

## FIRST DIVISION

[ G.R. No. 191090, October 13, 2014 ]

**EXTRAORDINARY DEVELOPMENT CORPORATION, PETITIONER,  
VS. HERMINIA F. SAMSON-BICO AND ELY B. FLESTADO,  
RESPONDENTS.**

### D E C I S I O N

**PEREZ, J.:**

This treats of the petition for review filed by Extraordinary Development Corporation (EDC) assailing the 31 July 2009 Decision<sup>[1]</sup> and 22 January 2010 Resolution<sup>[2]</sup> of the Court of Appeals 10<sup>th</sup> Division in CA-G.R. CV. No. 91358, which affirmed with modification the Decision<sup>[3]</sup> of the Regional Trial Court (RTC) of Binangonan, Rizal, Branch 68 in Civil Case No. 03-035, a "Complaint for Annulment of Contract and Tax Declaration No. 00-BI-030-3512 and Reconveyance of Possession with Damages."

As borne by the records, the facts are as follow:

Apolonio Ballesteros (Apolonio) and Maria Membrebe (Maria) were husband and wife. They begot two (2) children, namely, Juan M. Ballesteros (Juan), who married Leonarda Tambongco (Leonarda) and Ireneia Ballesteros (Ireneia), who married Santiago Samson (Santiago). Juan and Leonarda begot six (6) children, namely, Leonardo T. Ballesteros (Leonardo), Marcelina T. Ballesteros-Abad (Marcelina), Lydia T. Ballesteros-De Lara (Lydia), Cresencia T. Ballesteros-Lirio (Cresencia), Lourdes T. Ballesteros-Tan (Lourdes), and Juan T. Ballesteros, Jr. (Juan Jr.), while Ireneia and Santiago begot two (2) children, namely, Herminia B. Samson-Bico (Herminia) and Merlita Samson Flestado, who married Ely D. Flestado (Ely).

During his lifetime, Apolonio owned a parcel of land consisting of 29,748 square meters situated at *Barangay* Pantok, Binangonan, Rizal covered by Tax Declaration No. BI-030-1509. When Apolonio and Maria died, the property was inherited by Juan and Ireneia. When the latter died, the heirs of Juan and Ireneia became co-owners of the property.

On 16 April 2002, the heirs of Juan, without the consent of respondents, the heirs of Ireneia executed in favor of petitioner EDC a Deed of Absolute Sale<sup>[4]</sup> covering the subject property for P2,974,800.00. Prior to the sale, respondents claimed that they learned that the property had been the subject of a contract to sell between the heirs of Juan and EDC. On 7 March 2000, respondents wrote to EDC informing it of the existence of co-ownership over the subject property.<sup>[5]</sup> EDC wrote back that it will look into the matter and asked respondents to further establish the basis of their claims.<sup>[6]</sup>

EDC was able to cause the registration of the Deed of Absolute Sale with the Office

of the Provincial Assessor Rizal and transfer the tax declaration over the subject property in its name. This prompted respondents to file the Complaint for Annulment of Contract and Tax Declaration No. 00-BI-030-3512 and Reconveyance of Possession with Damages. [7]

In its Answer, EDC alleged that it is a buyer in good faith and for value of the subject property because it was of the honest belief that the heirs of Juan are the only heirs of the late Apolonio. EDC counterclaimed for damages. [8]

On the other hand, the heirs of Juan asserted that respondents were aware of and were parties to the contract to sell entered into by them and EDC. The heirs of Juan claimed that respondents received their share in the downpayment made by EDC but they were both unpaid of the balance on the cost of the land. [9]

After presentation of respondents' testimonial and documentary evidence, the case was called for hearing on 25 April 2007. The case for the presentation of defendants' evidence was reset by the trial court to 25 June 2007 for failure of their respective lawyers to appear without any explanation. [10] On 25 June 2007, the case was once again reset for the same reason. [11] On 13 August 2007, Juan appeared and informed the court that his lawyer is sick while a certain Reggie Angulo appeared before the court and manifested that EDC has not yet hired a lawyer. The trial court reset the case to 3 October 2007 and required the parties to secure a new lawyer. The trial court warned the defendants, petitioner here, and the heirs of Juan that if they fail to do so, their right to present evidence would be waived. [12] On 5 November 2007, the lawyer of the heirs of Juan still failed to appear, while the counsel of the plaintiffs sent a representative to move for the resetting of the case. [13] Finally, on 5 December 2007, the counsel of the heirs of Juan once again failed to appear so upon motion of respondent's counsel, the case was submitted for resolution. [14]

On 3 January 2008, the RTC ruled in favor of respondents. The dispositive portion of the Decision reads:

WHEREFORE, judgment is rendered as follows:

1. The Deed of Absolute Sale dated April 16, 2002 covering a property consisting of 29,748 square meters covered by Tax Declaration No. BI-030-1509 is hereby declared null and void to the extent of one half of the property sold or 14,874 square meters.
2. That the Tax Declaration No. 00-BI-030-3512 in the name of [EDC] is hereby declared null and void and the Provincial Assessor of Rizal or defendant Municipal Assessor of Binangonan, Rizal is hereby ordered to cancel the same, and the Tax Declaration covering the subject parcel of land be reinstated in the name of the heirs of Apolonio Ballesteros and Maria Membrebe.
3. That the [EDC] is hereby ordered to vacate, surrender or reconvey ownership and possession of the parcel of land subject of the Deed of

Absolute Sale to [respondents] or the heirs of Apolonio Ballesteros or that they be reinstated to the lawful ownership of one-half (1/2) of the property sold or 14,874 square meters.

4. The defendants are hereby ordered to pay the following damages to the [respondents] jointly and severally:

- a. Moral damages – P100,000.00
- b. Exemplary damages – [P]100,000.00
- c. Attorney's fees – [P]100,000.00

5. The defendants are hereby ordered to pay the costs of suit.<sup>[15]</sup>

The trial court found that respondents and the heirs of Juan are co-owners of the subject property; that at the time of sale, the heirs of Juan did not have the right to sell the one half share of the heirs of Irene; that the sale did not bind the heirs of Irene; that there was fraud in the execution of the Deed of Absolute Sale when the heirs of Juan failed to disclose to EDC that one half of the property sold is owned by respondents; and that EDC was not a buyer in good faith because it knew that respondents were co-owners of the subject property because Herminia informed EDC of such fact through a letter dated 9 March 2000.

EDC appealed to the Court of Appeals and assigned the following errors:

I.

THE TRIAL COURT COMMITTED GRAVE ERROR WHEN IT RENDERED A DECISION HOLDING APPELLEES THE LAWFUL OWNER OF ONE-HALF OF THE SUBJECT PROPERTY

II.

THE TRIAL COURT COMMITTED GRAVE ERROR WHEN IT ANNULLED THE 16 APRIL 2002 DEED OF ABSOLUTE SALE AND INVALIDATED THE TITLE OF THE APPELLANT CORPORATION TO THE SUBJECT PROPERTY DESPITE THE COMPLETE ABSENCE OF ANY EVIDENCE TO SUPPORT THE APPELLEES' CLAIM OF OWNERSHIP OVER ONE-HALF OF THE SUBJECT PROPERTY.

III.

THE TRIAL COURT COMMITTED GRAVE ERROR WHEN IT AWARDED MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES AND LITIGATION EXPENSES IN FAVOR OF THE APPELLEES DESPITE THE UTTER ABSENCE OF EVIDENCE WHICH CAN PROVE THEY ARE ENTITLED TO THE SAME.

IV.

THE TRIAL COURT COMMITTED GRAVE ERROR AND VIOLATED THE RIGHT TO DUE PROCESS OF THE DEFENDANT CORPORATION WHEN IT

SUBMITTED THE CASE FOR RESOLUTION WITHOUT PROVIDING THE APPELLANT THE OPPORTUNITY TO PRESENT EVIDENCE IN SUPPORT OF ITS CLAIMS AND DEFENSES.<sup>[16]</sup>

The heirs of Juan and respondents failed to file their brief so the Court of Appeals submitted the case for resolution.

On 31 July 2009, the Court of Appeals partially granted the appeal. The dispositive portion of the Decision reads:

**WHEREFORE**, premises considered, appeal is **PARTLY GRANTED**. The Decision dated 03 January 2008 of the Regional Trial Court of Binangonan, Rizal, Branch 68 in Civil Case No. 03-035 is **AFFIRMED** with the following **MODIFICATIONS**:

1. Defendants-appellants Leonardo T. Ballesteros, Marcelina T. Ballesteros-Abad, Lydia T. Ballesteros-De Lara, Cresencia T. Ballesteros-Lirio, Lourdes T. Ballesteros-Tan and Juan T. Ballesteros, Jr. are hereby **ORDERED** to return to defendant-appellant Extraordinary Development Corporation the amount of P1,487,400.00 or one-half of the purchase price as stated in the Deed of Absolute Sale dated 16 April 2002;
2. The Deed of Absolute Sale in favor of the [EDC] is valid only to the extent of one-half of the subject property or 14,874 square meters, but not as to the other half of 14,874 square meters which is co-owned by [respondents];
3. The Provincial Assessor of Rizal is hereby **ORDERED** to **CANCEL** Tax Declaration No. 00-BI-030-3512 in the name of [EDC] and to **ISSUE** a new one in the names of co-owners [EDC] (one-half of the subject property) and [respondents] (the other half); and
4. The award of moral damages, exemplary damages, and attorney's fees in the amount of P100,000.00 each is hereby **DELETED**.

No pronouncement as to costs.<sup>[17]</sup>

The Court of Appeals ruled that respondents were able to establish their co-ownership over one-half of the subject property. The appellate court pointed out that the heirs of Juan categorically admitted in their Answer, as well as during the hearing the existence of co-ownership. The appellate court agreed with the trial court's finding that the heirs of Juan, as co-owners, could only alienate or convey to EDC their one-half portion of the subject property which may be allotted to them in the division upon the termination of the co-ownership. Thus, the sale will affect only their share but not those of the other co-owners who did not consent to the sale. The appellate court disputed the submission of EDC that whatever admissions made by the heirs of Juan regarding the ownership of the subject property is effective only insofar as they are concerned but such do not bind or affect the

defenses it raised. The appellate court declared that the execution by the heirs of Juan of the Deed of Absolute Sale over the subject property which they do not exclusively own but is admittedly co-owned by them together with respondents, was valid only to the extent of the former's undivided one-half share thereof, as they had no title or interest to transfer the other one-half portion which pertains to the appellees without the latter's consent. EDC's invocation of it being a buyer in good faith was not considered by the appellate court because the subject property is an unregistered land and the defense of having purchased the property in good faith may be availed of only where registered land is involved and the buyer had relied in good faith on the clear title of the registered owner. The appellate court sustained the trial court's finding that there was no denial of due process as EDC was given the opportunity to advocate its cause and defend its interest.

However, the appellate court reversed the ruling of the trial court that the Deed of Absolute Sale is null and void. According to the appellate court, the same is valid with respect to the transfer of the rights of the co-owners-sellers heirs of Juan over the one-half portion or 14,874 square meters of the subject property, thereby making EDC a co-owner thereof. Consequently, the appellate court ordered the heirs of Ballesteros to return to EDC the amount of P1,487,400.00 or one-half of the purchase price of P2,974,800.00. The award of moral and exemplary damages, as well as attorney's fees, were deleted for lack of legal and factual bases.

Aggrieved, EDC filed this present petition, ascribing the following errors to the Court of Appeals:

43.1 The Court of Appeals committed grave error in ruling that the Respondents are entitled to ½ of the Subject Property despite their utter failure to present evidence which can prove their claim thereto.

43.2 The Court of Appeals gravely erred in failing to recognize that Petitioner is an innocent party to the instant dispute and is a buyer in good faith and for value.<sup>[18]</sup>

Interestingly, it was EDC who pursued this petition and insist that respondents failed to prove co-ownership presumably to validate in its entirety the Deed of Absolute Sale it entered into with the heirs of Juan. EDC reiterates its argument that the testimony of Herminia is insufficient to prove that respondents are entitled to inherit one-half of the subject property from Apolonio. According to EDC, respondents should have established that Irene is a legitimate child of Apolonio; that Irene and Juan are the only legitimate compulsory heirs of Apolonio; that Apolonio predeceased Irene and Juan; that Hermina and Merlita are the legitimate children of Irene; and that Irene predeceased Herminia. EDC also maintains that it is a buyer in good faith and that it was respondents who acted in bad faith, thus it prays for damages.

We deny the petition.

As borne by the records, respondents were able to convincingly establish their co-ownership over one-half of the subject property.