

SECOND DIVISION

[G.R. No. 230307, October 16, 2019]

**HEIRS OF WILFREDO C. BOTENES, PETITIONERS, V.
MUNICIPALITY OF CARMEN, DAVAO, REPRESENTED BY
MUNICIPAL MAYOR GONZALO O. CUARENTA, AND RURAL BANK
OF PANABO (DAVAO), INC., RESPONDENTS.**

DECISION

REYES, J. JR., J.:

Before us is a Petition for Review on *Certiorari*,^[1] which seeks to assail the Decision^[2] dated September 23, 2016 and Resolution^[3] dated January 10, 2017 of the Court of Appeals-Cagayan De Oro City (CA), in CA-G.R. CV No. 03760-MIN, which granted the petition for reformation of instrument and quieting of title filed by the Municipality of Carmen, Davao and the Rural Bank of Panabo (Davao), Inc, filed by Wilfredo C. Botenes (Botenes), now substituted by his heirs.

The Relevant Antecedents

The property subject of the controversy is Lot No. 2, Block 25 of PDS-11-025504, which is covered by Transfer Certificate of Title (TCT) No. T-77779 and registered under the name of Botenes.^[4]

On May 5, 1980, the Municipality of Carmen, Davao (Municipality) engaged the services of Geodetic Engineer Leonardo Busque (Engr. Busque) to survey and subdivide a large tract of land in Barangay Poblacion, Carmen, Davao, for its conversion into a town site.^[5]

Consequently, a subdivision plan was prepared by Engr. Busque. Said plan was approved by the Municipality on May 21, 1981. The 1981 Subdivision Plan (1981 Plan) had the lots in Block 25 numbered in this Manner^[6]:

1	3	5	7	9	11	13	15	17	19
2	4	6	8	10	12	14	16	18	20

Based on the 1981 Plan, the Municipality executed two Deeds of Sale with Mortgage over Lot No. 2 and Lots Nos. 17 and 19 in favor of Botenes and Felicisima Prieto (Prieto), respectively.^[7]

Allegedly, another subdivision plan (1990 Plan) was prepared by Engr. Busque and was subsequently approved by the Bureau of Lands on February 28, 1990.^[8] Under the 1990 Plan, the numerical sequence of the lots was modified so as to conform with the standard procedure for numbering of lots; hence:^[9]

20	18	16	14	12	10	8	6	4	2
19	17	15	13	11	9	7	5	3	1

To simplify, Lot 2 of the 1981 Plan became Lot 19 under the 1990 Plan and vice versa.^[10]

On November 6, 1992, the Municipality executed a Deed of Absolute Sale over Lot No. 2, Block 25 (1992 Deed) in favor of Botenes after full payment of amortization thereof. On the basis of said sale, TCT No. T-77779 over Lot No. 2, Block 25 was registered in his name.^[11]

On the other hand, Prieto conveyed her rights over Lots 17 and 19, Block 25 to a certain Merlyn Plasabas (Plasabas). The latter sold Lot 2, Block 25 (*formerly Lot 19 under the 1981 Plan*) under the 1990 Plan in favor of the Rural Bank of Panabo (Davao), Inc., now One Network Bank (bank). A deed of sale over said lot was thereafter executed.^[12]

Armed with the deed of sale, the bank attempted to register its ownership over its property; however, its application was denied since the property was already registered in the name of Botenes.^[13]

The bank requested Botenes to allow the correction of the 1992 Deed as it alleged that the document failed to reflect the true intent of the parties since there was a mistake in the object of the contract, that is, Lot 2, Block 25 under the 1981 Plan instead of designating its new numerical designation which is Lot 19, Block 25 of the 1990 Plan.^[14]

Insisting on his right of ownership over the property, Botenes refused the correction of the 1992 Deed. Hence, the Municipality and the bank filed a petition for reformation of instrument, quieting of title, and damages before the Regional Trial Court of Panabo City, Branch 34 (RTC).^[15]

To this, the Municipality filed a Motion for Summary Judgment.^[16]

In a Decision dated October 2, 1998, the RTC dismissed the case.^[17]

On March 27, 1999, Botenes was substituted by his heirs in view of his death.^[18]

As the case was dismissed, the Municipality and the bank filed an appeal before the CA, which remanded the case to the court of origin for a full-blown trial on the merits.^[19] However, despite the order of the CA to conduct a full-blown trial, the parties elected to file their respective memoranda.^[20]

After such submission, the RTC rendered a Decision^[21] dated December 10, 2013, still dismissing the petition. Among others, the RTC noted that it cannot determine with certainty whether the land sold in 1981 by the Municipality to Botenes was not the same lot denominated as Lot 2, Block 25 in the approved 1990 Plan; that Lot 19 (and not Lot 2), Block 25 in the approved 1990 Plan was the lot actually sold by the Municipality to Botenes; and that TCT No. T-77779 was invalid considering that Lot 2, Block 25 in the 1990 Plan was purchased by the bank. The *fallo* thereof reads:

WHEREFORE, premised from the foregoing, the instant complaint is hereby **DISMISSED** for lack of merit. Defendant's counterclaim is likewise dismissed. No costs.

SO ORDERED.^[22]

Consequently, the Municipality and the bank filed a Motion for Reconsideration, which was denied in an Order^[23] dated June 20, 2014.

On appeal, the CA rendered a Decision^[24] dated September 23, 2016 which reversed the ruling of the RTC. The CA ruled that the totality of evidence indicates that the Municipality intended to sell Lot 19, Block 25 of the 1990 Plan, and not Lot 2 of the same block. This fact is evident from the apparent error in the description of the lots when the 1990 Plan renumbered the sequencing of lots, as testified to by Engr. Busque, thus:

WHEREFORE, premises considered, the instant appeal is DENIED. However, the 10 December 2013 Decision rendered by the Regional Trial Court, Branch 4, Panabo City, dismissing the Petition for Reformation of Instrument, Quieting of Title and Damages is hereby REVERSED. Appellees' Petition for Reformation of Instrument, Quieting of Title is GRANTED (sic).

ACCORDINGLY, the parties are DIRECTED to REFORM the Deed of Absolute Sale dated 06 November 1992 by changing "LOT 2, BLOCK 25, PSD-11-025504" to "LOT 19, BLOCK 25, PSD-11 -022504", thereby ceding in favor of appellants LOT 19, BLOCK 25, PSD-11-025504 instead, of LOT 2, BLOCK 25, PSD-11-025504.

FURTHER, the Register of Deeds of Davao del Norte is directed to CANCEL Transfer Certificate of Title NO. T-77779 and ISSUE a new Transfer Certificate of Title in favor of appellants reflecting LOT 19, BLOCK 25, PSD-11-025504.

SO ORDERED.^[25]

Clutching at straws, the Municipality and the bank filed their Motion for Reconsideration. However, in a Resolution^[26] dated January 10, 2017, the same was denied.

The Issue

The issues in the case may be summarized as follows: (1) whether or not the reformation of the 1992 Deed should be amended so as to adhere to the intention of the parties thereto; and (2) whether or not the subsequent issuance of TCT No. T-77779 in favor of Botenes is proper.

The Court's Ruling

The Civil Code defines a contract as a meeting of minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service.^[27] Under Article 1318 of the Civil Code, the concurrence of these elements are necessary for the validity of contracts, to wit: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established.

It is worthy to note that all contracts have three stages: preparation, perfection, and consummation:

Preparation or negotiation begins when the prospective contracting parties manifest their interest in the contract and ends at the moment of their agreement. Perfection or birth of the contract occurs when they agree upon the essential elements thereof. Consummation, the last stage, occurs when the parties fulfill or perform the terms agreed upon in the contract, culminating in the extinguishment thereof. [28]

In a contract of sale, its *perfection* is consummated at the moment there is a meeting of the minds upon the thing that is the object of the contract and upon the price. [29] Consent is manifested by the meeting of the offer and the acceptance of the thing and the cause, which are to constitute the contract. [30]

However, when the true intent of the parties is not expressed in the instrument purporting to embody their agreement by reason of mistake, fraud, inequitable conduct or accident, one of them may ask for reformation of the instrument. [31] Reformation is predicated on the equitable maxim that equity treats as done that which ought to be done. [32]

In this case, Botenes, the Municipality, and the bank posit contrary stances as regards the agreement found in the contract of sale. Botenes alleges that the Deed of Sale with Mortgage, and the 1992 Deed already expressed his true intent and that of the Municipality, *i.e.*, to buy and sell Lot 2, Block 25 under the 1981 Plan, respectively, for a valuable consideration. On the other hand, the Municipality avers that said Deeds did not accurately reflect the intent of the parties as to the object of the contract because of the mislabeling of the lots in the subsequent 1990 Plan.

It is significant to consider that the object of the contract in the Deed of Sale with Mortgage, [33] executed prior to Botenes' fulfillment of his obligation to pay the full price thereof, is Lot 2, Block 25 under the 1981 Plan. After Botenes has paid in full, the 1992 Deed, [34] indicating the same lot as object, was subsequently executed. Accordingly, TCT No. T-77779, still specifying the same lot, was issued in the name of Botenes.

However, the controversy arose when the application for registration of title was denied to the bank as it attempted to register its lot as Lot 2, Block 25 under the 1990 Plan. The cause for such denial is Botenes' previous registration of his lot as Block 2, Lot 25 of the 1981 Plan.

Let it be emphasized that the bank merely succeeded to the rights of Plasabas, who in turn, succeeded to the rights of Prieto, the original buyer of Lot 19, Block 25 under the 1981 Plan. To recall, it is undisputed that the Municipality executed two separate Deeds of Sale in favor of Prieto and Botenes in 1981. Such fact establishes the intent of the Municipality to sell two distinct lots. Obviously, what was conveyed to Prieto then (*i.e.* Lot 19 under the 1981 Plan) bears a different technical description from what was conveyed to Botenes (*i.e.* Lot 2 under the 1981 Plan). In other words, Botenes and the bank were asserting their ownership over the same lot number (under the 1981 and 1990 Plans, respectively), which refers to completely different lots. Thus, it is improper for the bank to claim ownership of Botenes' lot on the basis of the lot number alone.

On this note, it is clear that the lot sold to Botenes was plainly identified. The 1992 Deed and the certificate of title in his name indicate the same technical