

FIRST DIVISION

[G.R. No. 213568, July 05, 2016]

**ALICIA P. LOGARTA, PETITIONER, VS. CATALINO M. MANGAHIS,
RESPONDENT.**

D E C I S I O N

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*^[1] assailing the Decision^[2] dated December 13, 2013 and the Resolution^[3] dated June 27, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 98819, which affirmed the Order^[4] dated June 27, 2011 and the Amended Order^[5] dated December 29, 2011 of the Regional Trial Court of Biñan, Laguna, Branch 25 (RTC) in LRC Case No. B-4122, directing the cancellation of Entry No. 626131, Entry No. 626132, Entry No. 626133, and Entry No. 626134 on Transfer Certificate of Title (TCT) No. CLO-763.

The Facts

Respondent Catalino M. Mangahis (respondent) is the registered owner of a parcel of land in Barangay Malitlit, Sta. Rosa, Laguna, with an area of 28,889 square meters, and covered by TCT No. CLO-763 (subject property).^[6] He authorized a certain Venancio Zamora (Zamora) to sell the subject property, who, in turn, delegated his authority to Victor Peña (Peña).^[7]

On January 23, 2001, Peña entered into a Memorandum of Agreement^[8] (MOA) with Carmona Realty and Development Corporation (Carmona Realty), represented by petitioner Alicia P. Logarta (petitioner), for the sale to Carmona Realty of contiguous parcels of land in Malitlit, Sta. Rosa, Laguna (Malitlit Estate) which included the subject property. The Malitlit Estate had a total area of 1,194,427 square meters and Carmona Realty agreed to deposit in escrow the total consideration of P1,476,834,000.00 within thirty (30) days from the execution of the MOA.^[9] The release of the escrow deposits was subject to Peña's submission of a number of documents, among others, the order of conversion from the Department of Agrarian Reform (DAR) allowing the use of the Malitlit Estate for residential, industrial, commercial, or a combination of the foregoing uses, the transfer of the TCTs and the Certificates of Land Ownership (CLOAs) in Carmona Realty's name, and the release waiver and quitclaim executed by complainants and/or order of dismissal of pending cases involving any of the lands constituting the Malitlit Estate.^[10] The parties also agreed to make the same effective unless Carmona Realty withdraws from it by reason of *force majeure* or fails to make the escrow deposits within the period specified therein, in which case the MOA shall be considered automatically null and void.^[11]

On March 28, 2003, the MOA was annotated^[12] on TCT No. CLO-763, pursuant to the Sworn Statement to Request for Annotation^[13] executed by petitioner and the Secretary's Certificate^[14] issued by Marianito R. Atienza, Carmona Realty's Corporate Secretary. Thus, Entry Nos. 626131-626134 (the subject entries) were made on TCT No. CLO-763:

Entry No. 626131. Secretary's Certificate

No. 626132. Letter;

No. 626133. **Sworn Statement to Request Annotation of Memorandum of Agreement.** Executed by Alicia P. Logarta on 26 March 2003, ratified before Notary Public Anthony B. Escobar, as per Doc. No. 499, Page No. 100, Book No. 1, Series of 2003.

No. 626134. Memorandum of Agreement. Executed by and between Victor Peña and Carmona Realty and Development Corporation on 23 January 2001, ratified before Notary Public Ma. Loreto U. Navarro, as per Doc. No. 68, Page No. 14, Book No. XVIII, Series of 2001, filed in Env. No. CLO-213.

Date of instrument: March 26, 2003

Date of inscription : March 28, 2003 at 1:05 p.m.

On August 8, 2008, respondent filed a petition^[15] to cancel the subject entries on the ground that the MOA was a private document that had no legal effect because the Notary Public before whom it was acknowledged was not commissioned as such in the City of Manila for the year 2001. In the same petition, respondent also sought the revocation of Zamora's authority to sell the subject property.^[16]

In opposition,^[17] petitioner contended that the MOA was duly notarized in Makati City where the Notary Public, Atty. Loreto Navarro, was commissioned.^[18] She also maintained that Peña had the authority to enter into the MOA at the time it was executed, considering that respondent expressed his intention to revoke the same only in the petition.^[19]

During the trial, respondent's brother and authorized^[20] representative, Emiliano M. Mangahis, asserted that the subject entries should be cancelled because the purpose for which they were made is no longer present since petitioner did nothing to enforce the MOA.^[21] On the other hand, petitioner argued that she is not the proper party to the case as she merely acted as representative of Carmona Realty in the MOA.^[22]

The RTC Ruling

In an Order^[23] dated June 27, 2011, the RTC granted the petition and ordered the cancellation of the subject entries. It found that the subject entries are adverse claims which ceased to be effective 30 days after registration and should, therefore, be cancelled, pursuant to Section 70 of Presidential Decree No. (PD) 1529,^[24] otherwise known as the "Property Registration Decree," which states:

Section 70. Adverse claim. Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to

the date of the original registration, may, **if no other provision is made in this Decree for registering the same**, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, a reference to the number of the certificate of title of the registered owner, the name of the registered owner, and a description of the land in which the right or interest is claimed.

The statement shall be signed and sworn to, and shall state the adverse claimant's residence, and a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim on the certificate of title. The adverse claim shall be **effective for a period of thirty days from the date of registration. After the lapse of said period, the annotation of adverse claim may be cancelled upon filing of a verified petition** therefor by the party in interest: Provided, however, that after cancellation, no second adverse claim based on the same ground shall be registered by the same claimant.

x x x x (Emphases supplied)

The RTC also remarked that the MOA no longer has any force and effect, considering that Carmona Realty failed to make the escrow deposits stipulated therein which rendered the same automatically null and void.^[25] It further explained that petitioner has other remedies which she can pursue if Peña failed to comply with his obligations under the MOA. In any case, however, the adverse claim cannot be inscribed on TCT No. CLO-763 forever.^[26]

Dissatisfied, petitioner moved for reconsideration,^[27] arguing that the subject entries do not constitute an adverse claim but a voluntary dealing which is governed by Section 54 of PD 1529.^[28] She also contended that the RTC erred in declaring that the MOA no longer had any force and effect, considering that there was no such allegation in respondent's petition and no evidence to such effect was presented during trial.^[29]

In an Amended Order^[30] dated December 29, 2011, the RTC denied petitioner's motion for reconsideration and reiterated its directive to cancel the subject entries. Aggrieved, petitioner appealed to the CA.^[31]

The CA Ruling

In a Decision^[32] dated December 13, 2013, the CA dismissed petitioner's appeal and affirmed the RTC ruling. It agreed with the trial court that the subject entries are akin to an annotation of adverse claim which is a measure designed to protect the interest of a person over a piece of real property and governed by Section 70 of PD 1529.^[33] The CA reiterated the RTC's observation that the MOA no longer had any force and effect, absent any showing that Carmona Realty had made the escrow deposits stipulated therein or that there was a mutual agreement between the parties to extend its effectivity.^[34]

Petitioner moved for reconsideration,^[35] which was, however, denied by the CA in

its Resolution^[36] dated June 27, 2014; hence, the present petition.

The Issue Before the Court

The sole issue for the Court's resolution is whether or not the CA and the RTC erred in ordering the cancellation of the subject entries.

The Court's Ruling

The Court finds the petition meritorious.

An adverse claim is a type of *involuntary dealing*^[37] designed to protect the interest of a person over a piece of real property by apprising third persons that there is a controversy over the ownership of the land.^[38] It seeks to preserve and protect the right of the adverse claimant during the pendency of the controversy,^[39] where registration of such interest or right is **not otherwise provided for** by the Property Registration Decree.^[40] An adverse claim serves as a notice to third persons that any transaction regarding the disputed land is subject to the outcome of the dispute.^[41] Section 70 of PD 1529 states:

Section 70. Adverse claim. Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, **if no other provision is made in this Decree for registering the same**, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, a reference to the number of the certificate of title of the registered owner, the name of the registered owner, and a description of the land in which the right or interest is claimed.

The statement shall be signed and sworn to, and shall state the adverse claimant's residence, and a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim on the certificate of title. The adverse claim shall be **effective for a period of thirty days from the date of registration. After the lapse of said period, the annotation of adverse claim may be cancelled upon filing of a verified petition** therefor by the party in interest: Provided, however, that after cancellation, no second adverse claim based on the same ground shall be registered by the same claimant.

Before the lapse of thirty days aforesaid, any party in interest may file a petition in the Court of First Instance where the land is situated for the cancellation of the adverse claim, and the court shall grant a speedy hearing upon the question of the validity of such adverse claim, and shall render judgment as may be just and equitable. If the adverse claim is adjudged to be invalid, the registration thereof shall be ordered cancelled. If, in any case, the court, after notice and hearing, shall find that the adverse claim thus registered was frivolous, it may fine the claimant in an amount not less than one thousand pesos nor more than five thousand pesos, in his discretion. Before the lapse of thirty days, the claimant may withdraw his adverse claim by filing with the Register of Deeds a sworn petition to that effect. (Emphases supplied)

Thus, before a notice of adverse claim is registered, it must be shown that there is no other provision in law for the registration of the claimant's alleged right in the property.^[42] In *Register of Deeds of Quezon City v. Nicandro*,^[43] the Court held that where the basis of the adverse claim was a perfected contract of sale which is specifically governed by Section 57 of the Land Registration Act, or Act No. 496, the filing of an adverse claim was held ineffective for the purpose of protecting the vendee's right.^[44] Similarly, in *L.P. Leviste & Company, Inc. v. Noblejas*,^[45] the Court emphasized that if the basis of the adverse claim is a perfected contract of sale, the proper procedure is to register the vendee's right as prescribed by Sections 51^[46] and 52^[47] of PD 1529, and not under Section 70 which is ineffective for the purpose of protecting the vendee's right since it does not have the effect of a conveyance.^[48]

In the case at hand, a cursory perusal of the MOA^[49] shows that it is essentially a conditional sale where Carmona Realty's payment is subject to the submission of certain documents by Peña, respondent's authorized representative. Its relevant provisions state:

WITNESSETH, That:

x x x x

WHEREAS, the FIRST PARTY represents, that subject to the payment of an agreed compensation to the CLOA holders/ARB[s], the Land Bank, and the National Irrigation Authority, FIRST PARTY is willing and able to have all titles, rights, interests and claims, transferred, ceded, conveyed, assigned or waived in favor of the SECOND PARTY who has accepted the offer to sell and has agreed to acquire and purchase the property, subject to the terms and conditions set forth under this Agreement.

x x x x

III

ESCROW DEPOSIT OF PURCHASE PRICE

3.1 Within thirty (30) days from the execution of this Memorandum of Agreement, the SECOND PARTY or its assignee or nominee shall deposit in escrow with a bank or financial institution which is mutually acceptable to the Parties, the total amount of x x x. Said amount shall be subject to release by the escrow agent/bank and/or withdrawal in favor of the Parties specified in Section II above, upon presentation of the documents specified herein below, and as set forth in the Escrow instructions given by both parties to the Escrow agent/bank.

3.2. To the FIRST PARTY:

All releases of the amounts under escrow in favor of the FIRST PARTY of the full amount of x x x, shall be subject to the submission by the FIRST PARTY of the following documents:

1) Order of Conversion x x x