

FIRST DIVISION

[G. R. No. 127094, February 06, 2002]

**ALEJANDRIA PINEDA AND SPOUSES ADEODATO DUQUE, JR.,
AND EVANGELINE MARY JANE DUQUE, PETITIONERS, VS. COURT
OF APPEALS AND SPOUSES NELSON BAÑEZ AND MERCEDES
BAÑEZ, RESPONDENTS.**

D E C I S I O N

PARDO, J.:

The Case

The case is an appeal *via* certiorari from the decision of the Court of Appeals,^[1] affirming that of the Regional Trial Court, Quezon City, Branch 76, declaring that the Bañez spouses are the lawful owners of the property in question and the petitioners could not convey title to the Duque spouses who were buyers in bad faith.

The Facts

The facts, as found by the Court of Appeals, are as follows:

"Appellees Nelson Bañez and Mercedes Bañez are the original owners of a parcel of land together with its improvements located at 32 Sarangaya St., White Plains, Quezon City while Ms. Alejandria Pineda is the owner of a house located at 5224 Buchanan St., Los Angeles, California.

"On January 11, 1983, the appellees and Alejandria Pineda, together with the latter's spouse Alfredo Calдона, executed an 'Agreement to Exchange Real Properties' (Exh. "A", p. 16, Folder of Exhibits). In the agreement, the parties agreed to: 1) exchange their respective properties; 2) Pineda to pay an earnest money in the total amount of \$12,000.00 on or before the first week of February 1983; and 3) to consummate the exchange of properties not later than June 1983. It appears that the parties undertook to clear the mortgages over their respective properties. At the time of the execution of the exchange agreement, the White Plains property was mortgaged with the Government Service Insurance System (GSIS) while the California property had a total mortgage obligation of \$84,000.00 (Exh. "A-2", p. 18, Ibid).

"In the meantime, the appellees were allowed to occupy or lease to a tenant Pineda's California property (Exh. "A-1", p. 17, Ibid) and Pineda was authorized to occupy appellees' White Plains property (Complaint; p. 8. Records). Pursuant to the exchange agreement, Alejandria Pineda paid the appellees the total amount of \$12,000.00 broken down as follows: 1) \$5,000.00, on January 1983; 2) \$4,000.00 on April 1983; 3)

\$3,000.00 on January 1985 (Exh. "C" & "D", pp. 28; 36 Ibid).

"On December 18, 1984, unknown to the appellees, Alejandria Pineda and the appellants Adeodato C. Duque, Jr. and Evangeline Mary Jane Duque executed an 'Agreement to Sell' over the White Plains property whereby Pineda sold the property to the appellants for the amount of P1,600,000.00 (Exh. "1", p. 51, Ibid). The contract provides that: 1) upon signing of the agreement, the purchaser shall pay P450,000.00 and the seller shall cause the release of the property from any encumbrance and deliver to the purchaser the title to the property; 2) balance shall be paid by the purchaser to the seller on or before the end of January 1985; 3) upon full payment, the seller shall deliver to the purchaser a deed of absolute sale duly signed by its registered owner, the appellees. On the same date, Pineda, out of the downpayment received from the appellants, paid the appellees' mortgage obligation with the GSIS in the sum of P112,690.75 (Exhs. "D-1" to "D-3", pp. 41-43, Ibid).

"Pineda then requested the appellees for a written authority for the release of the title from the GSIS (pp. 18-19, November 9, 1989, TSN). On January 1, 1985, the appellees gave Pineda the aforementioned authority with the understanding that Pineda will personally deliver the title to the appellees (Exh. "E", p. 44, Ibid). The record shows that pursuant to the agreement to sell the following payments were made by the appellants to Pineda: 1) \$25,000.00 on December 26, 1984; 2) \$10,000.00 on January 18, 1985; 3) P50,000.00 on January 24, 1985; 4) \$500.00 on February 1, 1985; and 5) \$330 on February 7, 1985 (Exhs. "4" to "8", pp. 55-57, Ibid). The appellants physically occupied the premises on June or July 1985 (Pre-Trial Order, p. 156, Records).

"Upon their return to the Philippines sometime in March 1985, the appellees discovered that the appellants were occupying the White Plains property. They talked with appellant Atty. Adeodato Duque who showed interest in buying the property and the latter mentioned that they gave money to Mrs. Pineda to facilitate the redemption of her property in the U. S. (pp. 23-26, November 9, 1989, TSN). Appellees alleged that they confronted Pineda on their title to the property but the latter replied that she gave the title to the appellants. They did not insist on its return from the appellants as the latter were interested in buying the property (pp. 33-35, November 9, 1989, TSN).

"A series of communications ensued between the representatives of the appellees and Ms. Pineda with regards to the status of the exchange agreement which resulted in its rescission for failure of Pineda to clear her mortgage obligation of the California property (Exhs. "B", "C" & "D", pp. 24-29; 35-37, Folder of Exhibits). Negotiations for the purchase of the property were held between the appellants and the appellees but the same failed which resulted in the appellees demanding for the appellants to vacate the property (Exhs. "F" to "F-12", pp. 81-93, Ibid).

"Appellees claim that upon their return to the Philippines on July 1987, they discovered from the Register of Deeds that the title over their White Plains property was cancelled and a new one was issued in the name of

Alejandria Pineda. They also discovered a fictitious deed of sale dated September 5, 1979 in favor of Pineda. Appellees alleged that the deed of absolute sale is fictitious and their signatures a forgery (pp. 37-39, November 9, 1989, TSN). Appellants maintained that on December 22, 1986, they discovered the property was registered in the name of Pineda by virtue of a deed of sale and they informed the appellees of the existence of the deed of sale in a meeting in the United States on March 1987 (pp. 3-4, October 22, 1990, TSN).

"During that meeting, an agreement was reached by the appellants and the appellees for the sale of the property at \$89,000.00. Appellees alleged that the purchase price was reduced to \$60,000.00 which appellants failed to pay (pp. 40- 41, November 10, 1989, TSN). They admitted however to have received the sum of P 100,000.00 from Atty. Duque (pp. 51-52, November 10, 1989, TSN). On the other hand, the appellants alleged that the purchase price of \$89,000.00 was conditioned that all payments made to Pineda as well as expenses incurred will be considered as forming part of the purchase price (pp. 3-4, October 22, 1990, TSN). The records are silent as to what happened to this agreement.

"On September 3, 1987, the present complaint was filed before the court *a quo*. Since the record of this case was burned during the fire that razed the Quezon City Hall Building sometime in June 1988, the record was reconstituted upon petition of the plaintiffs Nelson S. Bañez and Mercedes Bañez, without objection from the defendant Duques. For failure to serve summons by personal delivery on defendant Alejandria Pineda, an *alias* writ of summons was issued by publication. After the lapse of sixty (60) days from the last publication of summons, the court, upon motion, declared Pineda in default in its order dated March 4, 1988. Thereafter, defendant spouses Adeodato and Evangeline Mary Jane L. Duque, appellants herein, filed their Answer."^[2]

On February 17, 1992, the trial court rendered a decision, the decretal portion of which reads as follows:

"WHEREFORE, prescinding from the foregoing, judgment is hereby rendered:

"1. Declaring plaintiffs spouses Nelson S. Bañez and Mercedes Bañez the absolute owners in fee simple title of the house and lot in question located at 32 Sarangaya St., White Plains, Quezon City, entitled as such to all the rights blossoming forth from such ownership.

"2. Declaring as null and void ab-initio for being a patent forgery that Deed of Absolute Sale dated September 5, 1979 (Exh. I) purportedly executed by plaintiffs in favor of defendant Alejandria Pineda;

"3. Declaring as null and void that TCT No. T-338857 (Exh. H) of the land records of Quezon City, issued January 03, 1986 in the name of Alejandria (dra) B. Pineda, widow, of legal age, Filipino and the Register of Deeds of Quezon City, after the finality of this decision, is hereby