

FIRST DIVISION

[G.R. No. 120154, June 29, 1998]

**HEIRS OF SPOUSES BENITO GAVINO AND JUANA EUSTE
REPRESENTED BY AMPARO G. PESEBRE AND BELEN G.
VERCELUZ, PETITIONER VS. COURT OF APPEALS AND JUANA
VDA. DE AREJOLA REPRESENTED BY FLAVIA REYES,
RESPONDENTS.**

D E C I S I O N

BELLOSILLO, J.:

In a conflict of rights over registered land subject of intestate proceedings which is sold without express authority of the court, which right should prevail: those of the innocent purchasers for value in good faith, or those of the heirs of the estate?

This petition emanates from a case for *Annulment of Fraudulent Sales of Registered Property with Reconveyance and for Damages* filed in 1968 with the Court of First Instance (now Regional Trial Court), Naga City, by Juana Vda. de Arejola, Justiniano R. Exequiel and Dominador Aureas, as administrators of the Intestate Estate of Luis P. Arejola, against Atty. Jacobo Briones and his spouse Natividad Olivan, and the spouses Benito Gavino and Juana Euste.^[1]

In 1976 the original records of the case were burned in a fire which gutted the old Provincial Capitol Building housing Branch 22 of the court.^[2] The records were eventually reconstituted although partially. Five (5) judges successively presided over the case: Judges Delfin Vir. Sunga, Jorge S. Imperial, Juan B. Montecillo, Ignacio S. Calleja, Jr., and Angel S. Malaya. Several substitutions of counsel also took place. In 1977 plaintiff Juana Vda. de Arejola died. Defendants Jacobo Briones and the Gavino spouses also died some years later.

Culled from the reconstituted records, in 1953 a parcel of land measuring 9.3540 hectares covered by TCT No. 896 of the Registry of Deeds of Camarines Sur and originally registered in the name of the Rehabilitation Finance Corporation (RFC)^[3] was sold by the corporation on installment basis to Luis P. Arejola under a *Deed of Conditional Sale*. The vendee however died on 25 September 1958 without completing his payments.^[4]

Subsequently, a petition for settlement of his intestate estate was commenced by his surviving spouse Juana Vda. de Arejola who on 11 October 1958 was appointed special administratrix and on 2 February 1959 as regular administratrix in Sp. Proc. No. R-9 (771). Atty. Jacobo Briones was engaged as lawyer of the estate.^[5] However, the lot purchased from the RFC was not included in the inventory of properties submitted by Juana to the intestate court, although she reserved the right to include in the list all other properties belonging to her husband's estate that would come later to her knowledge.^[6]

In April 1960, after being informed that the land bought by her deceased husband from the RFC was about to be foreclosed for non-payment of amortizations, Juana made arrangements with the Development Bank of the Philippines (DBP), successor in interest of RFC, to save the property. After proper negotiations, she executed with the bank a "*Revival and Re-amortization of Deed of Conditional Sale*" and signed the document in her own behalf as vendee and as administratrix of the estate of her deceased husband. This transaction in effect revived the conditional sale entered into by the RFC with her husband Luis^[7] with the imprimatur of the intestate court.^[8]

On 3 September 1962 Juana was granted judicial authority to sell properties of the decedent's estate. However, with her removal as administratrix on 3 October 1962, this authority became *functus officio*.

On 14 February 1963, armed with the authority to sell earlier granted to her by the court, without revealing however that her appointment as administratrix had already been revoked, Juana sold to the Gavino spouses the subject property by way of *pacto de retro* for P6,650.00.^[9]

Meanwhile, upon full payment to DBP of the purchase price, a final *Deed of Sale* was executed on 15 February 1963 between Juana and DBP which resulted in the cancellation of TCT No. 896 and the issuance of TCT No. 4873 in the name of Juana Vda. de Arejola.^[10] On 6 March 1963, despite her earlier sale of the land to the Gavino spouses, Juana fictitiously sold the same property to the estate's lawyer, Atty. Jacobo Briones, so that the latter could secure a mortgage thereon in her behalf.^[11] At any rate, the sale to Atty. Briones was registered; accordingly, TCT No. 4873 was cancelled and TCT No. 4874 was issued in the name of Atty. Jacobo Briones.^[12]

On 22 April 1963 Juana Vda. de Arejola asked for and was given by the Gavino spouses an additional amount of P1,000.00 and a new deed of *pacto de retro* with option to buy was executed thus formalizing the earlier sale to the spouses and indicating therein the actual purchase price of P7,650.00. However, the certificate of title described in the contract of sale was still TCT No. 896^[13] despite the fact that it had already been cancelled and substituted by TCT No. 4873 in the name of Juana, and then by TCT No. 4874 in favor of Atty. Jacobo Briones.

On 18 July 1963 Atty. Briones mortgaged the property to PNB for P4,000.00,^[14] and a month later, the amount was increased by P700.00.^[15]

On 15 October 1963 Atty. Briones sold the property to the Gavino spouses. The latter alleged that they were constrained to buy the land because of their apprehension that they might lose their earlier investment of P7,650.00 on the same land under the sale by Juana in their favor on 22 April 1963. As a consequence, TCT No. 4874 was cancelled and TCT No. 5244 was issued in the name of Benito Gavino married to Juana Euste.^[16]

On 12 January 1968 Juana Vda. de Arejola together with the other judicial administrators of the estate of Luis P. Arejola, namely, Justiniano Exequiel and Dominador Aureas, manifesting that all of the foregoing sales executed by Juana were done without judicial authority to sell through the manipulations of Atty.

Briones who acted for his own benefit, filed the instant case against him, his wife and the Gavino spouses.

On 31 March 1969, during the pendency of the case, one Sulpicio Lovendino filed a complaint-in-intervention alleging that on 25 February 1969 the property was sold to him by the Gavino spouses for P15,000.00 and that by virtue thereof TCT No. 5244 was cancelled and TCT No. 10503 was issued in his name.^[17]

After Lovendino died his heirs manifested that they were not interested in substituting him because the lot had already been sold to a certain Gerardo Pesebre in 1971.^[18] Be that as it may, it is undisputed that the property is now in the hands of Amparo Gavino Pesebre and Belen Gavino Verceluz, daughters of the spouses Benito Gavino and Juana Euste.

On the basis of the antecedent facts a decision was rendered by the trial court on 29 August 1991 declaring the sales of the land to defendant spouses Benito Gavino and Juana Euste valid and lawful. It ordered that in the final distribution of the intestate estate of Luis P. Arejola the subject property be excluded from the estate chargeable however against Juana Vda. de Arejola's share, interest and participation therein, and that the Gavino spouses be granted attorney's fees of P5,000.00.^[19]

The plaintiffs (now private respondents) appealed to the Court of Appeals asserting in the main that the sale of the property by Juana Vda. de Arejola and Atty. Jacobo Briones to the Gavino spouses was invalid and unlawful so that the property must be included in the final distribution of the intestate estate of Luis P. Arejola.^[20]

Respondent appellate court upheld the validity of the sale to the Gavinos but only insofar as the individual share of Juana Vda. de Arejola was concerned.^[21] Consequently, the two (2) daughters of Benito Gavino, namely, Amparo G. Pesebre and Belen G. Verceluz, then already the registered owners of the property, were ordered to convey the remaining undivided portion thereof to the estate of Luis P. Arejola, retaining in their name only the undivided portion equivalent to the share of his widow Juana. It also directed the estate of Luis P. Arejola to refund to the Gavino spouses a proportionate share of the amount of P7,650.00 which they paid to Juana for the land. The appellate court denied the claim for damages and deleted the award of attorney's fees.

Petitioners now pray for the adjudication of the entire lot to them, Juana Vda. de Arejola being the sole owner of the property as evidenced by the transfer certificates of title shown to them and, consequently, had full authority to sell or otherwise dispose of it. They also ask that since they simply relied on the information contained in the certificates of title they should be declared innocent purchasers for value and in good faith.^[22]

Respondents, on the other hand, claim that the entire lot should be considered part of the estate of Luis P. Arejola because the sale by Juana Vda. de Arejola to the Gavinos was invalid considering that the property was in *custodia legis* and could not be disposed of without the imprimatur of the intestate court. They suggest that Juana was a victim of the malicious machinations of the estate's counsel, Atty. Jacobo Briones.^[23]

We do not agree with the finding of the Court of Appeals nor of the Regional Trial Court that the contested parcel of land belonged entirely to Luis P. Arejola, *ergo*,

formed part of his estate. In the proceedings before the trial court, plaintiffs presented the *Deed of Conditional Sale* executed by the RFC describing vendee Luis P. Arejola as *married to Juana Arejola*, ineluctably showing that he acquired his right over the land during his marriage to Juana. This being the case, the land is presumed to be conjugal, hence, Art. 160^[24] of the New Civil Code will have to be applied, i.e., *all property of the marriage is presumed to belong to the conjugal partnership unless it be proved that it pertains exclusively to the husband or to the wife*. Although this presumption is rebuttable, it can only be overcome by strong, clear and convincing evidence of exclusive ownership of one of the spouses. In the case at bar, the quantum of proof demanded by law has not been satisfied. For nowhere in the exhibits presented by both parties, documentary or testimonial, has it been demonstrated that the land in question was inherited by Luis nor acquired by him with his own capital or exclusive funds. The presumption not having been overthrown, the conclusion is that the contested land is conjugal property.

It is this conjugal nature of the property that vested in Juana Vda. de Arejola, as surviving co-owner, the right to agree to a revival of the conditional sale. This should explain *why* the *Deed of Revival and Re-amortization of Conditional Sale* was signed by her not only as administratrix of her husband's estate but also in her own behalf. There should be no doubt that the property in question is not entirely owned by the estate of Luis for what rightfully belongs to it is only one-half, the other half being Juana's share as conjugal partner. It must be recalled that when Juana and the DBP (formerly RFC) agreed on reviving the conditional sale, Juana was still the administratrix of the intestate estate. Thus, where an executor or administrator receives by virtue of his representative capacity property to which the decedent became entitled after his death, he holds such property as asset of the estate and is liable therefor in his representative capacity.^[25] He cannot acquire by purchase, even by public auction, the property of the estate under his administration.^[26] *Consequently, with regard to the portion of land held by Juana for the estate of her late husband in her capacity as administratrix, she had no right to acquire ownership over it and have the entire lot titled in her name alone.*

After the DBP had been fully paid the purchase price of the property Juana Vda. de Arejola ceased to be the administratrix of the estate. As a result, if that portion of the land pertaining to the share of Luis in the conjugal partnership had been held by Juana beyond the period of her judicial administration she only did so in trust for the estate.^[27] But this trust was breached when after the land had been fully paid for, Juana deliberately caused the issuance of a new certificate of title in her name as *sole* owner thereby depriving the estate of Luis P. Arejola of its rightful share therein.

Private respondents insist that the sale of the land by Juana Vda. de Arejola to the Gavino spouses was illegal and invalid because her lawyer, Atty. Jacobo Briones, manipulated her into selling the property. This is difficult to accept. The evidence on record shows that while Juana may have been improperly and improvidently advised by her lawyer on the matter, the ultimate decision was still hers. It was with full knowledge and consent that she entered into the sale transaction with the Gavinos.

The claim of respondents that the invalidity of the sale is aggravated by the absence of judicial imprimatur cannot be sustained. If the sale was without judicial approval, it could only be attributable to Juana's own fault because she knew very well that she was no longer administratrix of the estate and therefore could not be