

SECOND DIVISION

[G. R. No. 102377, July 05, 1996]

**ALFREDO SAJONAS AND CONCHITA SAJONAS, PETITIONERS, VS.
THE COURT OF APPEALS, DOMINGO A. PILARES, SHERIFF
ROBERTO GARCIA OF QUEZON CITY AND REGISTER OF DEEDS
OF MARIKINA, RESPONDENTS.**

D E C I S I O N

TORRES, JR., J.:

A word or group of words conveys intentions. When used truncatedly, its meaning disappears and breeds conflict. Thus, it is written - "By thy words shalt thou be justified, and by thy words shalt thou be condemned." (Matthew, 12:37)

Construing the new words of a statute separately is the *raison d'être* of this appeal.

Essentially, the case before us is for cancellation of the inscription of a Notice of Levy on Execution from a certificate of Title covering a parcel of real property. The inscription was caused to be made by the private respondent on Transfer Certificate of Title No. N-79073 of the Register of Deeds of Marikina, issued in the name of the spouses Ernesto B. Uychocde and Lucita Jarin, and was later carried over to and annotated on Transfer Certificate of Title No. N-109417 of the same registry, issued in the name of the spouses Alfredo Sajonas and Conchita R. Sajonas, who purchased the parcel of land from the Uychocdes, and are now the petitioners in this case.

The facts are not disputed, and are hereby reproduced as follows:

"On September 22, 1983, the spouses Ernesto Uychocde and Lucita Jarin agreed to sell a parcel of residential land located in Antipolo, Rizal to the spouses Alfredo Sajonas and Conchita R. Sajonas on installment basis as evidenced by a Contract to Sell dated September 22, 1983. The property was registered in the names of the Uychocde spouses under TCT No. N-79073 of the Register of Deeds of Marikina, Rizal. On August 27, 1984, the Sajonas couple caused the annotation of an adverse claim based on the said Contract to Sell on the title of the subject property, which was inscribed as Entry No. 116017. Upon full payment of the purchase price, the Uychocdes executed a Deed of Sale involving the property in question in favor of the Sajonas couple on September 4, 1984. The deed of absolute sale was registered almost a year after, or on August 28, 1985.

Meanwhile, it appears that Domingo Pilares (defendant-appellant) filed Civil Case No. Q-28850 for collection of sum of money against Ernesto Uychocde. On June 25, 1980, a Compromise Agreement was entered into

by the parties in the said case under which Ernesto Uychocde acknowledged his monetary obligation to Domingo Pilares amounting to P27,800 and agreed to pay the same in two years from June 25, 1980. When Uychocde failed to comply with his undertaking in the compromise agreement, defendant-appellant Pilares moved for the issuance of a writ of execution to enforce the decision based on the compromise agreement, which the court granted in its order dated August 3, 1982. Accordingly, a writ of execution was issued on August 12, 1982 by the CFI of Quezon City where the civil case was pending. Pursuant to the order of execution dated August 3, 1982, a notice of levy on execution was issued on February 12, 1985. On February 12, 1985, defendant sheriff Roberto Garcia of Quezon City presented said notice of levy on execution before the Register of Deeds of Marikina and the same was annotated at the back of TCT No. 79073 as Entry No. 123283.

When the deed of absolute sale dated September 4 1984 was registered on August 28, 1985, TCT No. N-79073 was cancelled and in lieu thereof, TCT No. N-109417 was issued in the name of the Sajonas couple. The notice of levy on execution annotated by defendant sheriff was carried over to the new title. On October 21, 1985, the Sajonas couple filed a Third Party Claim with the sheriff of Quezon City, hence the auction sale of the subject property did not push through as scheduled.

On January 10, 1986, the Sajonas spouses demanded the cancellation of the notice of levy on execution upon defendant-appellant Pilares, through a letter to their lawyer, Atty. Melchor Flores. Despite said demand, defendant-appellant Pilares refused to cause the cancellation of said annotation. In view thereof, plaintiffs-appellees filed this complaint dated January 11, 1986 on February 5, 1986."^[1]

The Sajonases filed their complaint^[2] in the Regional Trial Court of Rizal, Branch 71, against Domingo Pilares, the judgment creditor of the Uychocdes. The relevant portion of the complaint alleges:

"7. That at the time the notice of levy was annotated by the defendant, the Uychocde spouses, debtors of the defendant, have already transferred, conveyed and assigned all their title, rights and interests to the plaintiffs and there was no more title, rights or interests therein which the defendant could levy upon;

8. That the annotation of the levy on execution which was carried over to the title of said plaintiffs is illegal and invalid and was made in utter bad faith, in view of the existence of the Adverse Claim annotated by the plaintiffs on the corresponding title of the Uychocde spouses;

9. That a demand was made by the plaintiffs upon the defendant Domingo A. Pilares, to cause the cancellation of the said notice of levy but the latter, without justifiable reason and with the sole purpose of harassing and embarrassing the plaintiffs ignored and refused plaintiffs'

demand;

10. That in view of the neglect, failure and refusal of the defendant to cause the cancellation of the notice of levy on execution, the plaintiffs were compelled to litigate and engage the services of the undersigned counsel, to protect their rights and interests, for which they agreed to pay attorney's fees in the amount of P10,000 and appearance fees of P500 per day in court."^[3]

Pilares filed his answer with compulsory counterclaim^[4] on March 8, 1986, raising special and affirmative defenses, the relevant portions of which are as follows:

"10. Plaintiff has no cause of action against herein defendants;

11. Assuming, without however admitting that they filed an adverse claim against the property covered by TCT No. 79073 registered under the name of spouses Ernesto Uychocde on August 27, 1984, the same ceases to have any legal force and effect (30) days thereafter pursuant to Section 70 of P.D. 1529;

12. The Notice of Levy annotated at the back of TCT No. 79073 being effected pursuant to the Writ of Execution dated August 31, 1982, duly issued by the CFI (now RTC) of Quezon City proceeding from a decision rendered in Civil Case No. 28859 in favor of herein defendant against Ernesto Uychocde, is undoubtedly proper and appropriate because the property is registered in the name of the judgment debtor and is not among those exempted from execution;

13. Assuming without admitting that the property subject matter of this case was in fact sold by the registered owner in favor of the herein plaintiffs, the sale is the null and void (sic) and without any legal force and effect because it was done in fraud of a judgment creditor, the defendant Pilares."^[5]

Pilares likewise sought moral and exemplary damages in a counterclaim against the Sajonas spouses. The parties appeared at pre-trial proceedings on January 21, 1987,^[6] after which, trial on the merits ensued.

The trial court rendered its decision on February 15, 1989.^[7] It found in favor of the Sajonas couple, and ordered the cancellation of the Notice of Levy from Transfer Certificate of Title No. N-109417.

The court **a quo** stated, thus:

"After going over the evidence presented by the parties, the court finds that although the title of the subject matter of the Notice of Levy on

Execution was still in the name of the Spouses Uychocde when the same was annotated on the said title, an earlier Affidavit of Adverse Claim was annotated on the same title by the plaintiffs who earlier bought said property from the Uychocdes.

It is a well settled rule in this jurisdiction (Guidote vs. Maravilla, 48 Phil. 442) that actual notice of an adverse claim is equivalent to registration and the subsequent registration of the Notice of Levy could not have any legal effect in any respect on account of prior inscription of the adverse claim annotated on the title of the Uychocdes.

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On the issue of whether or not plaintiffs are buyers in good faith of the property of the spouses Uychocde even notwithstanding the claim of the defendant that said sale executed by the spouses was made in fraud of creditors, the Court finds that the evidence in this instance is bare of any indication that said plaintiffs as purchasers had notice beforehand of the claim of the defendant over said property or that the same is involved in a litigation between said spouses and the defendant. Good faith is the opposite of fraud and bad faith, and the existence of any bad faith must be established by competent proof.^[8] (Cai vs. Henson, 51 Phil 606)

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In view of the foregoing, the Court renders judgment in favor of the plaintiffs and against the defendant Pilares, as follows:

1. Ordering the cancellation of the Notice of Levy on Execution annotated on Transfer Certificate of Title No. N-109417.
2. Ordering said defendant to pay the amount of P5,000 as attorney's fees.
3. Dismissing the Counterclaim interposed by said defendant.

Said defendant is likewise ordered to pay the costs.

Dissatisfied, Pilares appealed to the Court of Appeals^[9], assigning errors on the part of the lower court. The appellate court reversed the lower court's decision, and upheld the annotation of the levy on execution on the certificate of title, thus:

"WHEREFORE, the decision of the lower court dated February 15, 1989 is reversed and set aside and this complaint is dismissed.

Costs against the plaintiffs-appellees."^[10]

The Sajonas couple are now before us, on a Petition for Review on Certiorari^[11], praying *inter alia* to set aside the Court of Appeals' decision, and to reinstate that of the Regional Trial Court.

Private respondent filed his Comment^[12] on March 5, 1992, after which, the parties were ordered to file their respective Memoranda. Private respondent complied thereto on April 27, 1994^[13], while petitioners were able to submit their Memorandum on September 29, 1992.^[14]

Petitioner assigns the following as errors of the appellate court, to wit:

I

THE LOWER COURT ERRED IN HOLDING THAT THE RULE ON THE 30-DAY PERIOD FOR ADVERSE CLAIM UNDER SECTION 70 OF P.D. NO. 1529 IS ABSOLUTE INASMUCH AS IT FAILED TO READ OR CONSTRUE THE PROVISION IN ITS ENTIRETY AND TO RECONCILE THE APPARENT INCONSISTENCY WITHIN THE PROVISION IN ORDER TO GIVE EFFECT TO IT AS A WHOLE.

II

THE LOWER COURT ERRED IN INTERPRETING SECTION 70 OF P.D. NO. 1529 IN SUCH WISE ON THE GROUND THAT IT VIOLATES PETITIONERS' SUBSTANTIAL RIGHT TO DUE PROCESS.

Primarily, we are being asked to ascertain who among the parties in suit has a better right over the property in question. The petitioners derive their claim from the right of ownership arising from a perfected contract of absolute sale between them and the registered owners of the property, such right being attested to by the notice of adverse claim^[15] annotated on TCT No. N-79073 as early as August 27, 1984. Private respondent on the other hand, claims the right to levy on the property, and have it sold on execution to satisfy his judgment credit, arising from Civil Case No. Q-28850^[16] against the Uychocdes, from whose title, petitioners derived their own.

Concededly, annotation of an adverse claim is a measure designed to protect the interest of a person over a piece of real property where the registration of such interest or right is not otherwise provided for by the Land Registration Act or Act 496 (now P.D. 1529 or the Property Registration Decree), and serves a warning to third parties dealing with said property that someone is claiming an interest on the same or a better right than that of the registered owner thereof. Such notice is registered by filing a sworn statement with the Register of Deeds of the province where the property is located, setting forth the basis of the claimed right together with other dates pertinent thereto.^[17]