

## THIRD DIVISION

[ G.R. No. 133698, April 04, 2001 ]

**ANTONIO TALUSAN AND CELIA TALUSAN, PETITIONERS, VS.  
HERMINIGILDO\* TAYAG AND JUAN HERNANDEZ, RESPONDENTS.**

### DECISION

**PANGANIBAN, J.:**

For purposes of real property taxation, the registered owner of a property is deemed the taxpayer and, hence, the only one entitled to a notice of tax delinquency and the resultant proceedings relative to an auction sale. Petitioners, who allegedly acquired the property through an unregistered deed of sale, are not entitled to such notice, because they are not the registered owners. Moral lessons: real property buyers must register their purchases as soon as possible and, equally important, they must pay their taxes on time.

#### The Case

Before us is a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the November 20, 1997 Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-GR CV No. 41586. The dispositive portion of the challenged Decision is hereunder reproduced as follows:

"WHEREFORE, premises considered, the appealed decision (dated February 4, 1993) of the Regional Trial Court (Branch 7) in Baguio City in Civil Case No. 1456-R is hereby AFFIRMED, with costs against plaintiffs/appellants."

Also assailed is the April 27, 1998 CA Resolution<sup>[2]</sup> which denied petitioners' Motion for Reconsideration.

The questioned CA ruling affirmed the Decision<sup>[3]</sup> of Branch 7 of the Regional Trial Court (RTC) of Baguio City in Civil Case No. 1456-R. The RTC, in turn, dismissed an action for the annulment of the auction sale of a condominium unit, covered by Condominium Certificate of Title No. 651 and located in Building IV, Europa Condominium Villas, Baguio City.

#### The Facts

The CA summarized the antecedents of this case in this wise:<sup>[4]</sup>

"On June 28, 1988, [herein petitioners] filed a complaint wherein they alleged, *inter alia*, that:

--They bought the subject property covered by Condominium Certificate

of Title No. 651, from its former owner, Elias Imperial, as evidenced by a Deed of Absolute Sale:

--On October 15, 1985, '[herein Respondent] Juan D. Hernandez, x x x sued x x x in his capacity as City Treasurer of Baguio City, wrote a letter to the former owner Elias Imperial informing him that the above described property would be sold at public auction on December 9, 1985, x x x to satisfy the delinquent real estate taxes, penalties and cost of sale, and demanded payment of the sum of P4,039.80, representing total taxes due and penalties thereon;

--'Elias Imperial and his entire family emigrated to Australia in 1974.' Elias Imperial never authorized 'a certain Dante Origan x x x to receive any letter or mail matter for and on his behalf;'

--[Respondent] Hernandez sold the above-described property to [Respondent] Tayag for P4,400.00 'without any notice to the former owner thereof, [or] to [petitioners], and without compliance with the provisions of PD No. 464, as evidenced by the Certificate of Sale;'

--A final bill of sale was later issued 'in favor of the [Respondent] Hermenegildo Tayag.' The assessed value alone of the said property is P37,310.00 and the fair market value of the same is more than P300,000.00 and both [respondents] knew these;

--The bid price of P4,400 'is so unconscionably low and shocking to the conscience,' thus, the sale 'for the alleged unpaid taxes in the sum of P4,039.79, including penalties' is 'null and void ab initio;'

--'[Petitioners] have been in actual possession of the Unit in question, since they bought the same from its former owners, and their possession is open, public, continuous, adverse and in the concept of owners, while [Respondent] Hermegildo Tayag has never been in possession of the said property;'

--[Petitioners] through intermediaries offered 'to pay to the [respondents] the sum of P4,400 plus all interests and expenses which [they] might have incurred x x x but said offer was rejected without any just [or] lawful cause.'

There is a need to issue a writ of preliminary injunction to 'preserve the status quo.'

They asked for: moral damages of not less than P50,000.00; exemplary damages of not less than P20,000.00; attorney's fee of P30,000.00, plus appearance fee of P2,000.00 for every appearance; and litigation expenses of not less than P5,000.00 to prosecute the case. (pages 3-8 of the Record)

On July 14, 1988, [Respondent] Hermenegildo Tayag filed his [A]nswer with [C]ounterclaim (pages 28-32 of the Record), wherein he substantially denied the allegations in the complaint and, at the same

time, raised the following affirmative defenses, among others:

-- '(T)he ownership of the Condominium unit registered under Condominium Certificate of Title No. 651, Baguio City, has been consolidated in his name by virtue of the decision of the Regional Trial Court of Baguio, Branch 6, on September 16, 1987 x x x . The said decision has [become] final and executory as evidenced by the Certificate of Finality issued on October 8, 1987;'

-- '[Petitioners have] no cause of action against him, he being a `buyer in good faith in a regular and lawful public bidding in which any person is qualified to participate.'

-- 'The lower court has no jurisdiction over [petitioners'] claim `because the [petitioners] pray for the annulment of the Certificate of the Sale and the Final Bill of Sale, which was affirmed by virtue of the decision of the Regional Trial Court of Baguio, Branch 6, on September 16, 1987 x x x. The said decision has [become] final and executory as evidenced by the Certificate of Finality issued on October 8, 1987;'

-- 'The public auction sale complied with `the requirements of Presidential Decree No. 464' - hence, the same is `lawful and valid:'

-- '[Respondent] Tayag is not bound by the alleged [D]eed of [S]ale in favor of the [petitioners] by Elias [I]mperial, because it was not registered and recorded with the Registry of Deeds of Baguio City.'

[Respondent] Tayag then prayed for the award in his favor, of: moral damages of at least P50,000.00; exemplary damages; attorney's fees in the sum of P10,000.00; and, expenses of litigation.

[Respondent] Hernandez likewise filed an [A]nswer on July 18, 1988, wherein he denied the material averments in the complaint and stated that `no irregularity or illegality was committed in the conduct of the proceedings with respect to the delinquent real property of Elias Imperial and the actuations of the defendant herein were all within the limits of his authority and in accordance with the provisions of the law pertaining to delinquent real property, particularly, P.D. 464 otherwise known as the Real Property Tax Code and therefore, no damages may be imputed against him.' He also claimed, by way of affirmative defenses, that:

-- 'The complaint states no cause of action against the [respondent] herein:

-- '[Petitioners] have not complied with x x x Section 83 of P.D. No. 464 x x x thus, the case cannot prosper;'

-- 'Granting that a Deed of Sale was actually issued in favor of the plaintiffs [because of] the fact that it is unregistered, the same does not bind third persons including defendant herein.'"

In their Complaint, petitioners alleged that on December 7, 1981, they had acquired the condominium from Elias Imperial, the original registered owner, for P100,000. The sale was purportedly evidenced by a Deed of Sale which, however, had not and thenceforth never been registered with the Register of Deeds.

Petitioners also averred that on December 9, 1985, Baguio City Treasurer Juan Hernandez sold the property at a public auction due to nonpayment of delinquent real estate taxes thereon. The property was sold to Respondent Herminigildo Tayag for P4,400 which represented the unpaid taxes.

Thus, petitioners filed a Complaint seeking the annulment of the auction sale. They cited irregularities in the proceedings and noncompliance with statutory requirements.

Dismissing the Complaint, Branch 7 of the RTC of Baguio City cited the December 16, 1987 judgment of Branch 6 of the same court in LRC Adm. Case No.207-R. This earlier Branch 6 Decision had consolidated ownership of the condominium unit in favor of Respondent Tayag. The Branch 7 Decision also cited the May 31, 1988 Order of Branch 5 of the same court which had granted a Petition for the Cancellation of Condominium Certificate of Title No. 651 in the name of Elias Imperial and directed the Register of Deeds to issue a new Certificate of Title in the name of Respondent Tayag. According to the trial court, the Decision in LRC Adm. Case No. 207-R had already upheld the legality of the questioned auction sale. Hence, to rule again on the same issue would amount to passing upon a judgment made by a coequal court, contrary to the principle of "conclusiveness of judgment."

### **Ruling of the CA**

The appellate court affirmed the trial court's ruling and ratiocination. The CA explained that LRC Adm. Case No. 207-R had already ruled on the validity of the auction sale of the subject condominium unit. It further sustained the validity of that sale, because the city treasurer complied with the requirements of notice, publication and posting. It added that "[i]f [petitioners] never received the notices sent to Elias Imperial, then they have only themselves to blame for failing to register the deed of sale between them and the former owner x x x."

Rejecting petitioners' contention that the purchase price was inadequate, the CA ruled that such inadequacy could not nullify the auction sale. It likewise held that petitioners had not established bad faith on the part of respondents in conducting the auction sale. Finally, it agreed with the latter's contention that the former were "remiss in causing the registration of the sale in their favor of the subject property and they likewise did not fulfill their obligation to pay taxes. It [is] thus clear x x x they should only have themselves to blame. Laws exist to be followed, failing in which the price must be paid."

Hence, this recourse.<sup>[5]</sup>

### **The Issues**

Petitioners assigned the following alleged errors for the consideration of this Court:

<sup>[6]</sup>

#### "I. FIRST ASSIGNMENT OF ERROR

The Honorable Court of Appeals grievously erred in failing to consider that the petitioners were deprived of their right to due process in this case due to the gross and inexcusable negligence of their former counsel who failed to inform them of the decision in this case and protect their interest.

#### "II. SECOND ASSIGNMENT OF ERROR

The Honorable Court of Appeals grievously erred in failing to nullify the auction sale of the subject property of petitioners due to alleged tax delinquency when there was no compliance with the mandatory requirement of Section 46 of P.D. 464 that such notice of delinquency of the payment of the property tax should be published.

#### "III. THIRD ASSIGNMENT OF ERROR

The Honorable Court of Appeals grievously erred in failing to consider the lack of personal notice of the sale for public auction of the subject property to its owner which nullifies the said proceeding.

#### "IV. FOURTH ASSIGNMENT OF ERROR

The Honorable Court of Appeals grievously erred in holding that the decision of the trial court in the petition for the consolidation of the title case filed by the private respondent in LRC Admin. Case 207 is a bar to this proceeding.

#### "V. FIFTH ASSIGNMENT OF ERROR

The Honorable Court of Appeals erred in not nullifying the auction sale of subject property on equitable considerations."

We deem it appropriate to simplify the issues in this wise: (1) whether the RTC Decision in LRC Adm. Case No. 207-R is a bar to this proceeding; and (2) whether the auction sale of the subject condominium unit should be annulled on the grounds of (a) non-publication of the notice of delinquency for the payment of property tax, (b) lack of personal notice of the sale or public auction of the subject property and (c) equitable considerations. As a preliminary matter, we shall also consider petitioners' submission that they were deprived of due process because of their counsel's failure to inform them immediately of the receipt of the CA Decision.

#### **Preliminary Matter:** **Negligence of Petitioners' Former Counsel**

Petitioners aver that their former counsel informed them of the CA Decision only on February 5, 1998, more than two months after he had received a copy on December 3, 1997. According to petitioners, their former counsel's negligence effectively deprived them of their right to due process.

We disagree. Notwithstanding its late filing, their Motion for Reconsideration was