

FIRST DIVISION

[G.R. No. 126713, July 27, 1998]

ADORACION E. CRUZ, THELMA DEBBIE E. CRUZ AND GERRY E. CRUZ, PETITIONERS, VS. COURT OF APPEALS AND SPOUSES ELISEO AND VIRGINIA MALOLOS, RESPONDENTS.

D E C I S I O N

PANGANIBAN, J.:

Contracts constitute the law between the parties. They must be read together and interpreted in a manner that reconciles and gives life to all of them. The intent of the parties, as shown by the clear language used, prevails over post facto explanations that find no support from the words employed by the parties or from their contemporary and subsequent acts showing their understanding of such contracts. Furthermore, a subsequent agreement cannot novate or change by implication a previous one, unless old and new contracts are, on every point, incompatible with each other. Finally, collateral facts may be admitted in evidence when a rational similarity exists between the conditions giving rise to the fact offered and the circumstances surrounding the issue or fact to be proved.

The Case

Before us is a petition for review on certiorari seeking to nullify the Court of Appeals (CA) Decision^[1] in CA- GR CV 33566, promulgated July 15, 1996, which reversed the Regional Trial Court (RTC) of Antipolo, Rizal; and CA Resolution^[2] of October 1, 1996, which denied petitioner's Motion for Reconsideration.

Petitioner's Adoracion, Thelma Debbie, Gerry and Arnel (all surnamed Cruz) filed an action for partition against the private respondents, Spouses Eliseo and Virginia Malolos. On January 28, 1991, the trial court rendered a Decision which disposed as follows:^[3]

"WHEREFORE, judgment is hereby rendered for the plaintiffs and against the defendants-spouses –

1. Ordering the partition of the seven parcels of land totalling 1,912 sq. m. among the four (4) plaintiffs and the defendants-spouses as follows:

- | | | | |
|----|--------------------------|-----|---------|
| a. | Adoracion E. Cruz (1/5) | --- | 382 sq. |
| m. | | | |
| b. | Thelma Debbie Cruz (1/5) | --- | 382 sq. |

m.

c. Gerry E. Cruz (1/5) --- 382 sq.
m.

d. Arnel E. Cruz (1/5) --- 382 sq.
m.

e. Spouses Eliseo and Virginia Malolos (1/5) --- 382 sq.
m.

to whom Lot No. 1-C-2-B-2-B-4-L-1-A with an area of 276 sq. m. covered by TCT No. 502603 and a portion of Lot No. 1-C-2-B-2-B-4-L-1-B covered by TCT No. 502604 to the extent of 106 sq. m. adjoining TCT No. 502603.

2. Ordering the parties herein to execute a project of partition in accordance [with] this decision indicating the partition of the seven (7) parcels of land within fifteen (15) days upon receipt of this judgment.

3. Ordering defendants-spouses to pay plaintiffs herein P5,000.00 as and for attorney's fees;

4. Cost of suit."

On appeal, Respondent Court reversed the trial court thus:^[4]

"WHEREFORE, finding the appeal to be meritorious, we REVERSE the appealed decision and render judgment DISMISSING the complaint without prejudice however to the claim of plaintiff-appellees for their shares in the proceeds of the auction sale of the seven (7) parcels of land in question against Nerissa Cruz Tamayo pursuant to the Memorandum Agreement.

Cost against the plaintiff-appellees."

As earlier stated, reconsideration was denied through the appellate court's challenged Resolution:^[5]

"WHEREFORE, for lack of merit, the Motion for Reconsideration in DENIED."

The Antecedent Facts

The facts of this case are undisputed. The assailed Decision relates them as follows:
^[6]

"Delfin I. Cruz and Adoracion Cruz were spouses and their children were

Thelma, Nerissa, Arnel and Gerry Cruz. Upon the death of Delfin I. Cruz, [his] surviving spouse and children executed on August 22, 1977 a notarized Deed of Partial Partition (Exhibit 2) by virtue of which each one of them was given a share of several parcels of registered lands all situated in Taytay, Rizal.

The following day, August 23, 1977, the same mother and children executed a Memorandum Agreement (Exhibit H) which provided:

"That the parties hereto are common co-owners pro-indiviso in equal shares of the following registered real properties, all situated at Taytay, Rizal, Philippines, x x x.

x x x

That sometime on August 22, 1977, a Deed of Partial Partition was executed among us before Atty. Virgilio J. Tamayo, Notary Public on and for the Province of Rizal, per Doc. No. 1776; Page No. 14; of his Notarial Register No. XLIX, Series of 1977;

x x x

That as a result of said partial partition, the properties affected were actually partitioned and the respective shares of each party, adjudicated to him/her;

That despite the execution of this Deed of Partial Partition and the eventual disposal or sale of their respective shares, the contracting parties herein covenanted and agreed among themselves and by these presents do hereby bind themselves to one another that they shall share alike and received equal shares from the proceeds of the sale of any lot or lots allotted to and adjudicated in their individual names by virtue of this deed of partial partition.'

That this Agreement shall continue to be valid and enforceable among the contracting parties herein up to and until the last lot covered by the Deed of [P]artial [P]artition above adverted to shall have been disposed of or sold and the proceeds thereof equally divided and their respective shares received by each of them."

This Memorandum Agreement was registered and annotated in the titles of the lands covered by the Deed of Partial Partition.

Subsequently, the same parties caused the consolidation and subdivisions of the lands they respectively inherited from the late Delfin I. Cruz per Deed of Partial Partition. After that, they registered the Deed of Partial Partition and subdivision plans and titles were issued in their names. In the case of Nerissa Cruz Tamayo, the following titles were issued to her in her name: TCT No. 502603 (Exhibit A), TCT No. 502604, (Exhibit B), TCT No. 502605 (Exhibit C), TCT No. 502606 (Exhibit D), TCT No. 502608 (Exhibit E), TCT No. 502609 (Exhibit F), TCT No. 502610 (Exhibit G), hereinafter called the lands in question. Naturally, the annotation

pertaining to the Memorandum Agreement was carried in each of said seven (7) titles and annotated in each of them.

Meanwhile, the spouses Eliseo and Virginia Malolos filed Civil Case No. 31231 against the spouses Nerissa Cruz-Tamayo and Nelson Tamayo for a sum of money. The Court of First Instance of Rizal, Branch XVI (Quezon City) rendered a decision of June 1, 1981 in favor of Eliseo and Virginia condemning the spouses Nerissa and Nelson Tamayo to pay them P126,529.00 with 12% interest per annum from the filing of the complaint plus P5,000.00 attorney's fee. After the finality of that decision, a writ of execution (Exhibit J) was issued on November 20, 1981.

Enforcing said writ, the sheriff of the court levied upon the lands in question. On June 29, 1983, these properties were sold in an execution sale to the highest bidders, the spouses Eliseo and Virginia Malolos. Accordingly, the sheriff executed a Certificate of Sale (Exhibit K) over –

'... all the rights, claims, interests, titles, shares, and participations of defendant spouses Nerissa Tamayo and Nelson Tamayo..'

Nerissa Cruz Tamayo failed to exercise her right of redemption within the statutory period and so the final deed of sale was executed by the sheriff conveying the lands in question to spouses Eliseo and Virginia Malolos. The Malolos couple asked Nerissa Cruz Tamayo to give them the owner's duplicate copy of the seven (7) titles of the lands in question but she refused. The couple moved the court to compel her to surrender said titles to the Register of Deeds of Rizal for cancellation. This was granted on September 7, 1984. But Nerissa was adamant. She did not comply with the Order of the court and so the Malolos couple asked the court to declare said titles as null and void.

At this point, Adoracion Cruz, Thelma Cruz, Gerry Cruz and Arnel Cruz entered the picture by filing in said lower court a motion for leave to intervene and oppose [the] Malolos' motion. The Cruzes alleged that they were co-owners of Nerissa Cruz Tamayo over the lands in question.

On January 18, 1985, said court issued an Order modifying the Order of September 7, 1984 by directing the surrender of the owner's duplicate copies of the titles of the lands in question to the Register of Deeds not for cancellation but for the annotation of the rights, interest acquired by the Malolos over said lands.

On February 17, 1987, Adoracion, Thelma, Gerry and Arnel Cruz filed Civil Case No. 961-A for Partition of Real Estate against spouses Eliseo and Virginia Malolos over the lands in question.

As already stated in the first paragraph of this Decision, the court a quo rendered a decision in favor of the plaintiffs from which the defendants appealed to this court, x x x x ."

Ruling of the Court of Appeals

For Respondent Court, the central issue was: "Did the Memorandum of Agreement [MOA] (Exhibit H)^[7] revoke, cancel or supersede the Deed of Partial Partition [DPP] (Exhibit 2)?"^[8] If so, then petitioners and Spouses Tamayo were co-owners of the land in issue, and partition should ensue upon motion of the former; if not, then the latter are its absolute owners and to partition should be made.

Respondent Court resolved the above question in the negative for the following reasons:

First, the DPP was not materially and substantially incompatible with the MOA. The DPP conferred absolute ownership of the parcels of land in issue on Nerissa Cruz Tamayo, while the MOA merely created an obligation on her part to share with the petitioners the proceeds of the sale of said properties.

Second, the fact that private respondent registered the DPP was inconsistent with the allegation that they intended to abandon it. Indeed, had they meant to abandon it, they would have simply gathered the copies of said document and then torn or burned them.

Third, petitioners were estopped from claiming co-ownership over the disputed properties because, as absolute owners, they either mortgaged or sold the other properties adjudicated to them by virtue of the DPP.

Hence, this petition.^[9]

Assignment of Errors

In their Memorandum,^[10] petitioners submit the following assignment of errors:

"A. Respondent Court erred in ruling that the Memorandum of Agreement (Exhibit 'H') does not prevail over the Deed of Partial Partition (Exhibit 2).

B. Respondent Court erred in ruling that petitioners can only claim their right to the proceeds of [the] auction sale.

C. Respondent Court erred in ruling that petitioners are in estoppel by deed.

D. Respondent Court erred in ruling that the registration of the deed of partial partition precluded the petitioners from abrogating it.

E. Respondent Court erred when it completely ignored the finality of the order of the Regional Trial Court of Quezon City, Branch LXXXVI as embodied in the decision of the Regional Trial Court of Antipolo, Rizal, Branch 71."