

THIRD DIVISION

[G.R. No. 194548, February 10, 2016]

**JUANA VDA. DE ROJALES, SUBSTITUTED BY HER HEIRS,
REPRESENTED BY CELERINA ROJALES-SEVILLA, PETITIONER,
VS. MARCELINO DIME, SUBSTITUTED BY HIS HEIRS,
REPRESENTED BY BONIFACIA MANIBAY, RESPONDENT.**

D E C I S I O N

PERALTA, J.:

Challenged and sought to be set aside in this petition for review on *certiorari* dated December 9, 2010 of petitioner Juana Vda. de Rojas, substituted by her heirs Celerina Rojas, Reynaldo Rojas, Pogs Rojas, Olive Rojas and Josefina Rojas is the Decision^[1] dated August 16, 2010 of the Court of Appeals (CA), as reiterated in its Resolution^[2] dated November 15, 2010 in CA-G.R. CV No. 92228, reversing and setting aside the Decision^[3] dated May 7, 2008 of the Regional Trial Court (RTC) of Nasugbu, Batangas, Branch 14, which dismissed the petition for the consolidation of ownership and title over Lot 4-A covered by Transfer Certificate of Title (TCT) No. T-55726 in the name of the respondent Marcelino Dime.

The antecedents are as follows:

Petitioner Juana Vda. de Rojas owned a parcel of land (Lot 4-A) located at Barrio Remanente, Municipality of Nasugbu, Batangas consisting of 2,064 square meters covered by TCT No. T-55726.^[4]

In a petition dated May 30, 2000 filed before the RTC of Nasugbu, Batangas, Branch 14, respondent Marcelino Dime alleged that on May 16, 1999, petitioner conveyed under a *pacto de retro* contract Lot 4-A in favor of respondent for and in consideration of the sum of P2,502,932.10.^[5] Petitioner reserved the right to repurchase the property for the same price within a period of nine (9) months from March 24, 1999 to December 24, 1999.^[6] Despite repeated verbal and formal demands to exercise her right, petitioner refused to exercise her right to repurchase the subject property.^[7]

In her answer, petitioner denied the execution of the *pacto de retro* sale in favor of respondent and alleged that she had not sold the subject property.^[8] She claimed that the document presented by respondent was falsified since the fingerprint appearing therein was not hers and the signature of the Notary Public Modesto S. Alix was not his.^[9] She also averred that she filed falsification and use of falsified documents charges against respondent.^[10]

In her sworn statement attached to her Answer, petitioner alleged that she

mortgaged the subject property with the Batangas Savings and Loan Bank for P100,000.00 when her daughter Violeta Rojas Rufo needed the money for application of overseas work; Antonio Barcelon redeemed the property and paid P260,000.00 for the debt plus the unpaid interest with the bank; when Barcelon entered the mayoralty race, he demanded payment of the debt, then mortgaged the title of the subject property with respondent; and the signatures appearing in the documents were falsified.^[11]

During the pre-trial, the parties agreed that petitioner is the registered owner of the subject property, and that she once mortgaged the property with the Batangas Savings & Loan Bank in order to secure a loan of P200,000.00 from the bank.^[12] They also submitted the following issues for resolution: whether the *pacto de retro* sale was executed by petitioner; whether the consideration of the sale has been paid to petitioner; and whether the contract of sale con *pacto de retro* is genuine.^[13]

Upon the joint motion of the parties, the RTC issued an Order dated November 16, 2000 directing the questioned thumbmark be referred to the fingerprint expert of the National Bureau of Investigation (*NBI*) to determine whether the thumbmark appearing in the *pacto de retro* contract and the specimen thumbmark of the petitioner are the same.^[14]

On April 16, 2001, the NBI submitted a copy of Dactyloscopic Report FP Case No. 2000-349 by Fingerprint Examiner Eriberto B. Gomez, Jr. to the court. It was concluded therein that the questioned thumbmark appearing on the original-duplicate copy of the notarized *pacto de retro* sale and the standard right thumbmark, taken by Police Officer Marcelo Quintin Sosing, were impressed by and belong to the same person, the petitioner.^[15]

Respondent passed away on June 22, 2002 before the trial on the merits of the case ensued. Being his compulsory heirs, respondent's estranged wife Bonifacia Dime and their children Cesario Antonio Dime and Marcelino Dime, Jr., substituted him in the suit.^[16]

On July 11, 2006, the heirs of respondent filed a Manifestation and Motion to Dismiss the Complaint on the ground that it was Rufina Villamin, respondent's common law wife, who was the source of the fund in purchasing Lot 4-A.^[17] They alleged that the consolidation of ownership and title to respondent would be prejudicial to Villamin and would unjustly enrich them.^[18] Consequently, the RTC, through Judge Christino E. Judit, in an Order dated July 12, 2006, dismissed the case with prejudice on the ground that the case was not filed by an indispensable party, Villamin.^[19]

However, on August 2, 2006, Atty. Pedro N. Belmi, the counsel of respondent, filed a Motion for Reconsideration praying to set aside the dismissal with prejudice on the ground that Villamin and the daughters of petitioner, Manilyn Rojas Sevilla and Olivia Rojas, tricked and manipulated the respondent's widow and her children to affix their signatures on the motion to dismiss.^[20] Atty. Belmi insisted that the RTC erred in giving credence to the motion without his verification that the motion was indeed freely and voluntarily executed by the parties.^[21]

Feeling that the respondent's counsel already lost his trust and confidence to his impartiality and lack of bias to resolve the case, Judge Judit inhibited himself from the case on January 25, 2007 without waiting for the petitioner to file a motion for inhibition against him.^[22] This Court designated Judge Wilfredo De Joya Mayor to replace Judge Judit.^[23]

In an Order dated October 25, 2007, Judge Mayor set aside the order of dismissal of the case and set the hearing for further reception of evidence.^[24]

Thereafter, the RTC ruled in favor of the petitioner. The court *a quo* ratiocinated that it is a clear mistake to rule on the merits of the case knowing that such was not filed by the indispensable party, hence, the judgment will be void.^[25] The RTC considered the unverified motion for reconsideration filed by Atty. Belmi as an unsigned pleading.^[26] It further held that the manifestation and motion to dismiss deserved the presumption of validity since there was no sufficient proof that the compulsory heirs who substituted respondent were made to sign such motion without knowing its content.^[27] The *fallo* of the decision reads:

WHEREFORE, premises considered, the above-captioned case is hereby DISMISSED for utter lack of merit.

SO ORDERED.^[28]

Aggrieved, respondent assailed the decision before the CA. In a Decision dated August 16, 2010, the CA reversed and set aside the decision of the RTC. The dispositive portion of the decision reads:

WHEREFORE, premises considered, the instant appeal is GRANTED and the herein assailed Decision of the trial court dated May 7, 2008 is hereby REVERSED and SET ASIDE. Accordingly, judgment is hereby rendered ordering the consolidation of ownership over the property (Lot 4-A) covered by TCT No. T-55726 in the name of the vendee a retro Marcelino Dime.

SO ORDERED.^[29]

The CA rejected the ruling of the court *a quo* that Villamin was an indispensable party. It ruled that the person who provided the funds for the purchase of the property is not considered as an indispensable party in a case of consolidation of title filed by respondent, the vendee, in whose favor the petitioner sold the subject property under the contract of sale *con pacto de retro*.^[30]

Upon the denial of her Motion for Reconsideration by the CA, petitioner filed the instant petition raising the following issues:

- A. THE HONORABLE COURT OF APPEALS ERRED IN GIVING DUE COURSE TO THIS APPEAL DESPITE THE MANIFESTATION OF THE HEIRS OF MARCELINO DIME TO DISMISS THE CASE.
- B. THE HONORABLE COURT OF APPEALS ERRED WHEN IT DISREGARDED THE NECESSITY OF VERIFICATION OF THE

RESPONDENTS IN THE MOTION FOR RECONSIDERATION FILED BEFORE THE REGIONAL TRIAL COURT.

C. THE HONORABLE COURT OF APPEALS ERRED IN ALLOWING THE CONSOLIDATION OF THE TITLE DESPITE THE MANIFESTATION AND ADMISSION OF THE RESPONDENTS THAT CONTINUING SO WOULD CONSTITUTE UNJUST ENRICHMENT.

D. THE HONORABLE COURT OF APPEALS ERRED WHEN IT RULED THAT THE PETITIONERS FAILED TO OVERCOME THE PRESUMPTION OF REGULARITY OF THE SUBJECT PACTO DE RETRO SALE.

This Court finds the instant petition devoid of merit.

Bisecting the first and third issues, this Court notes that the petitioner basically argues that the CA erred in ordering the consolidation of ownership and title in the name of respondent Dime since his heirs have filed a motion to dismiss which admitted therein that a ruling of the trial court in respondent's favor is tantamount to unjust enrichment considering that Villamin provided the funds for the purchase of the subject property.

Relying on the principle that the client has the exclusive control of the cause of action on the claim or demand sued upon, petitioner insists that the filing of the manifestation reflected the intention of the heirs of respondent to enter into a settlement with the petitioner.^[31]

Settled is the rule that a client has an undoubted right to settle her litigation without the intervention of the attorney, for the former is generally conceded to have exclusive control over the subject matter of the litigation and may at anytime, if acting in good faith, settle and adjust the cause of action out of court before judgment, even without the attorney's intervention.^[32]

While we agree with the petitioner that the heirs, as the client, has the exclusive control over the subject matter of litigation and may settle the case without the attorney's intervention, we deny the rationale of the filing of the motion to dismiss by the heirs. It was alleged that they would be unjustly enriched should the court order the consolidation of the title of Lot 4-A in the name of respondent since the source of the consideration was Villamin, respondent's common-law wife.

As relevant to the case at bar, Articles 1311 and 1607 of the Civil Code provide:

Article 1311. **Contracts take effect only between the parties, their assigns and heirs**, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. **A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.**

(emphasis supplied).

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Article 1607. In case of real property, the consolidation of ownership in the vendee by virtue of the failure of the vendor to comply with the provisions of article 1616 shall not be recorded in the Registry of Property without a judicial order, after the vendor has been duly heard.

We have consistently held that the parties to a contract are the real parties-in-interest in an action upon it.^[33] The basic principle of relativity of contracts is that contracts can only bind the parties who entered into it, and cannot favor or prejudice a third person, even if he is aware of such contract and has acted with knowledge thereof.^[34] Hence, one who is not a party to a contract, and for whose benefit it was not expressly made, cannot maintain an action on it.^[35] One cannot do so, even if the contract performed by the contracting parties would incidentally inure to one's benefit.^[36]

As evidenced by the contract of *Pacto de Retro* sale,^[37] petitioner, the vendor, bound herself to sell the subject property to respondent, the vendee, and reserved the right to repurchase the same property for the same amount within a period of nine (9) months from March 24, 1999 to December 24, 1999.^[38] Therefore, in an action for the consolidation of title and ownership in the name of vendee in accordance with Article 1616^[39] of the Civil Code, the indispensable parties are the parties to the *Pacto de Retro* Sale - the vendor, the vendee, and their assigns and heirs.

Villamin, as the alleged source of the consideration, is not privy to the contract of sale between the petitioner and the respondent. Therefore, she could not maintain an action for consolidation of ownership and title of the subject property in her name since she was not a party to the said contract.

Where there is no privity of contract, there is likewise no obligation or liability to speak about.^[40] This Court, in defining the word "privity" in the case of *Republic vs. Grijaldo*^[41] said that the word privity denotes the idea of succession, thus, he who by succession is placed in the position of one of those who contracted the judicial relation and executed the private document and appears to be substituting him in the personal rights and obligation is a privy.^[42]

For not being an heir or an assignee of the respondent, Villamin did not substitute respondent in the personal rights and obligation in the *pacto de retro* sale by succession. Since she is not privy to the contract, she cannot be considered as indispensable party in the action for consolidation of title and ownership in favor of respondent. A cursory reading of the contract reveals that the parties did not clearly and deliberately confer a favor upon Villamin, a third person.

Petitioner alleges that the consolidation of the title should not be allowed since the heirs admitted that they would be unjustly enriched, Villamin being the source of the fund used for the purchase of the subject property.^[43]