

## SECOND DIVISION

[ G.R. No. 233455, April 03, 2019 ]

**HIPOLITO AGUSTIN AND IMELDA AGUSTIN, PETITIONERS, VS.  
ROMANA DE VERA, RESPONDENT.**

### DECISION

#### CAGUIOA, J:

Before the Court is a Petition for Review on *Certiorari*<sup>[1]</sup> (Petition) under Rule 45 of the Rules of Court filed by petitioners Hipolito Agustin (Hipolito) and Imelda Agustin (Imelda), assailing the Decision<sup>[2]</sup> dated March 28, 2017 (assailed Decision) and Resolution<sup>[3]</sup> dated July 14, 2017 (assailed Resolution) of the Court of Appeals (CA) in CA-G.R. CV No. 107860.

#### **The Facts and Antecedent Proceedings**

As narrated by the CA in its assailed Decision and as culled from the records of the instant case, the essential facts and antecedent proceedings of the case are as follows:

During his lifetime, Gregorio B. De Vera (Gregorio) owned a parcel of residential land with an area of one hundred eighty (180) square meters, located at Tondaligan, Bonuan Gueset, Dagupan City [(subject property)], and covered by Transfer Certificate of Title (TCT) No. 36897 of the Registry of Deeds for the City of Dagupan, Province of Pangasinan.

On January 6, 1986, Gregorio and spouses Hipolito and Lolita Agustin executed a document entitled "Contract to Purchase and Sale" whereby the former agreed to sell to the latter the aforementioned property under the following terms and conditions:

"a. The Contract price of the land is P30,000.00 Philippine Currency;

b. The amount of P15,000.00 will be paid to the Vendor upon the execution of this contract and the balance to be paid upon the release of the land from the Pangasinan Savings and Loan Association to which parcel of land is currently mortgaged;

c. That the Vendor obligates himself to have the said title of the land released from mortgage from the bank within a period of one (1) month from the day [of] the execution of this contract;

d. That immediately upon the payment of P15,000.00 and

after the execution of this contract[,] the Vendee can take possession of the land and may introduce improvements and [sic] they may desire;

e. That upon release of the title from the bank and upon payments of the balance of P15,000.00 by the Vendee to the Vendor, the corresponding Deed of Sale will be executed;

f. That the costs of documentation and other expenses in the transfer of said Title to the Vendee will be borne by the Vendee."

As agreed, the Agustin spouses paid the partial payment of P15,000.00 and immediately took possession of the land. They had since constructed thereon their residential house and paid the real estate taxes. On May 17, 2001, Hipolito Agustin sold one-half portion of the land to his sister, Imelda Agustin, who also introduced improvements on the property and constructed a sari-sari store.

Considering that Gregorio had not yet delivered the title, Hipolito and Imelda caused the annotation of an adverse claim on TCT No. 36897 on August 22, 2007.

Under [a] Deed of Absolute Sale dated September 3, 2007, Gregorio sold the [subject property] to Romana M. [d]e Vera [(Romana)] for the price of Php500,000.00. Said document was registered on September 6, 2010.

Gregorio died on September 17, 2007.

On November 15, 2007, Hipolito filed Civil Case No. 2007-0367-D entitled "Hipolito S. Agustin vs. Heirs of the Late Gregorio B. De Vera" for Specific Performance, Acknowledgement of the Contract of Purchase and Sale and Judicial Declaration of Ownership" [sic] in the RTC of Dagupan City, Branch 42. The amended complaint alleged that despite receipt of the balance of the purchase price, Gregorio failed to deliver the title as promised by him. Upon verification with the Office of the Register of Deeds, Hipolito was surprised to discover that Gregorio already redeemed the [subject] property in April 1997. Hipolito thus prayed for judgment ordering the heirs of Gregorio to execute the corresponding deed of sale in his favor.

A Notice of *Lis Pendens* was likewise duly annotated on TCT No. 36897 on November 16, 2007.

Civil Case No. 2007-0367-D was dismissed without prejudice on October 14, 2008 for lack of jurisdiction over the person of the defendants due to invalid service of summons.

On September 28, 2010, [petitioners Hipolito and Imelda] filed the present case [before the Regional Trial Court of Dagupan City, Branch 40 (RTC)]. [Hipolito and Imelda] alleged that they were surprised to discover a deed of absolute sale over the same property purportedly

executed by Gregorio, then already eighty (80) years old, fourteen (14) days prior to his death, in favor of [respondent Romana]. Romana caused the registration of the conveyance in her favor, resulting in the issuance of TCT No. 90114 in her name. [Petitioners Hipolito and Imelda] argued that Romana is a buyer in bad faith who had knowledge of Hipolito's ownership of the subject land by virtue of sale which was annotated on the title, and of [petitioners Hipolito and Imelda's] actual possession for more than twenty [(20)] years already. Assuming there was a double sale, [petitioners Hipolito and Imelda] asserted that they are to be preferred as first buyers and first in possession in good faith and for value. They further contended that the 2007 sale is void as Gregorio had nothing more to sell after the execution of the Contract to Purchase and Sale in 1986.

[Petitioners Hipolito and Imelda] thus prayed that after trial, judgment be rendered: 1) annulling the Deed of Absolute Sale executed by Gregorio in favor of Romana; 2) ordering the Register of Deeds to cancel TCT No. 90114; 3) upholding the rights of ownership and possession of [petitioners Hipolito and Imelda] over the subject property under the Contract to Purchase and Sale; 4) ordering the Register of Deeds to issue a new certificate of title in the name of the [petitioners Hipolito and Imelda]; 5) ordering [respondent Romana] to pay [petitioners Hipolito and Imelda] the sums of Php50,000.00 as moral damages, Php50,000.00 as exemplary damages, Php30,000.00 [as] attorney's fees plus Php1,500.00 appearance fee per hearing and Php20,000.00 as litigation expenses.

In her Answer, Romana denied the [petitioners Hipolito and Imelda's] claim that they already acquired the subject property, asserting that the construction of [petitioners Hipolito and Imelda's] house was without the consent of Gregorio and made thru fraudulent scheme. She argued that the alleged Contract to Purchase and Sale did not ripen into legal conveyance of real property from Gregorio to [petitioners Hipolito and Imelda]. x x x

After trial, the RTC rendered [its Decision<sup>[4]</sup> dated June 23, 2014], the dispositive portion of which states:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of the Plaintiffs and against the Defendant as follows:

1. Annulling the Deed of Absolute Sale dated September 3, 2007 purportedly executed by the late Gregorio de Vera in favor [of] Romana de Vera;
2. Ordering the Register of Deeds of Dagupan City to cancel Transfer Certificate of Title No. 90114;
3. Upholding the rights and ownership and possession of the Plaintiffs over the subject parcel of land under the Contract to Purchase and Sale;

4. Ordering the Register of Deeds to reinstate the Transfer Certificate of Title No. 36897 under the name of Gregorio B. de Vera; and

5. Ordering the Defendant Romana de Vera to pay the Plaintiffs the sum of Twenty-Five Thousand Pesos (Php25,000.00) as moral damages and another Twenty-Five Thousand Pesos (Php25,000.00) as exemplary damages.

SO ORDERED."<sup>[5]</sup>

The RTC found that the sale of the subject lot to Hipolito was absolute notwithstanding the title of their agreement. It also found that the contract did not contain an express reservation of ownership pending full payment of the purchase price. There being a contract of sale, and not mere contract to sell, the RTC applied the provision on double sale of real property, Article 1544 of the Civil Code. Romana was declared a buyer in bad faith, having bought the land from Gregorio despite being charged with the knowledge of [petitioners Hipolito and Imelda's] ownership claim through the adverse claim and notice of *lis pendens* annotated on TCT No. 36897, and having found [petitioners Hipolito and Imelda] in actual possession of the property.

[Hence, Romana appealed before the CA<sup>[6]</sup> seeking a reversal of the above judgment x x x.<sup>[7]</sup>

### **The Ruling of the CA**

In its assailed Decision, the CA granted Romana's appeal and reversed the RTC's Decision. The dispositive portion of the assailed Decision reads:

**WHEREFORE**, the appeal is **GRANTED**. The Decision dated June 23, 2014 of the Regional Trial Court of Dagupan City, Branch 40 in Civil Case No. 2010-0258-D is **REVERSED** and **SET ASIDE**. The Complaint dated September 27, 2010 filed by Hipolito and Imelda Agustin with said court is hereby **DISMISSED**.

**SO ORDERED.**<sup>[8]</sup>

The CA held that "[s]ince the Contract to Purchase and Sale is not a contract of sale but a mere contract to sell, there was no automatic transfer of ownership even if Gregorio failed to deliver the title to Hipolito after securing the release of the [subject] property from bank mortgage. Consequently, the RTC erred in applying Article 1544 of the Civil Code, which contemplates a double sale of the same real property."<sup>[9]</sup>

In finding the Contract to Purchase and Sale a contract to sell instead of a contract of sale, the CA focused its attention on the provision of the said Contract to Purchase and Sale which obligated Gregorio to execute a Deed of Sale in favor of Hipolito. According to the CA, "the need to execute a deed of absolute sale upon completion of payment of the price generally indicates that it is a contract to sell, as

it implies the reservation of title in the vendor until the vendee has completed the payment of the price"<sup>[10]</sup> and that "[w]here the seller promises to execute a deed of absolute sale upon the completion by the buyer of the payment of the price, the contract is only a contract to sell."<sup>[11]</sup>

Hipolito and Imelda filed their Motion for Reconsideration<sup>[12]</sup> on April 18, 2017, which was subsequently denied by the CA in its assailed Resolution.

Hence, the instant Petition.

Romana filed her Comment<sup>[13]</sup> on December 18, 2017, to which Hipolito and Imelda responded with a Reply to Comment<sup>[14]</sup> filed on January 24, 2018.

### **Issue**

Stripped to its core, the critical issue presented before the Court is whether the Contract to Purchase and Sale entered into by Hipolito and Gregorio is a contract of sale or a contract to sell.

### **The Court's Ruling**

The instant Petition is meritorious. The CA erred in finding that the Contract to Purchase and Sale is a mere contract to sell; it is a contract of sale.

#### *The Essential Elements of a Contract of Sale*

According to Article 1458 of the Civil Code, by a contract of sale, one of the contracting parties obligates himself to transfer the ownership and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.

Accordingly, the elements of a valid contract of sale under Article 1458 of the Civil Code are: (1) consent or meeting of the minds; (2) determinate subject matter; and (3) price certain in money or its equivalent.<sup>[15]</sup>

In the instant case, the Court finds that all the aforesaid elements are present in the instant case. By entering into the agreement entitled "Contract to Purchase and Sale," both parties had arrived at a meeting of the minds that the seller, *i.e.*, Gregorio, transferred the ownership and possession of the subject property to the buyer, *i.e.*, Hipolito, with the latter obliged to pay a price certain in money, *i.e.*, P30,000.00.

In appreciating the evidence on record, the RTC arrived at a similar conclusion, holding that the parties had a clear meeting of the mind that the ownership and possession over the subject property should be transferred to Hipolito upon the execution of the Contract to Purchase and Sale:

On the Third Paragraph of the said Contract, it clearly provides as follows: