

THIRD DIVISION

[G.R. No. 115548, March 05, 1996]

STATE INVESTMENT HOUSE INC., PETITIONER, VS. COURT OF APPEALS, ET AL., RESPONDENTS.

DECISION

FRANCISCO, J.:

The factual background of the case, aptly summarized in the decision of the Office of the President and cited by respondent Court of Appeals^[1] in its assailed decision, and which we have verified to be supported by the record is herein reproduced as follows:

"The uncontroverted facts of the case as recited in the decision of the Office of the President are as follows:

'Records show that, on October 15, 1969, Contract to Sell No. 36 was executed by the Spouses Canuto and Ma. Aranzazu Oreta, and the Solid Homes, Inc. (SOLID), involving a parcel of land identified as Block No. 8, Lot No. 1, Phase I of the Capitol Park Homes Subdivision, Quezon City, containing 511 square meters for a consideration of P39,347.00. Upon signing of the contract, the spouses Oreta made payment amounting to P7,869.40, with the agreement that the balance shall be payable in monthly installments of P45 1.70, at 12% interest per annum.

'On November 4, 1976, SOLID executed several real estate mortgage contracts in favor of State Investment Homes, (sic) Inc. (STATE) over its subdivided parcels of land, one of which is the subject lot covered by Transfer Certificate of Title No. 209642.

'For Failure of SOLID to comply with its mortgage obligations contract, STATE extra-judicially foreclosed the mortgaged properties including the subject lot on April 6, 1983, with the corresponding certificate of sale issued therefor to STATE annotated at the back of the titles covering the said properties on October 13, 1983.

'On June 23, 1984, SOLID thru a Memorandum of Agreement negotiated for the deferment of consolidation of ownership over the foreclosed properties by committing to redeem the properties from STATE.

'On August 15, 1988, the spouses filed a complaint before the Housing and Land Use Regulatory Board, HLRB, against the developer SOLID and STATE for failure on the part of SOLID "to execute the necessary absolute deed of sale as well as to deliver title to said property x x x in violation of the contract to sell x x x," despite full payment of the purchase price as

of January 7, 1981. In its Answer, SOLID, by way of alternative defense, alleged that the obligations under the Contract to Sell has become so difficult x x x the herein respondents be partially released from said obligation by substituting subject lot with another suitable residential lot from another subdivision which respondents own/operates." Upon the other hand, STATE, to which the subject lot was mortgaged, averred that unless SOLID pays the redemption price of P125,1955.00, (sic) it has "a right to hold on and not release the foreclosed properties."

'On May 23, 1989, the Office of Appeals, Adjudication and Legal Affairs (OAALA) rendered a decision the decretal portion of which reads:

'1. Ordering respondent, State Investment House, Inc. to execute a Deed of Conveyance of Lot 1, Block 8, in Capital Park Homes Subdivision in favor of complainants and to deliver to the latter the corresponding certificate of title;

'2. Ordering respondent, Solid Homes, Inc. to pay State Investment House, Inc. that portion of its loan which corresponds to the value of the lot as collateral;

'3. Ordering respondent, Solid Homes, Inc. to pay to this Board the amount of Six Thousand Pesos (P6,000.00) as administrative fine in accordance with Section 25 in relation to Section 38 of P.D. 957.

"Both the STATE and SOLID appealed to the Board of Commissioners, HLRB, which affirmed on June 5, 1990 the OAALA's decision (Annex "C" of the Petition; *ibid.*, p. 34). Again, both STATE and SOLID appealed the decision of the Board of Commissioners, HLRB, to the Office of the President which dismissed the twin appeals on February 26, 1993.

"Petitioner filed with the Supreme Court this petition for review of decision of the Office of the President where it was docketed as G.R. No. 109364. However, in a resolution dated May 13, 1993, the Supreme Court referred this case to this Court for proper disposition. On the other hand, SOLID does not appear to have joined herein petitioner in this petition for review."^[2]

[Italics added.]

In a decision dated May 19, 1994, respondent court sustained the judgment of the Office of the President. Hence, this petition substantially anchored on these two alleged errors, namely: (1) error in ruling that private respondent spouses Oreta's unregistered rights over the subject property are superior to the registered mortgage rights of petitioner State Investment House, Inc. (STATE); and (2) error in not applying the settled rule that that persons dealing with property covered by torrens certificate of title are not required to go beyond what appears on the face of the title.

At the outset, we note that herein petitioner argues more extensively on the second assigned issue, than on the first. In fact, petitioner admits the superior rights of respondents-spouses Oreta over the subject property as it did not pray for the