

THIRD DIVISION

[G.R. No. 215006, January 11, 2021]

**ARAKOR CONSTRUCTION AND DEVELOPMENT CORPORATION,
PETITIONER, VS. TERESITA G. STA. MARIA, ALFREDO N. GADDI,
FERNANDO N. GADDI, JR., MARILYN G. MALIXI, EVANGELINE G.
GOLICRUZ, LILIAN G. FRANCISCO, LILIBETH G. PAGUIO AND
THE LATE EFREN N. GADDI, HIS HEIRS, JENNY, ALLAN,
JOEFFREY AND FELY ALL SURNAMED GADDI, RESPONDENTS.**

DECISION

HERNANDO, J.:

This Petition for Review^[1] on *Certiorari* assails the January 13, 2014 Decision^[2] and October 17, 2014 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 98704, affirming the November 16, 2011 Decision^[4] of the Regional Trial Court (RTC) of Dinalupihan, Bataan, Branch 5, in Civil Case No. DH-474-9S which granted the Complaint for Annulment of Deeds of Absolute Sale and Transfer Certificates of Title filed by herein respondents.

The Antecedents:

The Spouses Fernando Gaddi, Sr. (Fernando Sr.) and Felicidad Nicdao Gaddi (Felicidad) (collectively Spouses Gaddi) owned the five contested parcels of land located in Hermosa, Bataan and described in TCT Nos. T-92141, T-92142, T-92143, T-92144, and T-100713.^[5]

Felicidad died intestate^[6] on November 18, 1985, and was survived by Fernando Sr. and her eight children, herein respondents, namely: Teresita G. Sta. Maria (Teresita), Alfredo N. Gaddi (Alfredo), Fernando N. Gaddi, Jr. (Fernando Jr.), Marilyn G. Malixi (Marilyn), Evangeline G. Golicruz (Evangeline), Efren N. Gaddi (Efren), Lilian G. Francisco (Lilian) and Lilibeth G. Paguio (Lilibeth) (collectively the Gaddis). Felicidad's heirs inventoried her properties but they did not initiate its partition; thus, the parcels of land remained in the name of the Spouses Gaddi.^[7]

On February 7, 1996, Fernando Sr. passed away, followed by Efren on May 8, 1998. After the deaths of Fernando, Sr. and Efren, Atty. Greli Legaspi (Atty. Legaspi), the president of petitioner Arakor Construction and Development Corporation (Arakor), informed the Gaddis that their parents had already sold the contested five parcels of land to Arakor for P400,000.00 as evidenced by two undated Deeds of Absolute Sale^[8] and that the titles to the properties have already been transferred to Arakor's name.^[9]

Thus, the Gaddis^[10] filed a Complaint^[11] for Annulment of Deed[s] of Absolute Sale and Transfer Certificates of Title against Arakor. They alleged that the two contracts

of sale were forged and the conveyance of the properties was fraudulent since Felicidad could not have signed the documents and given her consent thereon since she has been dead for seven years before the alleged execution of the said contracts.^[12]

Arakor^[13] denied employing fraud. It contended that the Deeds of Absolute Sale were already signed and notarized when Fernando Sr. and Efren delivered them to the office of Atty. Legaspi on September 8, 1992. Atty. Legaspi also disclaimed any knowledge about the death of Felicidad.^[14]

In addition, Arakor alleged that Teresita, Evangeline, Marilyn and Lilibeth had already assigned their rights to Fernando Sr. through the two Joint Waiver of Claim and/or Right^[15] dated February 1992. Efren, Alfredo, Lilian and Fernando Jr. likewise executed a Joint Waiver of Claims and/or Right^[16] on October 28, 1992. Thus, full ownership and title over the contested properties had been consolidated in favor of Fernando Sr. at the time of the sale. Thus, the signature of Felicidad in the Deeds of Absolute Sale is no longer material in determining the sale's validity.^[17]

Moreover, Arakor averred that the Gaddis' claims are barred by prescription since the company has been in open, continuous and lawful possession of the properties as the owner thereof since September 1992.^[18]

During trial, Atty. Legaspi recounted that after giving the payment to Fernando Sr. and Efren,^[19] he (Atty. Legaspi) took possession of the properties and even hired two watchers but he still allowed Fernando Sr. and Efren to harvest the crops therein.^[20] Sometime in the early part of 1993, Fernando Sr. and Efren gave him copies of the waivers of the Gaddis^[21] which they executed purportedly for taxation purposes.^[22] He insisted that he had no idea about the demise of Felicidad passing and that he only found out about her death when the waivers were delivered to him.^[23]

On rebuttal, Fernando Jr. insisted that during the lifetime of Felicidad, the Gaddis formed a family corporation in order to consolidate the properties under the said company through the waivers. However, only one property was transferred since Efren sold all the others.^[24] He maintained that the family company did not authorize Fernando Sr. and Efren to sell the properties.^[25]

Ruling of the Regional Trial Court:

In its November 16, 2011 Decision,^[26] the RTC declared the Deeds of Absolute Sale as void for being fictitious because Felicidad had already passed away when the documents were executed.^[27] Additionally, it ruled that Arakor, represented by Atty. Legaspi, was not a buyer in good faith.^[28] It thus ordered the Gaddis to return to Arakor the amount of P400,000.00 with interest, chargeable to Fernando Sr.'s estate.^[29] The dispositive portion of the trial court's Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Ordering the annulment of the sale in (sic) executed between defendant Arakor Construction and Development Corporation and Spouses Gaddi of the properties in litigation;
2. Ordering the Register of Deeds for the Province of Bataan to cancel Transfer Certificate of Title Nos. T-154980; T-154981; T-154982; T-154983; and 154979 registered in the name of Arakor Construction and Development Corporation;
3. Ordering the Register of Deeds for the Province of Bataan to reinstate Transfer Certificate of Title Nos. T-92141; T-92142; T-92143; and T-92144 in the name of Spouses Fernando Q. Gaddi and Felicidad N. Gaddi and Transfer Certificate of Title No. T-100713 in the name of Spouses Fernando Q. Gaddi and Felicidad Nicdao;
4. Ordering the defendant Arakor Construction and Development Corporation to cause the reconveyance of the properties to herein plaintiffs;
5. Ordering the plaintiffs to return to the defendant the amount of P400,000.00 representing the total amount of consideration in the two (2) Deeds of Sale executed by Spouses Gaddi and *Arakor*, which were declared void by the Court, with interest at 6% per annum from the time of the filing of the complaint until the finality of this Decision and 12% per annum thereafter until full payment, chargeable to the Estate of Fernando Gaddi[,] Sr.; and
6. Ordering the defendant to pay the costs of suit.

SO ORDERED.^[30]

Arakor asked for reconsideration^[31] but it was denied by the trial court in its Order^[32] dated March 8, 2012. Aggrieved, Arakor appealed^[33] to the CA.

Ruling of the Court of Appeals:

The CA, in its assailed January 13, 2014 Decision,^[34] affirmed the RTC's ruling that the Deeds of Absolute Sale were null and void for being simulated and forged.

The appellate court explained that "[s]ince it has been established that Felicidad died as early as 1985, there is no way for her to affix her signature to the deeds; neither could she have secured the Residence Certificate Nos. 79465823 and 81476375 from Quezon City on February 5 and 12, 1992, respectively, and worse, she could not have possibly personally appeared before Notary Public Cornelio G. Montesclaros on September 8, 1992 and acknowledged that the deeds were executed as her (and Fernando Sr.'s) voluntary act and deed."^[35] It likewise noted

that the acknowledgment portion of the deeds indicated the names "Felicitas N. Gaddi/Felicitas Nicdao" instead of "Felicidad."^[36]

The CA opined that Atty. Legaspi who is knowledgeable in law, should have inquired about the personal circumstances of Felicidad and not merely relied on the representations of Fernando Sr. and Efren, particularly since the titles of the properties were still registered in the name of the Spouses Gaddi.^[37]

The appellate court concluded that the parties must revert to their respective positions prior to the execution of the Deeds of Absolute Sale,^[38] as follows:

1. As for Arakor, the five parcels of land located in the Municipality of Hermosa, Bataan, described in TCT Nos. T-92141, T-92142, T-92143, T-92144 and TCT No. T-100713; and

2. Initially, the Gaddis tried to establish that there was no sale that actually transpired between their parents and Arakor and that the subject lots were actually payment for the P400,000.00 Efren owed to Atty. Legaspi. However, since the Gaddis failed to adduce evidence proving such claim, their bare allegation will not suffice, hence, the amount of P400,000.00 representing the purchase price in the two Deeds of Sale must be returned, plus interests, chargeable to the estate of Fernando Sr.
^[39]

Arakor filed a motion for reconsideration^[40] which was denied in a Resolution^[41] dated October 17, 2014. Discontented, Arakor elevated^[42] this case before the Court on the following grounds:

I. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT THE DEEDS OF ABSOLUTE SALE ARE NOT VOID PER SE IN SO FAR AS THE DISPOSITION OF THE RIGHTS AND INTERESTS OF FERNANDO GADDI, SR. ON THE DISPUTED PROPERTIES [ARE CONCERNED].

II. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT AT THE TIME OF THE DEMISE OF FELICIDAD GADDI, FERNANDO GADDI, SR. WAS ALREADY THE OWNER OF THE PROPERTIES IN LITIGATION BY OPERATION OF LAW TO THE EXTENT OF ½ PORTION THEREOF AS HIS SHARE IN THE CONJUGAL PROPERTY, AND BY THE WAIVERS/RENUNCIATION OF RIGHTS EXECUTED BY THE RESPONDENTS HE HAS THEREBY CONSOLIDATED FULL TITLE AND OWNERSHIP OF THE PROPERTIES UNDER LITIGATION BEFORE AND AFTER THE SALE OF THE PROPERTY TO DEFENDANT ARAKOR.

III. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT BY THE WAIVER OF RIGHTS OF THE RESPONDENTS IN FAVOR OF THEIR FATHER, PRIOR TO AND/OR AFTER THE DATE OF THE DEEDS OF ABSOLUTE SALE, THEY HAVE NO MORE INTEREST ON THE

PROPERTY AND ARE THEREFORE ESTOPPED FROM QUESTIONING THE VALIDITY OF THEIR FATHER'S DISPOSITION OF THE PROPERTIES IN FAVOR OF ARAKOR.

IV. THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN NOT HOLDING THAT THERE BEING A CONSOLIDATION OF OWNERSHIP AND TITLE IN THE SOLE PERSON OF FERNANDO GADDI, SR., THERE EXIST[S] NO LEGAL OBSTACLE IN THE TRANSMISSION OF HIS TITLE AND OWNERSHIP TO ARAKOR WITH RESPECT TO HIS ½ PORTION OF THE PROPERTY IN LITIGATION BY OPERATION OF LAW, AND TO THE OTHER ½ PORTION OF THE LITIGATED PROPERTY BY REASON OF THE WAIVERS OF THE RESPONDENTS AS HEIRS OF FELICIDAD GADDI.

V. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT ARAKOR CONSTRUCTION AND DEVELOPMENT CORPORATION IS A PURCHASER IN GOOD FAITH AND FOR VALUE.

VI. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT THE RESPONDENTS HAVE NO CAUSE OF ACTION AGAINST THE DEFENDANT.

VII. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT HOLDING THAT THE RESPONDENTS ARE IN ESTOPPEL TO QUESTION THE DEED OF ABSOLUTE SALE EXECUTED BY FERNANDO GADDI, SR.

VIII. THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN NOT HOLDING THAT UNDER THE PRINCIPLE OF 'IN PARI DELICTO', THE COMPLAINT SHOULD HAVE BEEN DISMISSED BY THE COURT A QUO.^[43]

The main issue is whether or not the appellate court correctly affirmed the findings of the trial court that the Deeds of Absolute Sale are null and void for being forged and fictitious.

Petitioner's Arguments:

Arakor maintains that the contract was valid since there was valuable consideration and the object of the sale was identified. It contends that at the time of the sale on September 8, 1992 (which happened after Felicidad's death), Fernando Sr. owned the properties in his own right and through the waivers executed by the Gaddis in his favor.^[44] Arakor or Atty. Legaspi had no participation in the preparation and notarization of the Deeds of Absolute Sale as they were the exclusive handiwork of Fernando Sr. and Efren.^[45] It asserts that the deeds should be considered as relatively simulated contracts; thus, the transfer of the properties to Arakor's name should be deemed as valid and binding.^[46]

Moreover, there were no circumstances which could have impelled Arakor or Atty. Legaspi to go beyond the titles of the properties and the deeds. The certificates of title did not show any cloud or irregularity hence Arakor was not required to go