

SECOND DIVISION

[G.R. No. 201883, November 16, 2016]

**SPOUSES DESIDERIO AND TERESA DOMINGO, PETITIONERS, V.
SPOUSES EMMANUEL AND TITA MANZANO, FRANKLIN
ESTABILLO, AND CARMELITA AQUINO, RESPONDENTS.**

DECISION

DEL CASTILLO, J.:

This Petition for Review on *Certiorari*^[1] seeks to set aside: a) the January 4, 2012 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 93662 which reversed the May 22, 2009 Decision^[3] of the Regional Trial Court (RTC) of Caloocan City, Branch 128 in Civil Case No. C-20102; and b) the CA's May 18, 2012 Resolution^[4] denying herein petitioners' Motion for Reconsideration.

Factual Antecedents

Respondents Emmanuel and Tita Manzano (the Manzanos) were the registered owners of a 35,281-square meter parcel of land with improvements in Bagong Barrio, Caloocan City (subject property), covered by Transfer Certificate of Title (TCT) No. 160752.

On June 1, 2001, the Manzanos, through their duly appointed attorney-in fact and herein co-respondent Franklin Estabillo (Estabillo), executed a notarized agreement^[5] with petitioners Desiderio and Teresa Domingo which provided, among others, that -

Ako, si Desiderio Domingo na nakatira sa 188 Gen. Mascardo St. Bagong Barrio Kalookan City. Na bibilhin ko ang lupa at bahay ni Tita Manzano sa 168 Gen. Mascardo St. Bagong Barrio Kalookan City. Na ang may Special Power of Attorney si Franklin Estabillo sa halagang (P900,000.00) nine hundred thousand pesos. Sa aming napagkasunduan ako ay magbibigay ng halagang (P100,000.00) one hundred thousand pesos para sa ReserVISION [sic] Fee.

Ayon sa aming napagkasunduan ililipat lamang ang Titulo ng lupa na may no. 160752 at bahay pag nabayaran ko ng lahat ang (P900,000.00) Nine Hundred Thousand Pesos hanggang Marso ng 2001. Kami ay maghahati sa Gain Tax at documentary stamps na babayaran sa B.I.R. ayon sa aming napagkasunduan.

Kalakip nito ang xerox title ng titulo ng lupa at bahay.^[6]

Petitioners paid the P100,000.00 reservation fee upon the execution of the agreement. Thereafter, they also made payments on several occasions, amounting to P160,000.00. However, they failed to tender full payment of the balance when the

March 2001 deadline came. Even then, Estabillo advised petitioners to continue their payments; thus, they made additional payments totaling P85,000.00. All in all, as of November 2001, petitioners had made payment in the amount of P345,000.00.

All this time, the Manzanos remained in possession of the subject property.

In December 2001, petitioners offered to pay the remaining P555,000.00 balance, but Estabillo refused to accept payment; instead, he advised petitioners to await respondent Tita Manzano's (Tita) arrival from abroad.

When Tita arrived, petitioners tendered payment of the balance, but the former refused to accept it. Instead, she told them that the property was no longer for sale and she was forfeiting their payments. For this reason, petitioners caused the annotation of an affidavit of adverse claim^[7] upon TCT No. 160752.

Soon thereafter, petitioners discovered that respondent Carmelita Aquino (Aquino) bought the subject property on May 7, 2002, and a new title - TCT No. C-359293 - had been issued in her name. Their adverse claim was nevertheless carried over to Aquino's new title.

Ruling of the Regional Trial Court

On May 23, 2002, petitioners filed a Complaint for specific performance and damages with injunctive relief against respondents. The case was docketed as Civil Case No. C-20102 and assigned to Branch 128 of the RTC of Caloocan City. Petitioners sought to compel the Manzanos to accept payment of the remaining balance, execute a deed of sale over the subject property in their favor, and restrain the sale in favor of Aquino.

Petitioners later filed an Amended Complaint,^[8] praying further that Aquino's new title- TCT No. C-359293 - be cancelled and annulled, and that instead, the Manzanos' TCT No. 160752 be reinstated, or alternatively, that a new title be issued in their name upon confirmation of the sale in their favor and payment of the outstanding balance.

In their respective Answers,^[9] Aquino and Estabillo alleged essentially that there was no sale between petitioners and the Manzanos, but a mere offer to buy from petitioners, which was refused due to late payment; that the case was premature for failure to resort to conciliation; and that Aquino's new title was indefeasible and may not be collaterally attacked. The Manzanos, who appear to be living in the United States of America, did not file a responsive pleading, for which reason they were declared in default.

After the issues were joined, trial proceeded.

On May 22, 2009¹ the RTC issued a Decision declaring that, as against Aquino, petitioners have a prior right over the subject property. It held that the agreement between petitioners and the Manzanos was a contract of sale. Applying Article 1544 of the Civil Code,^[10] the RTC held that Aquino was a buyer in bad faith, as she knew of petitioners' prior purchase and registered adverse claim - and such knowledge was equivalent to registration, and thus, the registration of her sale was done in bad faith. Thus, the trial court decreed:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendants as follows:

1. The defendant Spouses Emmanuel and Tita Manzano are hereby ordered to execute a Deed of Absolute [sic] over a house and lot covered by Transfer Certificate of Title No. 160752 of the Registry of Deeds of Kalookan City upon the tender of payment by the plaintiffs in the amount of Php555,000.00.
2. The Registry of Deeds is hereby ordered to cancel Transfer Certificate of Title No. C-35[9]293 issued in favor defendant [sic] Carmelita Aquino and Transfer Certificate of Title No. 160752 is ordered reinstated.
3. The defendant Carmelita Aquino is hereby ordered to surrender possession of the property to the plaintiffs upon the execution of the necessary deed of absolute sale.
4. The defendants Spouses Manzano and defendant Franklin Estabillo are hereby ordered to pay, jointly and severally, the plaintiffs the sum of Php30,000.00 as reasonable attorney's fees.
5. The defendants Spouses Manzano and defendant Estabillo are likewise ordered to pay, jointly and severally, the costs of this suit.

SO ORDERED.^[11]

Ruling of the Court of Appeals

Aquino filed an appeal before the CA, docketed as CA-G.R. CV No. 93662. The appellate court initially referred the case for mediation, but the parties failed to settle amicably.

On January 4, 2012, the CA rendered the assailed Decision containing the following pronouncement:

We find for appellant.^[12]

The crux of the instant petition is whether the agreement between the spouses Manzano and appellees^[13] is a contract of sale, as the RTC ruled, or a contract to sell, as appellant proposed. If it is a contract of sale, then Article 1544 of the Civil Code applies, and the RTC's Decision stands on firm ground, However, if the contract is merely a contract to sell, the propriety of applying Art. 1544 falters, and appellant's principal thrust in her Brief deserves discussion. Thus, the resolution of this issue is decisive.

xxxx

We have applied the distinctions above and examined the contract between the parties. In this regard, We differ from the RTC and find that the Manzanos and appellees entered into a mere contract to sell.

We quote the following provision from the contract, which is particularly revealing of the contract's true nature:

'Ayon sa aming napagkasunduan, ililipat lamang ang Titulo ng lupa na may no. 160752 at bahay pag nabayaran ko ng lahat ng (P900,000.00) Nine Hundred thousand pesos hanggang Marso ng 2001.'

[Translated as: *According to our agreement, the title of the land with no. 160752 and the house shall only be transferred when I have completely paid the P900,000.00 by March 2001.*]

The above passage clearly indicates that first, the ownership is reserved to the vendors, and second, that the title of the subject property passes to the buyers only upon full payment of Php900,000.00 [in] March 2001. Additionally, appellees have never even granted possession of the subject property, and that no deed of sale, absolute or conditional, has been executed in their favor. All have been held as indications that the contracting parties have entered into a contract to sell.

Thus, with our determination of that character of the parties' agreement as a contract to sell, We now proceed to illuminate whether Art. 1544 indeed applies to the situation at bar.

Applicability of Art. 1544 to Contracts to Sell

Relevant cases affirm an indubitable rule: Article 1544 only applies to instances of double sales, and not where one contract is some other transaction, such as a contract to sell, even if the latter concurs with a contract of sale over the same realty.

In *Cheng v. Genato, et al.*,^[14] the Court succinctly clarified and explained the reason behind such inapplicability, to wit:

'However, a meticulous reading of the aforequoted provision (Art. 1544, Civil Code) shows that said law is not apropos to the instant case. This provision connotes that the following circumstances must concur:

'(a) The two (or more) sales transactions in the issue must pertain to exactly the same subject matter, and must be valid sales transactions. (b) The two (or more) buyers at odds over the rightful ownership of the subject matter must each represent conflicting interests; and (c) The two (or more) buyers at odds over the rightful ownership of the subject matter must each have bought from the very same seller.'

These situations obviously are lacking in a contract to sell for neither a transfer of ownership nor a sales transaction has been consummated. The contract to be binding upon the obligee or the vendor depends upon the fulfillment or non-fulfillment of an event.'

Later jurisprudence would then echo the above doctrine. Especially persuasive is the ruling in *Spouses Nabus and Tolero v. Spouses Pacson*,^[15] as its facts closely resemble those at bar. Distilled, those facts show that the Nabuses (the sellers) entered into a contract with the Pacsons (the prospective buyers) over a parcel of land. But the Pacsons failed to pay on time; this notwithstanding, the Nabuses still accepted their late payments. The Nabuses, however, failed to appear on the designated date for the delivery of the final payment to them.

Later, the Pacsons heard that the land had been sold to Betty Tolero, a third party, later adjudged found to be buyer in bad faith. Tolero obtained a new title over the property pursuant to the sale to her.

Thus, the Pacsons filed for the annulment of the deeds of sale, the cancellation of the titles issued in favor of the buyer Betty Tolero, and for damages. The RTC and the CA ruled for the Pacsons, and against Betty Tolero.

The Supreme Court, however, disagreed, and upheld the rights from the latter contract of sale. The Court ruled:

'Sale, by its very nature, is a consensual contract because it is perfected by mere consent. The essential elements of a contract of sale are the following:

- a) Consent or meeting of the minds, that is, consent to transfer ownership in exchange for the price;
- b) Determinate subject matter; and
- c) Price certain in money or its equivalent.

Under this definition, a Contract to Sell may not be considered as a Contract of Sale because the first essential element is lacking. In a contract to sell, the prospective seller explicitly reserves the transfer of title to the prospective buyer, meaning, the prospective seller does not as yet agree or consent to transfer ownership of the property subject of the contract to sell until the happening of an event, which for present purposes we shall take as the full payment of the purchase price. What the seller agrees or obliges himself to do is to fulfill his promise to sell the subject property when the entire amount of the purchase price is delivered to him. In other words, the full payment of the purchase price partakes of a suspensive condition, the non-fulfillment of which prevents the obligation