

# FIRST DIVISION

[ G.R. No. 233737, February 03, 2021 ]

**STAR ASSET MANAGEMENT ROPOAS, INC., SUBSTITUTED BY DALLAS ENERGY AND PETROLEUM CORPORATION, PETITIONER, VS. REGISTER OF DEEDS OF DAVAO CITY AND FOOTHILLS REALTY DEVELOPMENT CORPORATION REPRESENTED BY MARYLINE C. LIM, RESPONDENT.**

## DECISION

### CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court, assailing the Decision<sup>[2]</sup> dated May 15, 2017 and Resolution<sup>[3]</sup> dated July 27, 2017 of the Court of Appeals (CA) in CA-G.R. CV No. 03599-MIN, filed by Star Asset Management Ropoas, Inc. (Star Asset), substituted by Dallas Energy and Petroleum Corporation (Dallas Energy) against the Register of Deeds of Davao City and Foothills Realty and Development Corporation (Foothills Realty) represented by Maryline C. Lim.

### Facts of the Case

The case involves three parcels of land located in Barangay Baliok, Talomo, Davao City previously registered in the name of Star Asset under Transfer Certificate of Title (TCT) Nos. 146-2012007474, 146-2012007475 and 146-2012007576 with a combined area of 300,000 square meters.<sup>[4]</sup>

On December 12, 2012, Star Asset filed a Petition for Cancellation of Adverse Claim in said TCTs before the trial court. In its petition, Star Asset asserted that the subject properties were previously owned by Davao Goldland Development Corporation (Goldland) which were however mortgaged to Philippine Bank of Communication (PBCOM). The properties were foreclosed by PBCOM and later, the ownership of the same was transferred to Unimark Investments Corporation (Unimark). Star Asset claimed that it eventually acquired the properties from Unimark.<sup>[5]</sup>

In the meantime, after the foreclosure of the properties, Goldland impugned the validity of the foreclosure proceedings which prompted Star Asset to enter into a Compromise Agreement<sup>[6]</sup> with the former with an undertaking to sell back the properties to Goldland under the following schedule:

- (a) Down payment of P4,700,000.00 covered by post-dated checks due on June 5, 2008, July 14, 2008, August 14, 2008 and September 14, 2008 each in the amount of P1,000,000.00 and another with a due date of October 14, 2008 in the amount of P700,000.00;
- (b) 36 monthly amortizations in the amount of P558,997.62 each month

beginning April 30, 2009 until March 30, 2012; and  
(c) A balloon payment on the 37<sup>th</sup> month or April 30, 2012 in the amount of P33,672,153.51.<sup>[7]</sup>

Star Asset claimed that Goldland failed to comply with its obligation under the compromise agreement, hence, on March 21, 2012, Star Asset was constrained to cancel said compromise agreement. On March 22, 2012, one day after the cancellation of the Compromise Agreement, Foothills Realty, as successor-in-interest of Goldland, caused the annotation of its adverse claim on the subject TCTs.<sup>[8]</sup>

In its application to cancel the adverse claim, Star Asset argued that the cancellation is in order because the compromise agreement, upon which Foothills Realty's (successor in interest of Goldland) right was anchored, was already terminated as of March 21, 2012. Moreover, Star Asset asserted that the adverse claim was only valid for 30 days, such that after the lapse of said period, the adverse claim must be cancelled without any positive action on the part of Star Asset. Thus Star Asset prayed for the cancellation and removal of Foothill's Realty's adverse claim annotated on the TCTs of the subject properties.<sup>[9]</sup>

On February 4, 2013, Star Asset moved that it be substituted by Dallas Energy because its interests over the properties were already sold to the latter.<sup>[10]</sup> Because of the transfer of ownership to Dallas Energy, TCT Nos. 146-2013003721, 146-2013003720 and 146-2013003722 were issued in its name whereby the same adverse claim was carried over and annotated therein.<sup>[11]</sup> Meanwhile, in its Comment to the petition for cancellation of the adverse claim, Foothills Realty alleged that it has assumed the obligation of Goldland pursuant to the compromise agreement but suffered a major set-back in its cash flow in the year 2011-2012. However, in December 2011, it paid to Star Asset's Vice President the amount of P2,850,000.00 with an understanding that such payment shall not cancel the compromise agreement. In fact, Foothills Realty asserted that it has already paid the total amount of P21,279,773.11, equivalent to 38 monthly payments in favor of Star Asset, the predecessor-in-interest of Dallas Energy.<sup>[12]</sup>

Foothills Realty also argued that the cancellation of the compromise agreement should have complied with Republic Act No. (R.A.) 6552, otherwise known as the "Realty Installment Buyer Act" or the "Maceda Law."<sup>[13]</sup> According to Foothills Realty, there should have been a notarial act of rescission as required by R.A. 6552 and failure to serve the same will not be tantamount to cancellation of the compromise agreement. Hence, the annotation of the adverse claim anchored on the compromise agreement is still proper.<sup>[14]</sup>

### **Ruling of the Regional Trial Court**

On January 10, 2014, the Regional Trial Court (RTC) issued the questioned Order<sup>[15]</sup> denying the petition for cancellation of the adverse claim.<sup>[16]</sup> It was found by the RTC that on several occasions, Goldland, as substituted by Foothills Realty, was delinquent on its monthly amortizations. Records showed that as of December 30, 2011, the total amount due and demandable from Goldland, including interests and penalties since May 30, 2011, reached up to P3,599,163.03. On January 6, 2012, Goldland paid but only in the amount of P2,850,000.00.<sup>[17]</sup> Because Goldland failed

to pay its monthly dues, Star Asset served upon the former a demand letter dated February 7, 2012, giving it a grace period of 30 days from receipt thereof within which to settle its full outstanding obligation. However, Goldland failed to heed Star Asset's demand. Consequently, Star Asset invoked the acceleration clause under the compromise agreement in its final demand letter dated March 12, 2012, giving Goldland five days from receipt thereof to settle all the unpaid balance of its obligations in the total amount of P36,387,315.45. Unfortunately, Goldland still failed to pay.<sup>[18]</sup>

The RTC held that the compromise agreement between the parties partakes of the nature of contract to sell which is covered by the Maceda Law.<sup>[19]</sup> According to the RTC, the compromise agreement was improperly cancelled because Star Asset, substituted later by Dallas Energy, failed to: (1) send a notarized notice of cancellation to Goldland (Foothills Realty's transferor); and (2) refund the cash surrender value to the latter. Hence, the petition for cancellation of the adverse claim, which was anchored on the compromise agreement, was denied by the RTC.<sup>[20]</sup>

Aggrieved, Star Asset, substituted later by Dallas Energy, filed an appeal to the CA.<sup>[21]</sup>

### **Ruling of the Court of Appeals**

In its May 15, 2017 Decision,<sup>[22]</sup> the CA affirmed the denial of the petition for cancellation of the adverse claim banking on the same conclusion that the Maceda Law is applicable to cancel the contract to sell embodied in the compromise agreement.<sup>[23]</sup> The CA concluded that without a valid cancellation of the contract to sell, Foothills Realty has a right to assert an adverse claim on the subject properties and annotate the same on the properties' respective TCTs. Necessarily, Star Asset and/or Dallas Energy has no right to have the adverse claim cancelled.<sup>[24]</sup>

On reconsideration, the CA still denied the prayer of Star Asset and/or Dallas Energy through a Resolution<sup>[25]</sup> dated July 27, 2017.

On September 22, 2017, Star Asset and/or Dallas Energy (petitioner) filed this Petition for Review on *Certiorari*.<sup>[26]</sup> According to petitioner, in the first place, Foothills Realty's adverse claim based on the compromise agreement should not have been allowed. An affidavit of adverse claim may only be resorted to if no other provision under Presidential Decree No. (P.D.) 1529, otherwise known as the "Property Registration Decree" allows the direct registration and annotation in the TCT of the instrument embodying the affiant's interest. Here, the remedy of Foothills Realty or its predecessor-in-interest to protect its interests over the subject properties arising from the compromise agreement is to directly register the compromise agreement before the register of deeds.<sup>[27]</sup> Additionally, petitioner asserts that the CA erred in applying the provisions of the Maceda Law in this case.<sup>[28]</sup>

Pursuant to this Court's directive, Foothills Realty filed its Comment<sup>[29]</sup> on Star Asset's Petition for Review on *Certiorari* on March 2, 2018. According to Foothills Realty, the registration of a voluntary instrument may be taken only if the owner's

duplicate certificate is surrendered and presented. In this case, since Foothills Realty is not in possession of petitioners' TCT, then they cannot directly register the compromise agreement. Hence, Foothills Realty properly executed an affidavit of adverse claim to protect its rights.<sup>[30]</sup> Foothills Realty reiterates that the trial court and the CA correctly applied the provisions of the Maceda Law in this case. Thus, Foothills Realty retains the right to assert an adverse claim on the subject properties for failure of petitioners to properly cancel the compromise agreement.<sup>[31]</sup>

Star Asset thereafter filed its Reply<sup>[32]</sup> to Foothills Realty's Comment.

### **Issue**

Whether the trial court's refusal to cancel the adverse claim annotated on the subject TCTs is correct.

### **Ruling of the Court**

The petition is impressed with merit.

#### **The Maceda Law is not applicable in this case.**

The compromise agreement entered into between the parties involved a "buy-back of foreclosed property" arrangement, to enable the original mortgagor who lost the property in the foreclosure sale to acquire it back even after the ownership had been consolidated to the buyer (or his successor-in-interest) who bought the property in the foreclosure sale. In this case, Star Asset acquired the subject properties from the buyer thereof in the foreclosure sale and it was succeeded in its rights as such by Dallas Energy.

Meanwhile, under the compromise agreement, Foothills Realty, as the successor-in-interest of Goldland (the mortgagor and original owner of the foreclosed properties), undertook to buy-back the property from Star Asset and/or Dallas Energy. The parties stipulated that such "buy-back of foreclosed property" arrangement will be governed by a schedule of payments wherein Foothills Realty would pay Star Asset and/or Dallas Energy through installments; and in the event that the former would default in any of its installment payment, the following consequences would ensue:

x x x x

2. [Foothills Realty] shall, without need of notice or demand, make payments according to the schedule described above. **Upon failure to pay any installment, the [Foothills Realty], however, shall be given a grace period of thirty (30) days to pay the [Star Assets and/or Dallas Energy] the amount due and demandable with legal interest.**

3. **Failure** on the part of the [Foothills Realty] to **comply with the requirements detailed above shall constitute an event of default after formal notice or demand has been made and received** by the [Foothills Realty] from the [Star Assets and/or Dallas Energy]. In such

event, the [Star Assets and/or Dallas Energy] **may exercise its right to foreclose the mortgaged properties**. Accordingly, such failure to comply will have the same effect as detailed in Item #4 below.

**4. Default in the payment by the [Foothills Realty] of three (3) consecutive payments** of monthly amortizations when they fall due, or any advance when demanded, for any reason whatsoever, **shall render immediately due and demandable all the remaining unpaid balance** of the above agreed settlement amount. Delay or failure to exercise immediately the foregoing option shall not constitute a waiver by the [Star Assets and/or Dallas Energy] of such right or bar [Star Assets and/or Dallas Energy] from availing of said legal reliefs.

x x x x<sup>[33]</sup> (Emphasis supplied)

In this case, while Section 3 of the compromise agreement gives Star Asset and/or Dallas Energy the right to foreclose the mortgaged properties in case of default and after formal notice or demand has been served and received by Foothills Realty, nevertheless, the correct interpretation should be that, in case of default, Star Asset and/or Dallas Energy should be given the right to cancel the compromise agreement. This is in keeping with the nature of the compromise agreement as a buy-back of foreclosed property arrangement. Besides, the subject property has already been foreclosed and its ownership was transferred to Star Asset and/or Dallas Energy. There is no reason for the latter to foreclose the subject property anew.

Under Section 2 of R.A. 6552, it is the "[p]olicy of the State to protect buyers of real estate on installment payments against onerous and oppressive conditions."<sup>[34]</sup> The scope of the law only encompasses "[s]ale or financing of real estate on installment payments, including residential condominium apartments **but excluding industrial lots, commercial buildings and sales to tenants under R.A. 3844, as amended by R.A. 6389.**"<sup>[35]</sup>

Under the said law, when the buyer has paid at least two installments, he is entitled to the following rights in case he defaults in the payment of succeeding installments, to wit:

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him which is hereby fixed at the rate of one month grace period for every one year of installment payments made: Provided, That this right shall be exercised by the buyer only once in every five years of the life of the contract and its extensions, if any.

(b) If the contract is canceled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty per cent of the total payments made, and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made: Provided, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.<sup>[36]</sup>