

FIRST DIVISION

[G.R. No. 203883, November 10, 2015]

**HOMEOWNERS ASSOCIATION OF TALAYAN VILLAGE INC.,
PETITIONER, VS. J.M. TUASON & CO., INC., TALAYAN HOLDINGS,
INC., QUEZON CITY MAYOR AND EQUITABLE BANKING
CORPORATION (NOW BANCO DE ORO BANKING CORPORATION),
RESPONDENTS.**

[G.R. NO. 203930]

**J.M. TUASON & CO., AND TALAYAN HOLDINGS, INC.,
PETITIONER, VS. HOMEOWNERS ASSOCIATION OF TALAYAN
VILLAGE, INC. AND QUEZON CITY MAYOR, RESPONDENTS.**

D E C I S I O N

PEREZ, J.:

Assailed in these Rule 45 petitions for review on certiorari is the Decision^[1] dated 5 March 2012 rendered by the Eighth Division of the Court of Appeals (CA) in CA-G.R. CV No. 80351, the dispositive portion of which states:

WHEREFORE, in view of the foregoing premises, the assailed Decision of the Regional Trial Court, Branch 77, Quezon City in Civil Case No. Q-98-35548 is AFFIRMED with MODIFICATION that x x x J.M. Tuazon & Company, Inc. and Talayan Holdings Corporation, having been adjudged herein as owners in bad faith, are hereby held accountable to x x x Homeowners Association of Talayan [Village], Inc. and the Local Government of Quezon City for the payment of the value of the facilities which were built on Block 494 including the payment of damages in accordance with the provisions of Article 447 of the New Civil Code. However, these shall be determined in a separate proceeding specially commenced for the purpose of determining the actual value of the properties therein built as well as the extent and amount of damages and expenses these entities are entitled to receive from [J.M. Tuazon & Company, Inc. and Talayan Holdings Corporation].^[2]

The Facts

The subject matter of the instant suit is a 22,012 square meter parcel of land denominated as Block 494 of the Talayan Village which forms part of the Sta. Mesa Heights Subdivision in Quezon City. Block 494 was previously registered under Transfer Certificate of Title (TCT) No. RT-110168 (29132)^[3] in the name of J.M. Tuason Co., Inc. (J.M. Tuason) which, thru its representative, Gregorio Araneta, Inc.

(Araneta), sold subdivision lots in the 1950's to the general public, in accordance with Subdivision Plan PSD-52256. Approved in an Order dated 22 April 1958 issued by Branch 4 of the then Court of First Instance (CFI) of Rizal in LRC (GLRO) Rec. No. 7681, Subdivision Plan PSD-52256 designated Block 503 as the park/open space for the subdivision.^[4] In the subdivision plan approved by the National Planning Commission and the Quezon City Council, however, Block 494 remained undivided even as the lots surrounding the same were divided into home lots^[5] which were sold to interested buyers. In an undated certification issued by Araneta, moreover, Block 494 was listed as one of the open spaces for the Sta. Mesa Heights Subdivision.^[6]

On 7 June 1962, the Quezon City Council passed Ordinance No. 5095, series of 1962, directing all subdivision owners to turn over to the city government the open spaces in city subdivisions^[7] which were required to be equivalent to 6% of the total land area being developed.^[8] Ostensibly in compliance with said ordinance, J.M. Tuason, through Araneta, executed in favor of the city government a Deed of Donation and Acceptance (Deed of Donation) over its subdivisions' open spaces which included, among others, Block 494.^[9] Accompanied by a Certification issued by Araneta authorizing one Luis Ma. Araneta to donate the open spaces listed, the Deed of Donation which had yet to be notarized was submitted to the city government thru Araneta's letter dated 16 April 1969.^[10] Although the Deed of Donation was, however, referred for comment and recommendation to the City Engineer in an Indorsement dated 21 April 1969 issued by the Office of the Quezon City Mayor,^[11] no record or document exists to show that the donation was, indeed, accepted.

There is no dispute regarding the fact that Block 494 became the site of the Talayan Village *Barangay* Hall, a multi-purpose hall, basketball, tennis and football courts and a children's playground which were developed at the expense of Homeowners Association of Talayan Village, Inc. (HATVI) and the Quezon City government. For failure of J.M. Tuason to pay its realty taxes, however, Block 494 was scheduled for a tax delinquency sale by the city government sometime in 1996. In letters dated 20 and 29 May 1996 addressed to the Quezon City *Sangguniang Panglungsod* and then Mayor Ishmael Mathay (Mayor Mathay), the *Barangay* Captain and the homeowners of Talayan Village made known their opposition/objection to the impending sale.^[12] Aside from the fact that no replies to said letters were received, the tax delinquency sale pushed through on 26 June 1996 and Block "494 was sold to J.M. Tuason, the highest bidder, for the aggregate sum of Php641,651.93, representing the total amount of the unpaid taxes and penalties due thereon.^[13]

On 9 July 1996, J.M. Tuason executed a Unilateral Deed of Absolute Sale transferring Block 494 in favor of respondent Talayan Holdings, Inc. (THI) for a stated consideration of Php33,018,000.00.^[14] Having caused TCT No 110168 (29132) to be cancelled with the issuance of TCT No. N-160418 in its favor,^[15] THI subdivided Block 494 into four lots which were registered in its name under TCT Nos. N-192112, N-192113, N-192114 and N-192115.^[16] On 22 October 1996, the Manila Bulletin published in its Classified Ads Section an advertisement offering the sale of a 22,000 square meters property in Talayan Village for the price of Php25,000.00 per square meter. Inquiring from the designated broker, Eastcoast

Properties & Holdings Corp. (EPHC), one Dr. Rosario Agustin received a letter dated 22 October 1996^[17] confirming, among other matters, that the land being sold was Block 494 and that the same was previously purchased in a delinquency sale by J.M. Tuason.^[18] On 17 January 1997, THI eventually obtained a loan in the sum of Php150,000,000.00 from Equitable Banking Corporation (Equitable Bank), secured by real estate mortgages over the four lots into which Block 494 had been subdivided.^[19]

On 15 September 1998, HATVI filed against J.M. Tuason, THI, Equitable Bank and Mayor Mathay the complaint which was docketed as Civil Case No. Q-98-35548 before the Regional Trial Court (RTQ, Branch 77, Quezon City and styled one for annulment of sale, cancellation of titles and mortgage, acceptance of donation and damages. Contending that it had no knowledge of the delinquency sale and that its members purchased their respective home lots on the belief that Block 494 was an open space for use — as in fact it was used - as a public park, HATVI argued that the subject parcel is beyond the commerce of man.^[20] J.M. Tuason and THI moved for the dismissal of the complaint on the ground, among others, that the donation was not accepted and that, as a consequence, Block 494 remained a private property.^[21] With Equitable Bank likewise filing a motion to dismiss on the ground that it was a mortgagee in good faith,^[22] Mayor Mathay also filed a motion to drop him as defendant in the case.^[23] The same motions were, however, denied for lack of merit in the RTC's Order dated 30 March 1999,^[24] prompting said defendants to file their separate answers.

Reiterating the arguments raised in their motion to dismiss, J.M. Tuason and THI maintained that no donation was perfected and that, if at all, the right under said contract pertained to the Quezon City government. Invoking the CFI's ruling in LRC (GLRO) Rec. No. 7681, they insisted that it was Block 503 and not Block 494 which was the designated open space for the Talayan Village. With Act No. 496 or the Land Registration Act then not requiring a minimum area for open spaces, it was argued that J.M. Tuason had more than amply complied with the Quezon City ordinances requiring the same when it segregated a total of 275,770.79 square meters out of the aggregate 4,596,197.90 square meters it developed.^[25] Asserting that J.M. Tuason retained and never lost ownership over Block 494, on the other hand, Equitable Bank called attention to the fact that, having purchased the land at a tax delinquency sale, the former acquired the same free from all liens and encumbrances, whether annotated or not on the property's title.^[26] Admitting that the donation was not accepted, Mayor Mathay, in turn, alleged that he could not confirm the expenditure of city funds on the amenities built on Block 494.^[27]

The issues joined, the RTC proceeded to conduct the pre-trial conference where the parties stipulated on: (a) Subdivision Plan PSD-52256 being the subdivision plan for Talayan Village; (b) the identity of Block 494; (c) the non-acceptance of the donation by the Quezon City Government; and (d) the excess of 48,679.040 square meters in the designated open spaces for the Sta. Mesa Heights Subdivision.^[28] Subsequent to the trial of the case on the merits at which the parties adduced evidence in support of their respective positions, the RTC went on to render its 24 June 2002 Decision finding, among other matters, that Block 494 is not an open space and that the Deed of Donation J.M. Tuason executed over the same was null

and void due to non-acceptance and non-notarization. Further concluding that Equitable Bank was a mortgagee in good faith,^[29] the RTC disposed of the case in the following wise:

WHEREFORE, premises considered, the complaint is hereby dismissed. The counterclaims of the defendants are likewise dismissed. The cross-claim of Equitable Banking Corporation is also dismissed.

No pronouncements as to costs.^[30]

Aggrieved, HATVI elevated the foregoing decision on appeal before the Court of Appeals under docket of CA-G.R. 80351. On 5 March 2012, the CA's then Eight Division rendered the herein assailed Decision, upon the following findings and conclusions: (a) as PD No. 1216 was not yet in existence at the time Talayan Village was developed, the applicable law is the Land Registration Act, the dearth of minimum requirement for open spaces of which was filled in by ordinances passed by the Quezon City government which had been complied with by J.M. Tuason; (b) the Deed of Donation executed by J.M. Tuason had no legal effect since it was not accepted and effected in accordance with law; (c) aside from not being designated as an open space, the tax delinquency sale conducted over Block 494 indicated that it remained a private property; (d) rather than estoppel being applicable, the proven facts of the case show only accrual of a cause of action for damages in favor of HATVI's members; and (e) Equitable Bank is a mortgagee in good faith because J.M. Tuason purchased Block 494 at a tax delinquency sale.^[31]

In modification of the RTC's decision, however, the CA ruled that J.M. Tuason and THI were in bad faith for allowing the amenities to be built on Block 494 and are, therefore, accountable to HATVI and the Quezon City local government for damages to be determined in separate proceedings commenced to ascertain the extent thereof.^[32] The motions for reconsideration of the assailed Decision filed by J.M. Tuason and THI as well as HATVI were respectively denied for lack of merit in the CA's Resolution^[33] dated 9 October 2012. Dissatisfied, said parties filed these petitions which were ordered consolidated in the Court's Resolution dated 1 July 2013.^[34]

The Issues

HATVI's petition for review in G.R. No. 203883 seeks the reversal of the assailed CA decision on the following grounds:

I.

THE COURT OF APPEALS ERRED IN RULING THAT THE CORE ISSUE IS THE APPLICABLE LAW AT THE TIME OF THE DEVELOPMENT OF TALAYAN VILLAGE AND NOT WHETHER BLOCK 494 WAS RESERVED BY J.M. TUAZON AS AN OPEN SPACE.

II.

THE COURT OF APPEALS ERRED IN CONCLUDING THAT ESTOPPEL DOES NOT APPLY AGAINST J.M.TUAZON AND THI.

III.

THE COURT OF APPEALS ERRED IN CONCLUDING THAT BLOCK 494 REMAINED A PRIVATE PROPERTY BECAUSE OF QUEZON CITY'S FAILURE TO ACCEPT THE DEVELOPER'S DONATION.

IV.

THE COURT OF APPEALS ERRED IN CONCLUDING THAT BLOCK 494 REMAINED A PRIVATE PROPERTY BECAUSE OF THE TAX DELINQUENCY SALE CONDUCTED THEREON BY QUEZON CITY.

V.

THE COURT OF APPEALS ERRED IN CONCLUDING THAT EQUITABLE BANK (NOW BDO) IS A MORTGAGEE IN GOOD FAITH.

[35]

On the other hand, J.M. Tuason and THI urge the grant of their petition in G.R. No. 203930 on the following grounds:

A.

THE COURT OF APPEALS ERRED IN RULING THAT J.M. TUAZON AND THI ARE OWNERS IN BAD FAITH AND ARE THUS LIABLE FOR DAMAGES TO HATVI AND THE QUEZON CITY LOCAL GOVERNMENT.

B.

THE COURT OF APPEALS ERRED IN DECIDING A MATTER WHICH WAS NEVER RAISED BY THE PARTIES ON APPEAL.^[36]

The Court's Ruling

In G.R. No. 203883, HATVI insists that the case was never about the applicable law at the time Talayan Village was developed but, rather, whether Block 494 is an open space on account of its reservation as such and the execution of a Deed of Donation over the same by J.M. Tuason which allowed its exclusive use as a park/open space over the years. Invoking this Court's ruling in *White Plains Association, Inc. v. CA*^[37] and *Anonuevo v. CA*,^[38] HATVI argues that J.M. Tuason had represented to its buyers that Block 494 is an open space and should therefore be considered estopped from taking a stand contrary to said representation. Aside from the fact that the non-acceptance of the donation supposedly did not alter the nature of the subject land, HATVI posits that the rights of its members should not be prejudiced