

SECOND DIVISION

[G.R. NO. 152199, June 23, 2005]

LUIS S. MISTERIO, GABRIEL S. MISTERIO, FRANCIS S. MISTERIO, THELMA S. MISTERIO AND ESTELLA S. MISTERIO-TAGIMACRUZ, PETITIONERS, VS. CEBU STATE COLLEGE OF SCIENCE AND TECHNOLOGY (CSCST), DULY REPRESENTED BY ITS PRESIDENT, DR. JOSE SAL TAN, RESPONDENT.

D E C I S I O N

CALLEJO, SR., J.:

This is a petition for review on *certiorari* to annul the Decision^[1] dated July 31, 2000 of the Court of Appeals (CA) in CA-G.R. CV No. 53592, as well as its Resolution^[2] denying the motion for reconsideration. The CA reversed and set aside the Decision^[3] of the Regional Trial Court (RTC) of Cebu City, Branch 18, in Civil Case No. CEB-15267.

The Antecedents

Sudlon Agricultural High School (SAHS) was established in Cebu Province on August 2, 1948. The administrative and supervisory control of the school was handled by the Division of Schools of the same province. The original site of the school was in Sudlon, about 33 kilometers from Cebu City via the Tabunak-Talisay Highway.

In 1952, the Provincial Board of Cebu granted the usufruct of 41 parcels of land, covering 104.5441 hectares of the Banilad Friar Lands Estate to the SAHS. Pursuant to Republic Act No. 948, SAHS was nationalized on June 20, 1953.

On December 31, 1956, Asuncion Sadaya-Misterio executed a Deed of Sale of a parcel of land denominated as **Lot No. 1064** of the Banilad Friar Lands Estate, in favor of the SAHS. The property had an area of 4,563 square meters and was situated at Lahug, Cebu City, covered by Transfer Certificate of Title (TCT) No. 13086 of the Registry of Deeds of the province of Cebu. The sale was subject to the right of the vendor to repurchase the property after the high school shall have ceased to exist, or shall have transferred its site elsewhere.

Consequently, on May 22, 1957, TCT No. 13086 was cancelled and in lieu thereof, TCT No. 15959 was issued by the Registry of Deeds of Cebu City in the name of SAHS.^[4] The right of the vendor to repurchase the property was annotated at the dorsal portion thereof.

On March 18, 1960, the Provincial Board of Cebu, through Resolution No. 491, donated the aforementioned 41 lots to SAHS, subject to two (2) conditions: (1) that if the SAHS ceases to operate, the ownership of the lots would automatically revert to the province, and (2) that the SAHS could not alienate, lease or encumber the

properties.

On June 10, 1983, Batas Pambansa (B.P.) Blg. 412, entitled "*An Act Converting the Cebu School of Arts and Trades in Cebu City into a Chartered College to be Known as the Cebu State College of Science and Technology, Expanding its Jurisdiction and Curricular Programs*" took effect. The law incorporated and consolidated as one school system certain vocational schools in the province of Cebu, including the SAHS, and which became an extension of the Cebu State College of Science and Technology (CSCST).

In the meantime, the province of Cebu decided to recover the 41 lots it had earlier donated to SAHS on the ground that the said deed was void. The province of Cebu opined that based on the initial report of its provincial attorney, the SAHS had no personality to accept the donation.

In the meantime, Asuncion died intestate. When her heirs learned that the province of Cebu was trying to recover the property it had earlier donated to SAHS, they went to the province of Cebu on August 19, 1998, informing it of their intention to exercise their right to repurchase the property as stipulated in the aforecited deed of sale executed by their predecessor-in-interest.

On February 1, 1989, the province of Cebu (represented by then Governor Emilio M. R. Osmeña), and the CSCST (represented by then DECS Secretary Lourdes R. Quisumbing), entered into a Memorandum of Agreement over the 40 parcels of land, allocating 53 hectares to the province of Cebu, and 51 hectares for the SAHS. The agreement was ratified by the *Sangguniang Panlalawigan* and the SAHS Board of Trustees.

In a Letter^[5] dated March 13, 1990, the heirs of the late Asuncion Sadaya-Misterio, through their counsel, Atty. Ricardo G. Padilla, informed CSCST of the heirs' intention to exercise the option to repurchase Lot No. 1064 granted to them under the deed of sale, as the SAHS had ceased to exist.

In response thereto, Jesus T. Bonilla, as Vocational School Superintendent II of CSCST, wrote Atty. Padilla on March 29, 1990, informing the latter that the SAHS still existed and "[i]n fact, from a purely secondary school it is now offering collegiate courses." He explained that "what has been changed is only the name of the school [to CSCST] which does not imply the loss of its existence."^[6]

On December 23, 1993, Luis, Gabriel, Francis, Thelma, all surnamed Misterio, and Estella S. Misterio-Tagimacruz, the legitimate heirs of the late Asuncion Sadaya-Misterio and herein petitioners, filed a Complaint^[7] before the RTC of Cebu City, Branch 18, for "Nullity of Sale and/or Redemption." Named party-defendants were the CSCST, Armand Fabella as CSCST Chairman, and Dr. Mussolini C. Barillo as CSCST President, herein respondents. Docketed as Civil Case No. 66-15267, the complaint alleged in part as follows:

FIRST CAUSE OF ACTION

12. Sudlon Agricultural High School at the time of the execution of the contract of sale with the late Asuncion Sadaya sometime on December

31, 1956 had no juridical personality of its (sic) own. Hence, it cannot acquire and possess any property, including the parcel of land subject of this action.

13. The Contract of Sale executed was, therefore, null and void and therefore non-existent. Thus, the land subject of the sale should be reconveyed to the legitimate heirs of Asuncion Sadaya.

SECOND CAUSE OF ACTION

14. On June 10, 1983, Batas Pambansa Blg. 412 was enacted, abolishing the then Sudlon Agricultural College and converting it to become part of the Cebu State College for Science and Technology (CSCST).

15. The said law also transferred all the personnel, properties, including buildings, sites, and improvements, records, obligations, monies and appropriation of Sudlon to the CSCST.

16. The abolition of Sudlon and its (sic) merger or consolidation as part of CSCST had rendered operative the condition in the Deed of Sale granting the vendor and her heirs, Asuncion Sadaya, the right to redeem Lot No. 1064.

17. By the legislative act of merging or consolidating Sudlon Agricultural College with other colleges, the separate existence of the constituent schools including Sudlon Agricultural College has ceased to exist as a legal consequence of merger or consolidation.

18. CSCST, as transferee of the land subject of sale, is the actual possessor of the land and is the proper party-defendant for redemption.

[8]

The petitioners prayed that, after due proceeding, judgment be rendered in their favor, thus –

WHEREFORE, the foregoing premises considered, it is most respectfully prayed of this Honorable Court to render a decision in favor of the plaintiffs to the following effect:

1. Declare the Contract of Sale between the late Asuncion Sadaya and Sudlon Agricultural High School as null and void for the latter has no legal personality and cannot own a real property.

As a consequence, to order the actual possessor of the land CSCST to deliver and reconvey the land to plaintiffs and the latter is willing to return the money received.

2. In the alternative, declare that Sudlon Agricultural High School has ceased to exist and allow the plaintiffs to redeem Lot 1064 in the amount stipulated in the contract.

3. Other reliefs just and equitable under the premises are prayed for.[9]

In their answer to the complaint, the respondents alleged that:

11. Complainants in their complaint failed to state sufficient cause of action which may be considered enough ground to dismiss this instant case;

12. The complainants are estopped from contesting the juridical capacity of Sudlon to own or acquire this property which is the subject of this case, after a long period of silence or inaction from the transfer of the title in favor of Sudlon Agricultural School;

13. The contract of sale having been mutually and freely entered into by the parties is valid and binding between the vendor and the vendee, including their successors-in-interest; hence, reconveyance is not proper;

14. The enactment of B.P. 412, which is the Charter of the College has not caused the abolition of Sudlon Agricultural School. In fact, the school has now grown into a higher status, because it has now admitted collegiate students, in addition to its secondary students;

15. The instruction of the Sudlon Agricultural School is actually carried out right on the same site which complainants claim have ceased to exist not the site of the school transferred somewhere else. Therefore, the conditions in the deed of sale have not rendered operative the right of the vendor to exercise the same.^[10]

After the preliminary conference on May 23, 1994, the trial court issued a pre-trial order defining the issues as follows:

... (1) whether Sudlon Agricultural School has still retained its personality as such school or it had ceased to exist, and (2) whether the plaintiffs have the right to exercise the right of redemption over the property.

Upon the order of the RTC, the Clerk of Court conducted an ocular inspection on Lot No. 1064. The court-appointed commissioner submitted his report^[11] on June 10, 1994.

On November 29, 1995, the RTC rendered judgment, the dispositive portion of which reads:

WHEREFORE, in view of all the foregoing considerations, JUDGMENT is hereby rendered in favor of the plaintiffs and against the defendants declaring the Deed of Sale entered into by and between Asuncion Sadaya and Sudlon Agricultural High School as null and void for the latter's lack of juridical personality to acquire real property or to enter into such transaction or having ceased to exist and ordering the Cebu State College of Science and Technology being the actual possessor of the land, Lot 1064, to deliver and reconvey the same to plaintiffs upon payment of the aforementioned purchased price.

No pronouncement as to costs.

SO ORDERED.^[12]

The RTC ruled that the donation was void ab initio as the SAHS, in the first place, did not have the personality to be a donee of real property. Moreover, with the enactment of B.P. Blg. 412, the SAHS ceased to exist and to operate as such. The RTC declared that, under the Corporation Code, the constituent corporations (SAHS and CSCST) became one through the merger or consolidation, with CSCST as the surviving entity. Whether Lot No. 1064 was still being used for school purposes was of no moment, and to "say that [SAHS] still exists but is now forming part of CSCST is stretching the interpretation of the contract too far." It concluded that no prescription lay as against an inexistent contract.

The CSCST, through the Office of Solicitor General (OSG), appealed the decision to the CA, and outlined the following assignment of errors:

I

THE TRIAL COURT ERRED IN NOT STICKING TO THE ISSUES DEFINED BY THE PARTIES DURING PRE-TRIAL.

II

THE TRIAL COURT ERRED IN NOT HOLDING THAT APPELLEES ARE ESTOPPED FROM QUESTIONING THE PERSONALITY OF THE SUDLON AGRICULTURAL HIGH SCHOOL.

III

THE TRIAL COURT ERRED IN GIVING WEIGHT TO INADMISSIBLE AND SELF-SERVING EVIDENCE.

IV

THE TRIAL COURT ERRED IN NOT HOLDING THAT APPELLEES' ACTION IS BARRED BY PRESCRIPTION.

V

THE TRIAL COURT ERRED IN NOT HOLDING THAT THE DEED OF SALE IS A CONSENSUAL CONTRACT FREELY ENTERED INTO BY THE PARTIES AND NOT A CONTRACT OF ADHESION.

VI

THE TRIAL COURT ERRED IN NOT HOLDING THAT THE DEED OF SALE IS NOT AMBIGUOUS.

VII

THE TRIAL COURT ERRED IN NOT HOLDING THAT THE LOT SUBJECT OF THE SALE IS STILL BEING USED FOR SCHOOL PURPOSES AS