

SECOND DIVISION

[G.R. No. 200009, January 23, 2017]

SPRING HOMES SUBDIVISION CO., INC., SPOUSES PEDRO L. LUMBRES AND REBECCA T. ROARING, VS. PETITIONERS, SPOUSES PEDRO TABLADA, JR. AND ZENAIDA TABLADA, RESPONDENTS.

D E C I S I O N

PERALTA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision^[1] dated May 31, 2011 and Resolution^[2] dated January 4, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 94352 which reversed and set aside the Decision^[3] dated September 1, 2009, of the Regional Trial Court (RTC), Branch 92, Calamba City.

The factual antecedents are as follows.

On October 12, 1992, petitioners, Spouses Pedro L. Lumbres and Rebecca T. Roaring, (*Spouses Lumbres*) entered into a Joint Venture Agreement with Spring Homes Subdivision Co., Inc., through its chairman, the late Mr. Rolando B. Pasic, for the development of several parcels of land consisting of an area of 28,378 square meters. For reasons of convenience and in order to facilitate the acquisition of permits and licenses in connection with the project, the Spouses Lumbres transferred the titles to the parcels of land in the name of Spring Homes.^[4]

On January 9, 1995, Spring Homes entered into a Contract to Sell with respondents, Spouses Pedro Tablada, Jr. and Zenaida Tablada, (*Spouses Tablada*) for the sale of a parcel of land located at Lot No. 8, Block 3, Spring Homes Subdivision, Barangay Bucal, Calamba, Laguna, covered by Transfer Certificate of Title (TCT) No. T-284037. On March 20, 1995, the Spouses Lumbres filed with the RTC of Calamba City a complaint for Collection of Sum of Money, Specific Performance and Damages with prayer for the issuance of a Writ of Preliminary Attachment against Spring Homes for its alleged failure to comply with the terms of the Joint Venture Agreement.^[5] Unaware of the pending action, the Spouses Tablada began constructing their house on the subject lot and thereafter occupied the same. They were then issued a Certificate of Occupancy by the Office Building Official. Thereafter, on January 16, 1996, Spring Homes executed a Deed of Absolute Sale in favor of the Spouses Tablada, who paid Spring Homes a total of P179,500.00, more than the P157,500.00 purchase price as indicated in the Deed of Absolute Sale.^[6] The title over the subject property, however, remained with Spring Homes for its failure to cause the cancellation of the TCT and the issuance of a new one in favor of the Spouses Tablada, who only received a photocopy of said title.

Subsequently, the Spouses Tablada discovered that the subject property was mortgaged as a security for a loan in the amount of over P4,000,000.00 with Premiere Development Bank as mortgagee and Spring Homes as mortgagor. In fact, since the loan remained unpaid, extrajudicial proceedings were instituted.^[7] Meanwhile, without waiting for trial on the specific performance and sum of money complaint, the Spouses Lumbres and Spring Homes entered into a Compromise Agreement, approved by the Calamba RTC on October 28, 1999, wherein Spring Homes conveyed the subject property, as well as several others, to the Spouses Lumbres.^[8] By virtue of said agreement, the Spouses Lumbres were authorized to collect Spring Homes' account receivables arising from the conditional sales of several properties, as well as to cancel said sales, in the event of default in the payment by the subdivision lot buyers. In its capacity as mortgagee, Premiere Development Bank was included as a party in the Compromise Agreement.^[9]

In the exercise of the power granted to them, the Spouses Lumbres started collecting deficiency payments from the subdivision lot buyers. Specifically, they sent demand letters to the Spouses Tablada for the payment of an alleged outstanding balance of the purchase price of the subject property in the amount of P230,000.00. When no payment was received, the Spouses Lumbres caused the cancellation of the Contract to Sell previously executed by Spring Homes in favor of the Spouses Tablada. On December 22, 2000, the Spouses Lumbres and Spring Homes executed a Deed of Absolute Sale over the subject property, and as a result, a new title, TCT No. T-473055, was issued in the name of the Spouses Lumbres.^[10]

On June 20, 2001, the Spouses Tablada filed a complaint for Nullification of Title, Reconveyance and Damages against Spring Homes and the Spouses Lumbres praying for the nullification of the second Deed of Absolute Sale executed in favor of the Spouses Lumbres, as well as the title issued as a consequence thereof, the declaration of the validity of the first Deed of Absolute Sale executed in their favor, and the issuance of a new title in their name.^[11] The Sheriffs Return dated August 1, 2001 indicated that while the original copy of the complaint and the summons were duly served upon the Spouses Lumbres, summons was not properly served upon Spring Homes because it was reportedly no longer existing as a corporate entity.^[12]

On August 14, 2001, the Spouses Lumbres filed a Motion to Dismiss the case against them raising as grounds the non-compliance with a condition precedent and lack of jurisdiction of the RTC over the subject matter. They alleged that the Spouses Tablada failed to avail of conciliatory proceedings, and that the RTC has no jurisdiction since the parties, as well as property in question, are all located at Calamba City, and that the action instituted by the Spouses Tablada praying for the nullification of the Compromise Agreement actually corresponds to a nullification of a judgement issued by a co-equal trial court. The Spouses Tablada opposed by alleging that Spring Homes holds office at Paraiiaque City, falling under the exception from the requirement of barangay conciliatory proceedings and that the action they filed was for nullification of title issued to the Spouses Lumbres as a result of a double sale, which is rightly under the jurisdiction of the trial court. They also emphasized that as non-parties to the Compromise Agreement, the same is not binding upon them. The Motion to Dismiss was eventually denied by the trial court on October 2, 2001.^[13]

Interestingly, on even date, the Spouses Lumbres filed an ejectment suit of their own before the Municipal Trial Court in Cities (MTCC) of Calamba City demanding that the Spouses Tablada vacate the subject property and pay rentals due thereon. The MTCC, however, dismissed the suit ruling that the Spouses Lumbres registered their title over the subject property in bad faith. Such ruling was reversed by the RTC which found that there was no valid deed of absolute sale between the Spouses Tablada and Spring Homes. Nevertheless, the CA, on appeal, agreed with the MTCC and reinstated the decision thereof. This was affirmed by the Court in *Spouses Lumbres v. Spouses Tablada* [14] on February 23, 2007.

Meanwhile, on the nullification and reconveyance of title suit filed by the Spouses Tablada, the RTC noted that Spring Homes has not yet been summoned. This caused the Spouses Tablada to move for the discharge of Spring Homes as a party on the ground that the corporation had already ceased to exist. The Spouses Lumbres, however, opposed said motion claiming that Spring Homes is an indispensable party. [15] The RTC ordered the motion to be held in abeyance until the submission of proof on Spring Homes' corporate status. In the meantime, trial ensued. Eventually, it was shown that Spring Homes' certificate of registration was revoked on September 29, 2003. [16]

On September 1, 2009, the RTC rendered its Decision dismissing the Spouses Tablada's action for lack of jurisdiction over the person of Spring Homes, an indispensable party. [17] According to the trial court, their failure to cause the service of summons upon Spring Homes was fatal for Spring Homes was an indispensable party without whom no complete determination of the case may be reached. [18] In support thereof, the RTC cited the pronouncement in *Uy v. CA, et. al.* [19] that the absence of an indispensable party renders all subsequent actuaciones of the court null and void for want of authority to act not only as to the absent parties but even as to those present. [20] In the instant case, the Spouses Tablada prayed that the Deed of Absolute Sale executed by Spring Homes in favor of the Spouses Lumbres be declared null and void and that Spring Homes be ordered to deliver the owner's duplicate certificate of title covering the subject lot. Thus, without jurisdiction over Spring Homes, the case could not properly proceed. [21] The RTC added that the Spouses Tablada's subsequent filing of the motion to discharge does serve as an excuse for at that time, the certificate of registration of Spring Homes had not yet been cancelled or revoked by the Securities and Exchange Commission (SEC). In fact, the assumption that it was already dissolved when the suit was filed does not cure the defect, because the dissolution of a corporation does not render it beyond the reach of courts considering the fact that it continues as a body corporate for the winding up of its affairs. [22]

In its Decision dated May 31, 2011, however, the CA reversed and set aside the RTC Decision finding that Spring Homes is not an indispensable party. It held that Spring Homes may be the vendor of the subject property but the title over the same had already been issued in the name of the Spouses Lumbres. So any action for nullification of the said title causes prejudice and involves only said spouses, the registered owners thereof. Thus, the trial court may very well grant the relief prayed for by the Spouses Lumbres. [23] In support thereof, the appellate court cited the ruling in *Seno, et. al. v. Mangubat, et. al.* [24] wherein it was held that in the

annulment of sale, where the action was dismissed against defendants who, before the filing of said action, had sold their interests in the subject land to their co-defendant, the said dismissal against the former, who are only necessary parties, will not bar the action from proceeding against the latter as the remaining defendant, having been vested with absolute title over the subject property.^[25] Thus, the CA maintained that the RTC's reliance on *Uy v. CA* is misplaced for in said case, it was imperative that an assignee of interests in certain contracts be impleaded, and not the assignor, as the RTC interpreted the ruling to mean. Thus, the doctrine in *Uy* actually bolsters the finding that it is the Spouses Lumbres, as assignee of the subject property, and not Spring Homes, as assignor, who are the indispensable parties.^[26]

Moreover, considering that the RTC had already concluded its trial on the case and the presentation of evidence by both parties, the CA deemed it proper to proceed to rule on the merits of the case. At the outset, the appellate court noted that the ruling of the Court in *Spouses Lumbres v. Spouses Tablada* back in 2007 cannot automatically be applied herein for said ruling involves an ejectment case that is effective only with respect to the issue of possession and cannot be binding as to the title of the subject property.

This notwithstanding, the CA ruled that based on the records, the first sale between Spring Homes and the Spouses Tablada must still be upheld as valid, contrary to the contention of the Spouses Lumbres that the same was not validly consummated due to the Spouses Tablada's failure to pay the full purchase price of P409,500.00. According to the appellate court, the first Deed of Absolute Sale clearly indicated that the consideration for the subject property was P157,500.00.^[27] The Spouses Lumbres' argument that such Deed of Absolute Sale was executed only for the purpose of securing a loan from PAG-IBIG in favor of the Spouses Tablada was unsubstantiated. In fact, even the second Deed of Absolute Sale executed by Spring Homes in favor of the Spouses Lumbres, as well as several receipts presented, indicated the same amount of P157,500.00 as purchase price. As for the amount of P409,500.00 indicated in the Contract to Sell executed between Spring Homes and the Spouses Tablada, the CA adopted the findings of the Court in *Spouses Lumbres v. Spouses Tablada* in 2007 and held that the amount of P409,500.00 is actually composed not only of the subject parcel of land but also the house to be constructed thereon. But since it was proven that it was through the Spouses Tablada's own hard-earned money that the house was constructed, there existed no balance of the purchase price in the amount of P230,000.00 as the Spouses Lumbres vehemently insist, *viz.*:

Further, the spouses Lumbres alleged that what was legal and binding between Spring Homes and plaintiffs-appellants [spouses Tablada] was **the Contract to Sell** which, in part, **reads**:

3. That the SELLER, for and in consideration of the payments and other terms and conditions hereinafter to be designated, has offered to sell and the BUYER has agreed to buy certain parcel of land more particularly described as follows:

Blk. No. P-	Lot No.	Area Sq.	Price Per	Total
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111		Meter	sq. Meter	Selling Price
3	8	105	P1,500	
		42	6,000	
				P409,500

Similar to the ruling of the Supreme Court in *Spouses Lumbres v. Spouses Tablada*, despite there being no question that the total land area of the subject property was One Hundred Five (105) square meters, there appears in the said contract to sell a numerical value of Forty Two (42) square meters computed at the rate of Six Thousand Pesos (6,000.00) per square meter. **We agree with the findings of the Supreme Court in this regard that the Forty Two (42) square meters referred only to the land area of the house to be constructed in the subject property. Since the spouses Lumbres failed to disprove the plaintiffs-appellants [spouses Tablada] claim that it was through their own hard earned money that enabled them to fund the construction and completion of their house and not Spring Homes, there existed no balance of the purchase price to begin with. It is important to note that what the plaintiffs-appellants [spouses Tablada] bought from Spring Homes was a vacant lot. Nowhere in the Deed of Absolute Sale executed between plaintiffs-appellants [spouses Tablada] and Spring Homes was it indicated that the improvements found thereon form part of the subject property, lest, that any improvements existed thereto. It was only through the plaintiffs-appellants (spouses Tablada) own efforts that a house was constructed on the subject property.**^[28]

The appellate court further stressed that at the time when the Spouses Tablada entered into a contract of sale with Spring Homes, the title over the subject property was already registered in the name of Spring Homes. Thus, the Deed of Absolute Sale between Spring Homes and the Spouses Tablada was valid and with sufficient consideration for every person dealing with a registered land may safely rely on the correctness of the certificate of title issued therefor and the law will, in no way, oblige him to go beyond the certificate to determine the condition of the property.^[29]

In the end, the CA upheld the ruling of the Court in *Spouses Lumbres v. Spouses Tablada* that notwithstanding the fact that the Spouses Lumbres, as the second buyer, registered their Deed of Absolute Sale, in contrast to the Spouses Tablada who were not able to register their Deed of Absolute Sale precisely because of Spring Home's failure to deliver the owner's copy of the TCT, the Spouses Tablada's right could not be deemed defeated as the Spouses Lumbres were in bad faith for even before their registration of their title, they were already informed that the subject property was already previously sold to the Spouses Tablada, who had already constructed their house thereon.^[30] Thus, the CA disposed the case as follows: