

SECOND DIVISION

[G.R. No. 123547, May 21, 2001]

REV. FR. DANTE MARTINEZ, PETITIONER, VS. HONORABLE COURT OF APPEALS, HONORABLE JUDGE JOHNSON BALLUTAY, PRESIDING JUDGE, BRANCH 25, REGIONAL TRIAL COURT OF CABANATUAN CITY, HONORABLE JUDGE ADRIANO TUAZON, JR., PRESIDING JUDGE, BRANCH 28, REGIONAL TRIAL COURT OF CABANATUAN CITY, SPOUSES REYNALDO VENERACION AND SUSAN VENERACION, SPOUSES MAXIMO HIPOLITO AND MANUELA DE LA PAZ AND GODOFREDO DE LA PAZ, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

This is a petition for review on certiorari of the decision, dated September 7, 1995, and resolution, dated January 31, 1996, of the Court of Appeals, which affirmed the decisions of the Regional Trial Court, Branches 25^[1] and 28,^[2] Cabanatuan City, finding private respondents spouses Reynaldo and Susan Veneracion owners of the land in dispute, subject to petitioner's rights as a builder in good faith.

The facts are as follows:

Sometime in February 1981, private respondents Godofredo De la Paz and his sister Manuela De la Paz, married to Maximo Hipolito, entered into an oral contract with petitioner Rev. Fr. Dante Martinez, then Assistant parish priest of Cabanatuan City, for the sale of Lot No. 1337-A-3 at the Villa Fe Subdivision in Cabanatuan City for the sum of P15,000.00. The lot is located along Maharlika Road near the Municipal Hall of Cabanatuan City. At the time of the sale, the lot was still registered in the name of Claudia De la Paz, mother of private respondents, although the latter had already sold it to private respondent Manuela de la Paz by virtue of a Deed of Absolute Sale dated May 26, 1976 (Exh. N/Exh. 2-Veneracion).^[3] Private respondent Manuela subsequently registered the sale in her name on October 22, 1981 and was issued TCT No. T-40496 (Exh. 9).^[4] When the land was offered for sale to petitioner, private respondents De la Paz were accompanied by their mother, since petitioner dealt with the De la Pazes as a family and not individually. He was assured by them that the lot belonged to Manuela De la Paz. It was agreed that petitioner would give a downpayment of P3,000.00 to private respondents De la Paz and that the balance would be payable by installment. After giving the P3,000.00 downpayment, petitioner started the construction of a house on the lot after securing a building permit from the City Engineer's Office on April 23, 1981, with the written consent of the then registered owner, Claudia de la Paz (Exh. B/Exh. 1).^[5] Petitioner likewise began paying the real estate taxes on said property (Exh. D, D-1, D-2).^[6] Construction on the house was completed on October 6, 1981 (Exh. V).^[7]

Since then, petitioner and his family have maintained their residence there.^[8]

On January 31, 1983, petitioner completed payment of the lot for which private respondents De la Paz executed two documents. The first document (Exh. A) read:

1-31-83

Ang halaga ng Lupa sa Villa Fe Subdivision na ipinagbili kay Fr. Dante Martinez ay P15,000.00 na pinangangako namin na ibibigay ang Deed of Sale sa ika-25 ng Febrero 1983.

[SGD.] METRING HIPOLITO

[SGD.] JOSE GODOFREDO DE LA PAZ^[9]

The second writing (Exh. O) read:

Cabanatuan City
March 19, 1986

TO WHOM IT MAY CONCERN:

This is to certify that Freddie dela Paz has agreed to sign tomorrow (March 20) the affidavit of sale of lot located at Villa Fe Subdivision sold to Fr. Dante Martinez.

[Sgd.] Freddie dela Paz
FREDDIE DELA PAZ^[10]

However, private respondents De la Paz never delivered the Deed of Sale they promised to petitioner.

In the meantime, in a Deed of Absolute Sale with Right to Repurchase dated October 28, 1981 (Exh. 10),^[11] private respondents De la Paz sold three lots with right to repurchase the same within one year to private respondents spouses Reynaldo and Susan Veneracion for the sum of P150,000.00. One of the lots sold was the lot previously sold to petitioner.^[12]

Reynaldo Veneracion had been a resident of Cabanatuan City since birth. He used to pass along Maharlika Highway in going to the Municipal Hall or in going to and from Manila. Two of the lots subject of the sale were located along Maharlika Highway, one of which was the lot sold earlier by the De la Pazes to petitioner. The third lot (hereinafter referred to as the Melencio lot) was occupied by private respondents De la Paz. Private respondents Veneracion never took actual possession of any of these lots during the period of redemption, but all titles to the lots were given to him.^[13]

Before the expiration of the one year period, private respondent Godofredo De la Paz informed private respondent Reynaldo Veneracion that he was selling the three lots to another person for P200,000.00. Indeed, private respondent Veneracion

received a call from a Mr. Tecson verifying if he had the titles to the properties, as private respondents De la Paz were offering to sell the two lots along Maharlika Highway to him (Mr. Tecson) for P180,000.00. The offer included the lot purchased by petitioner in February, 1981. Private respondent Veneracion offered to purchase the same two lots from the De la Pazes for the same amount. The offer was accepted by private respondents De la Paz. Accordingly, on June 2, 1983, a Deed of Absolute Sale was executed over the two lots (Exh. I/Exh. 5-Veneracion).^[14] Sometime in January, 1984, private respondent Reynaldo Veneracion asked a certain Renato Reyes, petitioner's neighbor, who the owner of the building erected on the subject lot was. Reyes told him that it was Feliza Martinez, petitioner's mother, who was in possession of the property. Reynaldo Veneracion told private respondent Godofredo about the matter and was assured that Godofredo would talk to Feliza. Based on that assurance, private respondents Veneracion registered the lots with the Register of Deeds of Cabanatuan on March 5, 1984. The lot in dispute was registered under TCT No. T-44612 (Exh. L/Exh. 4-Veneracion).^[15]

Petitioner discovered that the lot he was occupying with his family had been sold to the spouses Veneracion after receiving a letter (Exh. P/Exh. 6-Veneracion) from private respondent Reynaldo Veneracion on March 19, 1986, claiming ownership of the land and demanding that they vacate the property and remove their improvements thereon.^[16] Petitioner, in turn, demanded through counsel the execution of the deed of sale from private respondents De la Paz and informed Reynaldo Veneracion that he was the owner of the property as he had previously purchased the same from private respondents De la Paz.^[17]

The matter was then referred to the Katarungang Pambarangay of San Juan, Cabanatuan City for conciliation, but the parties failed to reach an agreement (Exh. M/Exh. 13).^[18] As a consequence, on May 12, 1986, private respondent Reynaldo Veneracion brought an action for ejectment in the Municipal Trial Court, Branch III, Cabanatuan City against petitioner and his mother (Exh. 14).^[19]

On the other hand, on June 10, 1986, petitioner caused a notice of *lis pendens* to be recorded on TCT No. T-44612 with the Register of Deeds of Cabanatuan City (Exh. U).^[20]

During the pre-trial conference, the parties agreed to have the case decided under the Rules on Summary Procedure and defined the issues as follows:

1. Whether or not defendant (now petitioner) may be judicially ejected.
2. Whether or not the main issue in this case is ownership.
3. Whether or not damages may be awarded.^[21]

On January 29, 1987, the trial court rendered its decision, pertinent portions of which are quoted as follows:

With the foregoing findings of the Court, defendants [petitioner Rev. Fr. Dante Martinez and his mother] are the rightful possessors and in good faith and in concept of owner, thus cannot be ejected from the land in

question. Since the main issue is ownership, the better remedy of the plaintiff [herein private respondents Veneracion] is Accion Publiciana in the Regional Trial Court, having jurisdiction to adjudicate on ownership.

Defendants' counterclaim will not be acted upon it being more than P20,000.00 is beyond this Court's power to adjudge.

WHEREFORE, judgment is hereby rendered, dismissing plaintiff's complaint and ordering plaintiff to pay Attorney's fee of P5,000.00 and cost of suit.

SO ORDERED.^[22]

On March 3, 1987, private respondents Veneracion filed a notice of appeal with the Regional Trial Court, but failed to pay the docket fee. On June 6, 1989, or over two years after the filing of the notice of appeal, petitioner filed a Motion for Execution of the Judgment, alleging finality of judgment for failure of private respondents Veneracion to perfect their appeal and failure to prosecute the appeal for an unreasonable length of time.

Upon objection of private respondents Veneracion, the trial court denied on June 28, 1989 the motion for execution and ordered the records of the case to be forwarded to the appropriate Regional Trial Court. On July 11, 1989, petitioner appealed from this order. The appeal of private respondents Veneracion from the decision of the MTC and the appeal of petitioner from the order denying petitioner's motion for execution were forwarded to the Regional Trial Court, Branch 28, Cabanatuan City. The cases were thereafter consolidated under Civil Case No. 670-AF.

On February 20, 1991, the Regional Trial Court rendered its decision finding private respondents Veneracion as the true owners of the lot in dispute by virtue of their prior registration with the Register of Deeds, subject to petitioner's rights as builder in good faith, and ordering petitioner and his privies to vacate the lot after receipt of the cost of the construction of the house, as well as to pay the sum of P5,000.00 as attorney's fees and the costs of the suit. It, however, failed to rule on petitioner's appeal of the Municipal Trial Court's order denying their Motion for Execution of Judgment.

Meanwhile, on May 30, 1986, while the ejectment case was pending before the Municipal Trial Court, petitioner Martinez filed a complaint for annulment of sale with damages against the Veneracions and De la Pazes with the Regional Trial Court, Branch 25, Cabanatuan City. On March 5, 1990, the trial court rendered its decision finding private respondents Veneracion owners of the land in dispute, subject to the rights of petitioner as a builder in good faith, and ordering private respondents De la Paz to pay petitioner the sum of P50,000.00 as moral damages and P10,000.00 as attorney's fees, and for private respondents to pay the costs of the suit.

On March 20, 1991, petitioner then filed a petition for review with the Court of Appeals of the RTC's decision in Civil Case No. 670-AF (for ejectment). Likewise, on April 2, 1991, petitioner appealed the trial court's decision in Civil Case No. 44-[AF]-8642-R (for annulment of sale and damages) to the Court of Appeals. The cases were designated as CA G.R. SP. No. 24477 and CA G.R. CV No. 27791,

respectively, and were subsequently consolidated. The Court of Appeals affirmed the trial courts' decisions, without ruling on petitioner's appeal from the Municipal Trial Court's order denying his Motion for Execution of Judgment. It declared the Veneracions to be owners of the lot in dispute as they were the first registrants in good faith, in accordance with Art. 1544 of the Civil Code. Petitioner Martinez failed to overcome the presumption of good faith for the following reasons:

1. when private respondent Veneracion discovered the construction on the lot, he immediately informed private respondent Godofredo about it and relied on the latter's assurance that he will take care of the matter.
2. the sale between petitioner Martinez and private respondents De la Paz was not notarized, as required by Arts. 1357 and 1358 of the Civil Code, thus it cannot be said that the private respondents Veneracion had knowledge of the first sale.^[23]

Petitioner's motion for reconsideration was likewise denied in a resolution dated January 31, 1996.^[24] Hence this petition for review. Petitioner raises the following assignment of errors:

- I. THE PUBLIC RESPONDENTS HONORABLE COURT OF APPEALS AND REGIONAL TRIAL COURT JUDGES JOHNSON BALLUTAY AND ADRIANO TUAZON ERRED IN HOLDING THAT PRIVATE RESPONDENTS REYNALDO VENERACION AND WIFE ARE BUYERS AND REGISTRANTS IN GOOD FAITH IN RESOLVING THE ISSUE OF OWNERSHIP AND POSSESSION OF THE LAND IN DISPUTE.
- II. THAT PUBLIC RESPONDENTS ERRED IN NOT RESOLVING AND DECIDING THE APPLICABILITY OF THE DECISION OF THIS HONORABLE COURT IN THE CASES OF SALVORO VS. TANEGA, ET AL., G.R. NO. L 32988 AND IN ARCENAS VS. DEL ROSARIO, 67 PHIL 238, BY TOTALLY IGNORING THE SAID DECISIONS OF THIS HONORABLE COURT IN THE ASSAILED DECISIONS OF THE PUBLIC RESPONDENTS.
- III. THAT THE HONORABLE COURT OF APPEALS ERRED IN NOT GIVING DUE COURSE TO THE PETITION FOR REVIEW IN CA G.R. SP. NO. 24477.
- IV. THAT THE HONORABLE COURT OF APPEALS IN DENYING PETITIONER'S PETITION FOR REVIEW AFORECITED INEVITABLY SANCTIONED AND/OR WOULD ALLOW A VIOLATION OF LAW AND DEPARTURE FROM THE USUAL COURSE OF JUDICIAL PROCEEDINGS BY PUBLIC RESPONDENT HONORABLE JUDGE ADRIANO TUAZON WHEN THE LATTER RENDERED A DECISION IN CIVIL CASE NO. 670-AF [ANNEX "D"] REVERSING THE DECISION OF THE MUNICIPAL TRIAL COURT JUDGE SENDON DELIZO IN CIVIL CASE NO. 9523 [ANNEX "C"] AND IN NOT RESOLVING IN THE SAME CASE THE APPEAL INTERPOSED BY DEFENDANTS ON