

SECOND DIVISION

[G.R. NO. 132196, December 09, 2005]

**SPOUSES SEGUNDO RAMOS AND FELISA VALDEZ, PETITIONERS,
VS. HON. COURT OF APPEALS, LEILA VALDEZ-PASCUAL, ARACELI
VALDEZ, GLICERIA VALDEZ, JUANA VALDEZ, SIMEON VALDEZ,
CONRADA VALDEZ, SEVERINO VALDEZ, MARIO VALDEZ,
ADORACION VALDEZ, JOSE VALDEZ, DIONISIA VALDEZ, DANILO
VALDEZ, SERAPIO VALDEZ, HELEN VALDEZ, PERLA VALDEZ, AND
DELIA VALDEZ, RESPONDENTS.**

D E C I S I O N

CHICO-NAZARIO, J.:

This case presents a tangled tale involving the conflicting accounts of petitioners and private respondents over a piece of land sold by Gregorio Valdez (private respondents' father) to petitioners in 1948 and which ostensibly became the subject of a compromise agreement in 1977.

Through the instant Petition for Review on *certiorari*, spouses Segundo Ramos and Felisa Valdez seek the reversal of the Decision^[1] of the Court of Appeals dated 31 July 1997 which reversed the Decision^[2] of the Regional Trial Court (RTC), Branch 48, Urdaneta, Pangasinan. The RTC decision dismissed the case filed by private respondents for Quieting of Title, Ownership, Possession plus Damages with prayer for Writ of Preliminary Injunction and adjudged petitioners as the lawful owners of a piece of land, with an area of 3,036 square meters, and which forms part of a bigger tract of land covered by Original Certificate of Title (OCT) No. 48824 of the Registry of Deeds of the Province of Pangasinan in the name of Gregorio Valdez. Under review as well is the Court of Appeals Resolution^[3] dated 08 December 1997 denying petitioners' motion for reconsideration.

Private respondents are the children^[4] of Gregorio Valdez. In 1948, Gregorio Valdez sold the subject land to petitioners. The absolute deed of sale was subsequently annotated at the back of OCT No. 48824 as Entry No. 377847. It is the contention of private respondents that as early as 1977, petitioners no longer owned subject land as they had renounced their rights thereto as evidenced by a compromise agreement dated 02 June 1977.

Sometime in 1991, Gregorio Valdez died. Private respondents allege that immediately after the death of their father, petitioners disturbed their possession of subject land by cultivating the same and by enclosing it with a fence. As petitioners did not heed their demands to vacate, they were constrained to file a case for Quieting of Title, Ownership, Possession plus Damages with prayer for Writ of Preliminary Injunction.

Petitioners, in their Answer with Counterclaim, maintain that they remain owners of

the subject land as the compromise agreement being relied upon by private respondents refers to another piece of land. Thus, they argue that the compromise agreement constitutes a cloud on their title. They prayed, among other things, for the quieting of their title and that they be adjudged lawful owners of the subject land.

The trial court believed petitioners. It sided with petitioners by declaring them owners of the subject land by virtue of the absolute deed of sale dated 06 January 1948. The dispositive portion of its decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the defendants and against the plaintiffs and declaring the defendants to be the lawful owners of the land in question.^[5]

The Court of Appeals reversed the trial court's ruling. It held that the land renounced by petitioners was the subject land and that it was made in favor of Gregorio Valdez, thus:

WHEREFORE, premises considered the decision appealed from is hereby REVERSED and SET ASIDE and another one entered declaring plaintiffs as owner of the land in question, and ordering defendants-appellees to vacate the same. With costs against defendants-appellees.

Aggrieved by the aforesaid ruling, and their motion for reconsideration having been denied by the Court of Appeals, petitioners assert before us that –

I.

THE HONORABLE COURT OF APPEALS ERRED IN REVERSING THE TRIAL COURT'S FINDINGS WHICH TOOK INTO ACCOUNT THE INTENTIONS OF THE PARTIES IN THE COMPROMISE AGREEMENT IN QUESTION BY CONSIDERING CIRCUMSTANCES PREVIOUS AND SIMULTANEOUS TO THE EXECUTION OF THE AGREEMENT.

II.

WHILE THE HONORABLE COURT OF APPEALS CORRECTLY STATED THE UNDERLYING REASONS BEHIND THE EXECUTION OF THE COMPROMISE AGREEMENT IN QUESTION, IT SERIOUSLY ERRED IN UPHOLDING THE VALIDITY OF THE COMPROMISE AGREEMENT WITH RESPECT TO A THIRD PERSON WHO WAS A STRANGER THERETO AND INVOLVING A PARCEL OF LAND WHICH IS FOREIGN TO THE DISPUTE IN THE LAND REGISTRATION CASE THAT GAVE LIFE TO THE COMPROMISE AGREEMENT.

III.

THE HONORABLE COURT OF APPEALS ERRED IN REVERSING THE TRIAL COURT'S DECISION FINDING NO LEGAL AND FACTUAL BASES TO UPHOLD THE VALIDITY OF THE ALLEGED RENUNCIATION OF PETITIONERS' RIGHTS OVER THE NORTHERN PORTION OF THE TITLED LAND IN QUESTION INSTEAD OF THE INTENDED SOUTHERN PORTION OF AN UNTITLED LAND SUBJECT OF THE LRC.^[6]

In order to get to the bottom of this land dispute, the primary and most basic question that has to be asked is this: Is the absolute deed of sale dated 06 January 1948 between petitioners and private respondents' predecessor-in-interest, Gregorio Valdez, annotated at the back of OCT No. 48824, a cloud on such title that has to be removed under the grounds stated in the Civil Code?

Articles 476 and 478 of the Civil Code provide:

Art. 476. Whenever there is a cloud on title to real property or any interest therein, by reason of any instrument, record, claim, encumbrance or proceeding which is apparently valid or effective but is in truth and in fact invalid, ineffective, voidable, or unenforceable, and may be prejudicial to said title, an action may be brought to remove such cloud or to quiet the title.

An action may also be brought to prevent a cloud from being cast upon title to real property or any interest therein.

Art. 478. There may also be an action to quiet title or remove a cloud therefrom when the contract, instrument or other obligation has been extinguished or has terminated, or has been barred by extinctive prescription.

In herein case, private respondents, as plaintiffs in the case for quieting of title, allege that their father's obligation under the deed of absolute sale has been extinguished or has been terminated by virtue of the compromise agreement dated 02 June 1977 whereby petitioners ostensibly renounced their rights over the subject property. Petitioners, on the other hand, claim that the same compromise agreement constitutes a cloud on their title.

The Compromise Agreement^[7] states:

REPUBLIC OF THE PHILIPPINES
COURT OF FIRST INSTANCE OF PANGASINAN
THIRD JUDICIAL DISTRICT
9th Branch, Urdaneta

SEGUNDO RAMOS, ET AL.,
Applicants. LAND REG. CASE No. U-843
LRC Rec. No. N-48993

- versus -

THE DIRECTOR OF LANDS,
ET AL.,
Oppositors.

x-----x

COMPROMISE AGREEMENT

COME NOW, the parties in the above-entitled case duly assisted by their respective counsels and to this Honorable Court submit this compromise agreement, to wit:

1. That the oppositor Felipe Cabero hereby withdraw (sic) his opposition in the above-entitled case;
2. That the applicants Segundo Ramos and Felisa Valdez hereby also quitclaim and renounce whatever rights in the document registered under entry No. 377847 annotated at the back of O.C.T. No. 48824 of Gregorio Valdez;
3. That the parties hereby waive any claim for and against the other.

WHEREFORE, the parties should abide the foregoing compromise agreement and that each of them shall respect the right of the other.

IN WITNESS WHEREOF, the parties duly assisted by their respective counsels set their hands this 2nd day of June, 1977, at Urdaneta, Pangasinan.

SEGUNDO RAMOS
Applicant

FELISA VALDEZ
Applicant

FELIPE CABERO
Oppositor

ASSISTED BY:

ATTY. ELISEO E.
VERSOZA
Counsel for
the Applicants
Soconi,
Bugallon,

ATTY. NICANOR
CALDITO
Counsel for
Oppositor
Pang. Pozorrubio,
Pang.

To get a proper grip of the controversial compromise agreement, a narration of the circumstances surrounding its execution is in order.

The compromise agreement was entered into between petitioners and a certain Felipe Cabero in connection with petitioners' application for registration of a piece of untitled land adjacent to the subject land filed with the Court of First Instance of Pangasinan in LRC Case No. U-843. This untitled land was purchased by petitioners from a certain Alejandro Alcantara.^[8] Apparently, Cabero was the actual occupant of the southern portion of this land, thus, he opposed petitioners' application for registration. Petitioners explained that the southern portion occupied by Cabero was purchased by Cabero from Gregorio Valdez who sold it by mistake as he (Valdez)

thought that the land he was selling was part of his titled land.

Petitioners' version

To save himself from the quagmire he created, Gregorio Valdez entreated upon petitioners to give up the southern portion of their untitled land in exchange for Cabero's withdrawal of his opposition to petitioners' application for registration. Petitioners agreed. Thus, during the pendency of the land registration proceedings, petitioners and Cabero entered into a compromise agreement. The agreement was written in English. Its contents were not translated into Ilocano for petitioners but they did not mind as they were represented by their counsel. The signatories to the said agreement were petitioners, Cabero and their respective counsels. Petitioners, being unlettered, were not aware that the property they were renouncing under the compromise agreement was the subject property as, definitely, this was not their intention. Thus, they argued that the compromise agreement contained a false cause and that they gave their consent thereto by mistake.

Private Respondents' version

The compromise agreement categorically states that the property being renounced is the subject property and that the same is made in favor of private respondents' late father, Gregorio Valdez. Gregorio Valdez was a party to said compromise agreement as his signature is also affixed thereto.

The decision of the trial court

As articulated earlier, the trial court ruled in favor of herein petitioners. It held:

After carefully perusing the records and the evidence adduced, this Court is left to resolve the issues agreed upon by the parties as indicated in the pre-trial order.

However, before this Court could arrive at a proper solution of the issues, it is imperative to determine the true intentions of the parties in the controversial compromise agreement (Exh. B) by considering all the surrounding circumstances previous and simultaneous to the execution of the same.

It is not disputed that the property in question with an area of 3,036 square metes on the northern portion of a parcel of land was owned by the plaintiffs' late father Gregorio Valdez covered by TCT No. 48824 (Exh. A). Sometime in the year 1948, the late Gregorio Valdez sold the said property to defendant-spouses Segundo Ramos and Felisa Valdez. That sale was annotated at the back of said title as Entry No. 377847 (Exh. A-1).

Defendant Segundo Ramos also bought an untitled land from Alejandro Alcantara in 1945 evidenced by a deed of absolute sale marked as Exhibit 6. When Segundo Ramos applied for registration of title of the said land, Felipe Cabero opposed the same. During the pendency of the land registration case, a compromise agreement (Exh. B) was concluded by the herein defendants as applicants and oppositor Felipe Cabero.