favor of the appellants covering 154 square meters of the lot, and upon the issuance of said title, the appellants are ordered to comply with their obligation under condition no. 3 of the contract;

3) After the above-mentioned have been complied with, the appellants are ordered to pay P8,500.00 to the appellees representing the deficiency in the July installment and thereafter to pay the monthly installment of P27,500.00 for six (6) consecutive months; and

4) Pending its full payment, the remaining balance aforementioned shall be annotated at the separate title of the appellants in compliance with the terms of the contract.

No pronouncement as to costs.

SO ORDERED.^[9]

Consequently, a deed of conveyance was issued in favor of the Magtoto spouses. Forthwith, a separate title was issued in their name under TCT No. N-187873.

Undaunted, the Bernardez spouses filed a Complaint^[10] for specific performance with damages and annulment of title against the Magtoto spouses and the vendors.

The case was dismissed for lack of merit, which dismissal the Court of Appeals affirmed in its assailed Decision and Resolution.

Hence, the instant petition raising the following as issues: