

FIRST DIVISION

[G.R. No. 156407, January 15, 2014]

**THELMA M. ARANAS, PETITIONER, VS. TERESITA V. MERCADO,
FELIMON V. MERCADO, CARMENCITA M. SUTHERLAND, RICHARD
V. MERCADO, MA. TERESITA M. ANDERSON, AND FRANKLIN L.
MERCADO, RESPONDENTS.**

D E C I S I O N

BERSAMIN, J.:

The probate court is authorized to determine the issue of ownership of properties for purposes of their inclusion or exclusion from the inventory to be submitted by the administrator, but its determination shall only be provisional unless the interested parties are all heirs of the decedent, or the question is one of collation or advancement, or the parties consent to the assumption of jurisdiction by the probate court and the rights of third parties are not impaired. Its jurisdiction extends to matters incidental or collateral to the settlement and distribution of the estate, such as the determination of the status of each heir and whether property included in the inventory is the conjugal or exclusive property of the deceased spouse.

Antecedents

Emigdio S. Mercado (Emigdio) died intestate on January 12, 1991, survived by his second wife, Teresita V. Mercado (Teresita), and their five children, namely: Allan V. Mercado, Felimon V. Mercado, Carmencita M. Sutherland, Richard V. Mercado, and Maria Teresita M. Anderson; and his two children by his first marriage, namely: respondent Franklin L. Mercado and petitioner Thelma M. Aranas (Thelma).

Emigdio inherited and acquired real properties during his lifetime. He owned corporate shares in Mervir Realty Corporation (Mervir Realty) and Cebu Emerson Transportation Corporation (Cebu Emerson). He assigned his real properties in exchange for corporate stocks of Mervir Realty, and sold his real property in Badian, Cebu (Lot 3353 covered by Transfer Certificate of Title No. 3252) to Mervir Realty.

On June 3, 1991, Thelma filed in the Regional Trial Court (RTC) in Cebu City a petition for the appointment of Teresita as the administrator of Emigdio's estate (Special Proceedings No. 3094-CEB).^[1] The RTC granted the petition considering that there was no opposition. The letters of administration in favor of Teresita were issued on September 7, 1992.

As the administrator, Teresita submitted an inventory of the estate of Emigdio on December 14, 1992 for the consideration and approval by the RTC. She indicated in the inventory that at the time of his death, Emigdio had "left no real properties but only personal properties" worth P6,675,435.25 in all, consisting of cash of

P32,141.20; furniture and fixtures worth P20,000.00; pieces of jewelry valued at P15,000.00; 44,806 shares of stock of Mervir Realty worth P6,585,585.80; and 30 shares of stock of Cebu Emerson worth P22,708.25.^[2]

Claiming that Emigdio had owned other properties that were excluded from the inventory, Thelma moved that the RTC direct Teresita to amend the inventory, and to be examined regarding it. The RTC granted Thelma's motion through the order of January 8, 1993.

On January 21, 1993, Teresita filed a compliance with the order of January 8, 1993,^[3] supporting her inventory with copies of three certificates of stocks covering the 44,806 Mervir Realty shares of stock;^[4] the deed of assignment executed by Emigdio on January 10, 1991 involving real properties with the market value of P4,440,651.10 in exchange for 44,407 Mervir Realty shares of stock with total par value of P4,440,700.00;^[5] and the certificate of stock issued on January 30, 1979 for 300 shares of stock of Cebu Emerson worth P30,000.00.^[6]

On January 26, 1993, Thelma again moved to require Teresita to be examined under oath on the inventory, and that she (Thelma) be allowed 30 days within which to file a formal opposition to or comment on the inventory and the supporting documents Teresita had submitted.

On February 4, 1993, the RTC issued an order expressing the need for the parties to present evidence and for Teresita to be examined to enable the court to resolve the motion for approval of the inventory.^[7]

On April 19, 1993, Thelma opposed the approval of the inventory, and asked leave of court to examine Teresita on the inventory.

With the parties agreeing to submit themselves to the jurisdiction of the court on the issue of what properties should be included in or excluded from the inventory, the RTC set dates for the hearing on that issue.^[8]

Ruling of the RTC

After a series of hearings that ran for almost eight years, the RTC issued on March 14, 2001 an order finding and holding that the inventory submitted by Teresita had excluded properties that should be included, and accordingly ruled:

WHEREFORE, in view of all the foregoing premises and considerations, the Court hereby denies the administratrix's motion for approval of inventory. The Court hereby orders the said administratrix to re-do the inventory of properties which are supposed to constitute as the estate of the late Emigdio S. Mercado by including therein the properties mentioned in the last five immediately preceding paragraphs hereof and then submit the revised inventory within sixty (60) days from notice of this order.

The Court also directs the said administratrix to render an account of her administration of the estate of the late Emigdio S. Mercado which had

come to her possession. She must render such accounting within sixty (60) days from notice hereof.

SO ORDERED.^[9]

On March 29, 2001, Teresita, joined by other heirs of Emigdio, timely sought the reconsideration of the order of March 14, 2001 on the ground that one of the real properties affected, Lot No. 3353 located in Badian, Cebu, had already been sold to Mervir Realty, and that the parcels of land covered by the deed of assignment had already come into the possession of and registered in the name of Mervir Realty.^[10] Thelma opposed the motion.

On May 18, 2001, the RTC denied the motion for reconsideration,^[11] stating that there was no cogent reason for the reconsideration, and that the movants' agreement as heirs to submit to the RTC the issue of what properties should be included or excluded from the inventory already estopped them from questioning its jurisdiction to pass upon the issue.

Decision of the CA

Alleging that the RTC thereby acted with grave abuse of discretion in refusing to approve the inventory, and in ordering her as administrator to include real properties that had been transferred to Mervir Realty, Teresita, joined by her four children and her stepson Franklin, assailed the adverse orders of the RTC promulgated on March 14, 2001 and May 18, 2001 by petition for *certiorari*, stating:

I

THE HONORABLE RESPONDENT JUDGE HAS COMMITTED GRAVE ABUSE OF JURISDICTION (sic) AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN HOLDING THAT THE REAL PROPERTY WHICH WAS SOLD BY THE LATE EMIGDIO S. MERCADO DURING HIS LIFETIME TO A PRIVATE CORPORATION (MERVIR REALTY CORPORATION) BE INCLUDED IN THE INVENTORY OF THE ESTATE OF THE LATE EMIGDIO S. MERCADO.

II

THE HONORABLE RESPONDENT JUDGE HAS COMMITTED GRAVE ABUSE OF JURISDICTION (sic) AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN HOLDING THAT REAL PROPERTIES WHICH ARE IN THE POSSESSION OF AND ALREADY REGISTERED IN THE NAME (OF) PRIVATE CORPORATION (MERVIR REALTY CORPORATION) BE INCLUDED IN THE INVENTORY OF THE ESTATE OF THE LATE EMIGDIO S. MERCADO.

III

THE HONORABLE RESPONDENT JUDGE HAS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN HOLDING THAT PETITIONERS ARE NOW ESTOPPED FROM QUESTIONING ITS JURISDICTION IN PASSING UPON THE ISSUE OF WHAT PROPERTIES

SHOULD BE INCLUDED IN THE INVENTORY OF THE ESTATE OF THE LATE EMIGDIO MERCADO.^[12]

On May 15, 2002, the CA partly granted the petition for *certiorari*, disposing as follows:^[13]

WHEREFORE, FOREGOING PREMISES CONSIDERED, this petition is **GRANTED partially**. The assailed Orders dated March 14, 2001 and May 18, 2001 are hereby reversed and set aside insofar as the inclusion of parcels of land known as Lot No. 3353 located at Badian, Cebu with an area of 53,301 square meters subject matter of the Deed of Absolute Sale dated November 9, 1989 and the various parcels of land subject matter of the Deeds of Assignment dated February 17, 1989 and January 10, 1991 in the revised inventory to be submitted by the administratrix is concerned and **affirmed** in all other respects.

SO ORDERED.

The CA opined that Teresita, *et al.* had properly filed the petition for *certiorari* because the order of the RTC directing a new inventory of properties was interlocutory; that pursuant to Article 1477 of the *Civil Code*, to the effect that the ownership of the thing sold "shall be transferred to the vendee" upon its "actual and constructive delivery," and to Article 1498 of the *Civil Code*, to the effect that the sale made through a public instrument was equivalent to the delivery of the object of the sale, the sale by Emigdio and Teresita had transferred the ownership of Lot No. 3353 to Mervir Realty because the deed of absolute sale executed on November 9, 1989 had been notarized; that Emigdio had thereby ceased to have any more interest in Lot 3353; that Emigdio had assigned the parcels of land to Mervir Realty as early as February 17, 1989 "for the purpose of saving, as in avoiding taxes with the difference that in the Deed of Assignment dated January 10, 1991, additional seven (7) parcels of land were included"; that as to the January 10, 1991 deed of assignment, Mervir Realty had been "even at the losing end considering that such parcels of land, subject matter(s) of the Deed of Assignment dated February 12, 1989, were again given monetary consideration through shares of stock"; that even if the assignment had been based on the deed of assignment dated January 10, 1991, the parcels of land could not be included in the inventory "considering that there is nothing wrong or objectionable about the estate planning scheme"; that the RTC, as an intestate court, also had no power to take cognizance of and determine the issue of title to property registered in the name of third persons or corporation; that a property covered by the Torrens system should be afforded the presumptive conclusiveness of title; that the RTC, by disregarding the presumption, had transgressed the clear provisions of law and infringed settled jurisprudence on the matter; and that the RTC also gravely abused its discretion in holding that Teresita, *et al.* were estopped from questioning its jurisdiction because of their agreement to submit to the RTC the issue of which properties should be included in the inventory.

The CA further opined as follows:

In the instant case, public respondent court erred when it ruled that petitioners are estopped from questioning its jurisdiction considering that they have already agreed to submit themselves to its jurisdiction of determining what properties are to be included in or excluded from the inventory to be submitted by the administratrix, because actually, a reading of petitioners' Motion for Reconsideration dated March 26, 2001 filed before public respondent court clearly shows that petitioners are not questioning its jurisdiction but the manner in which it was exercised for which they are not estopped, since that is their right, considering that there is grave abuse of discretion amounting to lack or in excess of limited jurisdiction when it issued the assailed Order dated March 14, 2001 denying the administratrix's motion for approval of the inventory of properties which were already titled and in possession of a third person that is, Mervir Realty Corporation, a private corporation, which under the law possessed a personality distinct and separate from its stockholders, and in the absence of any cogency to shred the veil of corporate fiction, the presumption of conclusiveness of said titles in favor of Mervir Realty Corporation should stand undisturbed.

Besides, public respondent court acting as a probate court had no authority to determine the applicability of the doctrine of piercing the veil of corporate fiction and even if public respondent court was not merely acting in a limited capacity as a probate court, private respondent nonetheless failed to adjudge competent evidence that would have justified the court to impale the veil of corporate fiction because to disregard the separate jurisdictional personality of a corporation, the wrongdoing must be clearly and convincingly established since it cannot be presumed.^[14]

On November 15, 2002, the CA denied the motion for reconsideration of Teresita, et al.^[15]

Issue

Did the CA properly determine that the RTC committed grave abuse of discretion amounting to lack or excess of jurisdiction in directing the inclusion of certain properties in the inventory notwithstanding that such properties had been either transferred by sale or exchanged for corporate shares in Mervir Realty by the decedent during his lifetime?

Ruling of the Court

The appeal is meritorious.

I

Was *certiorari* the proper recourse to assail the questioned orders of the RTC?

The first issue to be resolved is procedural. Thelma contends that the resort to the