

THIRD DIVISION

[G. R. No. 128574, September 18, 2002]

**UNIVERSAL ROBINA SUGAR MILLING CORPORATION,
PETITIONER, VS. HEIRS OF ANGEL TEVES, RESPONDENTS.**

DECISION

SANDOVAL-GUTIERREZ, J.:

Andres Abanto owned two parcels of land situated in Campuyo, Manjuyod, Negros Oriental. One lot, consisting of 55,463 square meters, is registered in his name under Transfer Certificate of Title (TCT) No. H-37 of the Registry of Deeds of said province. The other lot with an area of 193,789 square meters is unregistered. He died on February 16, 1973.^[1]

On October 19, 1974, Andres Abanto's heirs executed an "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale."^[2] In this document, Abanto's heirs adjudicated unto themselves the two lots and sold the (a) *unregistered* lot of 193,789 square meters to the United Planters Sugar Milling Company, Inc. (UPSUMCO), and (b) the *registered* lot covered by TCT No. H-37 to Angel M. Teves, for a total sum of P115,000.00. The sale was not registered.^[3]

Out of respect for his uncle Ignacio Montenegro, who was UPSUMCO's founder and president, Teves verbally allowed UPSUMCO to use the lot covered by TCT No. H-37 for pier and loading facilities, free of charge, **subject** to the condition that UPSUMCO shall shoulder the payment of real property taxes and that its occupation shall be co-terminus with its corporate existence.^[4] UPSUMCO then built a guesthouse and pier facilities on the property.^[5]

Years later, UPSUMCO's properties were acquired by the Philippine National Bank (PNB). Later, PNB transferred the same properties to the Asset Privatization Trust (APT) which, in turn, sold the same to the Universal Robina Sugar Milling Corporation (URSUMCO). URSUMCO then took possession of UPSUMCO's properties, **including** Teves' lot covered by TCT No. H-37.

Upon learning of URSUMCO's acquisition of his lot, Teves formally asked the corporation to turn over to him possession thereof or the corresponding rentals. He stated in his demand letters that he merely allowed UPSUMCO to use his property until its corporate dissolution; and that it was not mortgaged by UPSUMCO with the PNB and, therefore, not included among the foreclosed properties acquired by URSUMCO.^[6]

URSUMCO refused to heed Teves' demand, claiming that it acquired the right to occupy the property from UPSUMCO which purchased it from Andres Abanto; and that it was merely placed in the name of Angel Teves, as shown by the "Deed of Transfer and Waiver of Rights and Possession" dated November 26, 1987.^[7] Under

this document, UPSUMCO transferred to URSUMCO its application for agricultural and foreshore lease. The same document partly states that the lands subject of the foreshore and agricultural lease applications are bounded on the north by the "titled property of Andres Abanto bought by the transferor (UPSUMCO) but placed in the name of Angel Teves". URSUMCO further claimed that it was UPSUMCO, not Teves, which has been paying the corresponding realty taxes.

Consequently, on June 18, 1992, Teves filed with the Regional Trial Court (RTC), Dumaguete City, Branch 43, a complaint for recovery of possession of real property with damages against URSUMCO, docketed as Civil Case No. 10235.

On September 4, 1992, Teves died^[8] and was substituted by his heirs.^[9]

On April 6, 1994, the RTC rendered its Decision^[10] finding that URSUMCO has no personality to question the validity of the sale of the property between the heirs of Andres Abanto and Angel Teves since it is not a party thereto; that Teves' failure to have the sale registered with the Registry of Deeds would not vitiate his right of ownership, unless a third party has acquired the land in good faith and for value and has registered the subsequent deed; that the list of properties acquired by URSUMCO from the PNB does not include the disputed lot and, therefore, was not among those conveyed by UPSUMCO to URSUMCO. The dispositive portion of the Decision reads:

"Wherefore, in view of the foregoing, judgment is hereby rendered:

1. Declaring plaintiff (Teves) the owner of the parcel of land covered by Transfer Certificate of Title No. H-37 situated at Campuyo, Manjuyod, Negros Oriental and as such, is entitled to the possession of said land subject to the provision of Article 448 of the New Civil Code. Accordingly, except where the immediate premises of the guest house and pier are concerned, defendant (URSUMCO) is directed to vacate the remaining portion of said property;

2. Declaring defendant as the owner of the guest house and pier and as a builder in good faith of said guest house and pier;

3. Declaring plaintiff as entitled to the option under Article 448 of the New Civil Code, namely:

- (a) To appropriate the guest house and pier as his own upon payment of indemnity under Articles 546 and 548 of the New Civil Code, or

- (b) To oblige defendant to buy the land in question unless its value is considerably more than the improvements (guest house and pier), in which case defendant shall pay reasonable rent.

4. Declaring defendant as entitled to retain possession of the guest house and pier until defendant is indemnified of the useful and necessary expenses for the preservation of said improvements provided in Article 546 of the New Civil Code and such other expenses for luxury as may be allowed under Article 548 of the same Code in case plaintiff takes the option of appropriating for himself the improvements;

5. Ordering defendant to pay plaintiff reasonable attorney's fees in the amount of P15,000.00;
6. Dismissing all other claims for damages by plaintiff and the counterclaim for lack of merit; and
7. Ordering defendant to pay the costs of this suit.

"SO ORDERED."

On appeal by URSUMCO, the Court of Appeals^[11] affirmed the RTC decision, holding that the transaction between Angel Teves and Andres Abanto's heirs is a contract of sale, not one to sell, because ownership was immediately conveyed to the purchaser upon payment of P115,000.00. The Court of Appeals further held that Teves' failure to cause the registration of the sale is not fatal since a contract of sale is perfected by mere consent of the contracting parties and has the force of law between them. Besides, his failure to refer the case to the *barangay* cannot affect the jurisdiction already acquired by the court over the subject matter and the person of "defendant-appellant" URSUMCO.

On October 29, 1996, URSUMCO filed a motion for reconsideration but was denied by the Appellate Court in a Resolution dated February 10, 1997.^[12]

Hence, the instant petition for review on certiorari^[13] raising the following legal issues:

1. Whether the respondents have established a cause of action against petitioner;
2. Whether petitioner herein has the legal capacity to question the validity of the sale; and
3. Whether the complaint should have been dismissed for lack of *barangay* conciliation.

The petition is bereft of merit.

Petitioner URSUMCO contends that respondents have no cause of action because the "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale" is merely a promise to sell and not an absolute deed of sale, hence, did not transfer ownership of the disputed lot to Angel Teves. Assuming that the document is a contract of sale, the same is void for lack of consideration because the total price of P115,000.00 does not specifically refer to the lot covered by TCT No. H-37, making the price uncertain. Furthermore, the transaction, being unregistered, does not bind third parties.

Petitioner's contentions lack merit. As held by the RTC and the Court of Appeals, the transaction is not merely a contract to sell but a contract of sale. In a contract of sale, title to the property passes to the vendee upon delivery of the thing sold; while in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price.^[14] In the case at bar, the subject contract, duly notarized, provides:^[15]

"EXTRA-JUDICIAL SETTLEMENT OF THE ESTATE OF THE DECEASED
ANDRES ABANTO AND **SIMULTANEOUS SALE**

KNOW ALL MEN BY THESE PRESENTS:

That VICTORINA C. VDA. DE ABANTO, widow, and GUMERSINDA A. ABANTO-MALDO, married to Porferio Maldo, both of legal age, Filipinos, and residents of Olimpia, Bais City, hereby freely and spontaneously

DECLARE AND MAKE MANIFEST THAT:

1. That they are the only legitimate heirs of the deceased Andres Abanto, being the surviving spouse and the legally adopted daughter of the deceased Andres Abanto;
2. That the aforementioned deceased died on February 16, 1973 in the City of Bais, which was his residence at the time of his death;
3. That said decedent died without leaving any will and without debts and his only surviving heirs are the aforementioned Victorina C. Vda. de Abanto and Gumersinda A. Maldo;
4. That the deceased left as his estate and only real properties, certain parcels of land which are more particularly described and founded as follows:

PARCEL ONE TCT NO. H-37

"A parcel of agricultural land, with the improvements thereon, containing an area of FIFTY-FIVE THOUSAND FOUR HUNDRED SIXTY THREE (55,463) SQUARE METERS MORE OR LESS, situated in barrio Campuyo, Manjuyod, Negros Oriental and bounded on the Northeast by Tañon Strait; on the South by the property claimed by Nazario Acabal; on the west by North Bais Bay, public land and the properties claimed by Fortunato Acabal and Manuel Gonzales as described in TCT No. H-37."

PARCEL TWO

"A parcel of unregistered land, together with the improvements, accessions and other interests over the said lot, situated at barrio Campuyo, Municipality of Manjuyod, Province of Negros Oriental, containing an area of ONE HUNDRED NINETY THREE THOUSAND, SEVEN HUNDRED EIGHTY NINE (193,789) square meters more or less, as described on plan Psu. 123473 and as amended by PSU 07-01-000 and as declared under Tax Declaration No. 00589 and assessed in said tax declaration for taxation purposes at P24,860.00"

5. That the parties herein have agreed as they hereby agree to adjudicate said parcels of land unto themselves in accordance with Sec. 1, Rule 74 of the Rules of Court and to sell, transfer and convey for a total sum of ONE HUNDRED FIFTEEN THOUSAND PESOS (P115,000.00) Philippine currency the above described properties in the following manner to wit: