

THIRD DIVISION

[G.R. No. 142403, March 26, 2003]

**ALEJANDRO GABRIEL AND ALFREDO GABRIEL, PETITIONERS,
VS. SPOUSES PABLO MABANTA AND ESCOLASTICA COLOBONG,
DEVELOPMENT BANK OF THE PHILIPPINES (ISABELA BRANCH)
AND ZENAIDA TAN-REYES, RESPONDENTS.**

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

Born of the need to protect our land registration system from being converted into an instrument of fraud, this Court has consistently adhered to the principle that “a mere registration of title in case of double sale is not enough, good faith must concur with the registration.”

In this petition for review on *certiorari*, Alejandro Gabriel and Alfredo Gabriel assailed the Decision^[1] dated March 30, 1999 of the Court of Appeals in CA-G.R. CV No. 33941 modifying the Decision^[2] dated April 12, 1991 of the Regional Trial Court, Branch 21, Santiago, Isabela in Civil Case No. 0399 for specific performance, reconveyance and damages with application for preliminary injunction.

The facts are as follows:

Spouses Pablo and Escolastica Mabanta were the registered owners of two lots located in Patul and Capaltitan, Santiago, Isabela, with an area of 512 and 15,000 square meters, covered by Transfer Certificates of Title (TCT) Nos. 72705 and 72707, respectively. On October 25, 1975, they mortgaged both lots with the Development Bank of the Philippines (DBP) as collateral for a loan of ₱14,000.00.^[3]

Five years thereafter or on September 1, 1980, spouses Mabanta sold the lots to Susana Soriano by way of a “Deed of Sale of Parcels of Land With Assumption of Mortgage.”^[4] Included in the Deed is an agreement that they could repurchase the lots within a period of two (2) years.

Spouses Mabanta failed to repurchase the lots. But sometime in 1984, they were able to convince Alejandro Gabriel to purchase the lots from Susana Soriano. As consideration, Alejandro delivered to Susana a 500-square meter residential lot with an actual value of ₱40,000.00 and paid spouses Mabanta the sum of ₱5,000.00. On May 15, 1984, spouses Mabanta executed a “Deed of Sale with Assumption of Mortgage”^[5] in favor of Alejandro. For her part, Susana executed a document entitled “Cancellation of Contract”^[6] whereby she transferred to Alejandro all her rights over the two lots.

Alejandro and his son Alfredo cultivated the lots. They also caused the restructuring

of spouses Mabanta's loan with the DBP.^[7] However, when they were ready to pay the entire loan, they found that spouses Benito and Pura Tan had paid it and that the mortgage was already cancelled.^[8]

On August 18, 1985, Benito Tan and Alejandro Tridanio, a barangay official, approached Alejandro to refund to him the P5,000.00 he paid to spouses Mabanta. Alejandro refused because Tan was unwilling to return the former's 500-square meter lot delivered to Susana as purchase price for the lots. Thereafter, spouses Tan tried to eject Alejandro from the lot covered by TCT No. 72707.

On September 17, 1985, Alejandro and Alfredo filed with the Regional Trial Court, Branch 21, Santiago, Isabela a complaint (involving the lot covered by TCT No. 72707) for specific performance, reconveyance and damages with an application for a preliminary injunction against spouses Mabanta, spouses Tan, the DBP and barangay officials Dominador Maylem and Alejandro Tridanio. In due time, these defendants filed their respective answers.

During the proceedings, it turned out that it was spouses Tan's daughter, Zenaida Tan-Reyes who bought one of the lots (covered by TCT No. 72707) from spouses Mabanta on August 21, 1985. Not having been impleaded as a party-defendant, she filed an answer-in-intervention alleging that she is the registered owner of the lot covered by TCT No. 72707; that she purchased it from spouses Mabanta "in good faith and for value"; that she paid their loan with the DBP in the amounts of P17,580.88 and P16,845.17 per Official Receipts Nos. 1749539 and 1749540, respectively; that the mortgage with the DBP was cancelled and spouses Mabanta executed a "Deed of Absolute Sale"^[9] in her favor; and that TCT No. T-72707 was cancelled and in lieu thereof, TCT No. T-160391 was issued in her name.

On April 12, 1991, the trial court rendered its Decision sustaining the right of Alejandro and Alfredo Gabriel over the lot covered by TCT No. 72707 (now TCT No. T-160391), thus:

"WHEREFORE, in the light of the foregoing considerations judgment is hereby rendered:

1. DECLARING Exhibit "A", the deed of sale with assumption of mortgage executed by the spouses Pablo Mabanta and Escolastica Colobong (in favor of Alejandro and Alfredo Gabriel) valid and subsisting.
2. ORDERING the plaintiff Alejandro Gabriel to pay to the spouses Pablo Mabanta and Escolastica Colobong the sums of P5,000.00 plus P34,426.05 (representing the loan with the DBP which plaintiff assumed) within 30 days from receipt hereof.
3. **DECLARING the deed of sale executed by the spouses Pablo Mabanta and Escolastica Colobong in favor of Zenaida Tan Reyes as null and void.**
4. ORDERING the intervenor Zenaida Tan-Reyes to reconvey the land covered by T.C.T. No. T-160391 in favor of Alejandro Gabriel.

"SO ORDERED."

In declaring null and void the "Deed of Absolute Sale" (or second sale) of the lot covered by TCT No. 72707 between spouses Mabanta and Zenaida Tan-Reyes, the trial court ratiocinated as follows:

"But Zenaida (Tan) Reyes professes that she is a buyer in good faith and for value. In her testimony she said that the spouses Mabanta offered to sell the land to her on August 19, 1985. She was informed that the land was mortgaged in the DBP. She readily agreed to buy the land on that same day. She did not inquire further into the status of the land. She did not go and see the land first. What she did was to immediately go to the DBP the following day and paid the mortgage obligation in the amount of P16,845.17 and P17,580.88 (Exhibits "1" and "2"). The following day August 21, a deed of sale in her favor was prepared and on October 17, 1985 she secured a certificate of title (Exhibit "5"). Under the above circumstances, it cannot be said that she is a purchaser in good faith. She should have first made a thorough investigation of the status of the land. Had she inquired, she should have been informed that the land was previously sold to at least two persons Susana Soriano and Alejandro Gabriel. She should also have first visited the land she was buying. Had she done so she should have discovered that the land was being cultivated by the Gabriels who would have informed her that they already bought the land from the Mabantas. **The reason why she did not do this is because she already was appraised of the status of the land by her father Benito Tan. For reasons known only to her, she decided to buy the land just the same.**

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"Zenaida Tan therefore is not a purchaser in good faith and she cannot seek refuge behind her certificate of title. True, Article 1544 of the Civil Code provides that should immovable property be sold to different vendees, the ownership shall belong to the person who in good faith first recorded it in the registry of property. Unfortunately, the registration made by Zenaida (Tan) Reyes of her deed of sale was not in good faith. For this reason in accordance with the same Article 1544, the land shall pertain to the person who in good faith was first in possession. There is no question that it is the Gabriels who are in possession of the land."

Unsatisfied, spouses Mabanta and Zenaida Tan-Reyes interposed an appeal to the Court of Appeals.

On March 30, 1999, the Court of Appeals rendered a Decision modifying the trial court's Decision, declaring as valid the second sale of the lot covered by TCT No. 72707 between spouses Mabanta and Zenaida Tan-Reyes on the ground that a person dealing with registered land may simply rely on the correctness of the certificate of title and, in the absence of anything to engender suspicion, he is under no obligation to look beyond it. The dispositive portion of the Appellate Court's Decision reads:

"Wherefore the appealed judgment is AFFIRMED with the following modification:

1. DECLARING Exhibit "A", the deed of sale with assumption of mortgage executed by the defendants-appellants spouses Pablo Mabanta and Escolastica Colobong over lots covered by TCT Nos. T-72705 and T-72707 valid and subsisting;
2. ORDERING spouses Pablo Mabanta and Escolastica Colobong to surrender TCT No. 72705 to plaintiff-appellee Alejandro Gabriel;
- 3. Declaring the deed of sale executed over lot with TCT No. 72707 (now T-160391) by spouses Pablo Mabanta and Escolastica Colobong in favor of intervenor-appellant Zenaida Tan Reyes as valid;**
4. Ordering plaintiffs-appellees and any all persons claiming rights under them to vacate Lot 3651-A now covered by TCT No. T-160391 and to deliver to intervenor-appellant Zenaida Tan-Reyes the possession thereof;
5. Dismissing the case against defendants-appellants Benito Tan and Purita Masa;
6. No pronouncement as to costs.

"SO ORDERED."

In the instant petition for review on *certiorari*, petitioners Alejandro and Alfredo Gabriel raise this lone issue:

WHETHER OR NOT THE COURT OF APPEALS ERRED IN DECLARING THE SECOND SALE OF THE DISPUTED LOT EXECUTED BY SPOUSES MABANTA IN FAVOR OF ZENAIDA TAN-REYES VALID UNDER ARTICLE 1544 OF THE CIVIL CODE.

Petitioners contend that respondent Reyes is not a purchaser in good faith since she bought the disputed lot with the knowledge that petitioner Alejandro is claiming it in a previous sale.

In her comment on the petition, respondent Reyes maintains that the Court of Appeals' factual finding that she is a purchaser in good faith and for value is final and conclusive. Meeting the issue head on, she claims that there is no evidence that prior to August 21, 1985, when she purchased the lot from respondent spouses Mabanta, she had knowledge of any previous lien or encumbrance on the property.

For its part, respondent DBP avers that it acted in utmost good faith in releasing the mortgaged lots to respondent spouses Mabanta who had the loan restructured and paid the same. Also, it did not transact business with spouses Tan.

With respect to respondent spouses Mabanta, this Court's Resolution dated June 14, 2000 requiring them to file comment on the present petition was returned unserved. Thus, in its Resolution dated January 22, 2001, this Court resolved to consider the