

## SECOND DIVISION

[ G.R. No. 208462, December 10, 2014 ]

**SPOUSES CARLOS J. SUNTAY AND ROSARIO R. SUNTAY,  
PETITIONERS, VS. KEYSER MERCANTILE, INC., RESPONDENT.**

### DECISION

#### **MENDOZA, J.:**

This is a petition for review on *certiorari* seeking to reverse and set aside the September 7, 2012 Decision<sup>[1]</sup> and the August 8, 2013 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 94677, entitled *Keyser Mercantile, Inc., v. Spouses Carlos and Rosario Suntay* involving the ownership of Unit G and two (2) parking slots in Bayfront's Tower Condominium.

#### **The Facts**

On October 20, 1989, Eugenia Gocolay, chairperson and president of respondent Keyser Mercantile, Inc. (*Keyser*), entered into a contract to sell with Bayfront Development Corporation (*Bayfront*) for the purchase on installment basis of a condominium unit in Bayfront Tower Condominium located at A. Mabini Street, Malate, Manila. The subject of the sale was Unit G of the said condominium project consisting of 163.59 square meters with the privilege to use two (2) parking slots covered by Condominium Certificate of Title (CCT) No. 15802. This Contract to Sell<sup>[3]</sup> was *not registered* with the Register of Deeds of Manila. Thus, the subject unit remained in the name of Bayfront with a clean title.

On July 7, 1990, petitioner spouses Carlos and Rosario Suntay (*Spouses Suntay*) also purchased several condominium units on the 4<sup>th</sup> floor of Bayfront Tower Condominium through another contract to sell. Despite payment of the full purchase price, however, Bayfront failed to deliver the condominium units. When Bayfront failed to reimburse the full purchase price, Spouses Suntay filed an action against it before the Housing and Land Use Regulatory Board (*HLURB*) for violation of Presidential Decree (*P.D.*) No. 957 and P.D. No. 1344, rescission of contract, sum of money, and damages.

In its decision, dated April 23 1994, the HLURB rescinded the Contract to Sell between Bayfront and Spouses Suntay and ordered Bayfront to pay Spouses Suntay the total amount of ₱2,752,068.60 as purchase price with interest. Consequently, on November 16, 1994, the HLURB issued a writ of execution.<sup>[4]</sup>

Upon the application of Spouses Suntay, the Sheriffs of the Regional Trial Court (*RTC*) of Manila levied Bayfront's titled properties, including the subject condominium Unit G and the two parking slots. Considering that CCT No. 15802 was still registered under Bayfront with a clean title, the sheriffs deemed it proper to be

levied. The levy on execution<sup>[5]</sup> in favor of Spouses Suntay was duly recorded in the Register of Deeds of Manila on January 18, 1995.

The auction sale was conducted on February 23, 1995, and Spouses Suntay were the highest bidder. Consequently, on March 1, 1995, the Certificate of Sale<sup>[6]</sup> in favor of Spouses Suntay was issued. This was duly annotated at the back of CCT No. 15802 on April 7, 1995.

Meanwhile, the Deed of Absolute Sale<sup>[7]</sup> between Bayfront and Keyser involving the subject property was finally executed on November 9, 1995. The latter allegedly paid the full purchase price sometime in 1991. When Keyser was about to register the said deed of absolute sale in February 1996, it discovered the Notice of Levy and the Certificate of Sale annotated at the back of CCT No. 15802 in favor of Spouses Suntay. Nevertheless, on March 12, 1996, the Register of Deeds cancelled the title of Bayfront and issued CCT No. 26474<sup>[8]</sup> in the name of Keyser but carried over the annotation of the Suntays.<sup>[9]</sup>

Subsequently, the sheriff's Final Deed of Sale<sup>[10]</sup> was executed on April 16, 1996 in favor of the Suntays upon the expiration of the one (1) year period of redemption from the earlier auction sale. CCT No. 26474 of Keyser was cancelled and, thereafter, CCT No. 34250-A<sup>[11]</sup> was issued in the name of Spouses Suntay.

Keyser then filed a complaint for annulment of auction sale and cancellation of notice of levy before the HLURB, docketed as HLURB Case No. REM 032196-9152. In its decision, dated November 18, 1996, the HLURB ruled in favor of Keyser. Spouses Suntay appealed the decision to the Office of the President and later to the CA but both affirmed the HLURB judgment.

On appeal before this Court, however, the HLURB decision was set aside. In its September 23, 2005 Decision, the Court ruled that the HLURB had no jurisdiction over controversies between condominium unit owners and the issue of ownership, possession or interest in the disputed condominium units could not be adjudicated by the HLURB due to its limited jurisdiction under P.D. No. 957 and P.D. No. 1344.

### *RTC Ruling*

Undaunted, on March 24, 2006, Keyser filed before the RTC of Manila a new complaint for annulment of auction sale, writ of execution, declaration of nullity of title, and reconveyance of property with damages against Spouses Suntay, docketed as Civil Case No. 06-114716. In their answer, Spouses Suntay denied the material allegations of the complaint and interposed special and affirmative defenses of *res judicata*, forum shopping, prescription, and lack of cause of action.

On October 19, 2009, the RTC rendered a Decision<sup>[12]</sup> in favor of Keyser. It explained that when Spouses Suntay registered the Certificate of Sale, the condominium unit was already registered in the name of Keyser. It also held that the auction sale was irregular due to lack of posting and publication of notices. The RTC thus disposed:

WHEREFORE, premises considered, the Court hereby declares the auction sale as null and void, orders the Registry of Deeds to reinstate the title of Keyser Mercantile Inc. and to pay the costs.

SO ORDERED.<sup>[13]</sup>

#### *CA Ruling*

Spouses Suntay elevated the decision to the CA. In its September 7, 2012 Decision, the CA denied the appeal as it found that Spouses Suntay did not acquire the subject property because at the time it was levied, Bayfront had already sold the condominium unit to Keyser. Considering that the judgment debtor had no interest in the property, Spouses Suntay, as purchasers at the auction sale, also acquired no interest. The decretal portion of the CA decision reads:

WHEREFORE, in view of the foregoing considerations, the Decision dated October 19, 2009 of the Regional Trial Court (RTC) of Manila, Branch 21, in Civil Case No. 06-114716, is AFFIRMED.

SO ORDERED.<sup>[14]</sup>

Spouses Suntay filed a motion for reconsideration, but it was denied in the August 8, 2013 Resolution of the CA.

Hence, this petition, anchored on the following

#### STATEMENT OF ISSUES

##### I

WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT CASE OF HEREIN RESPONDENT ON GROUND OF PRESCRIPTION OF ACTIONS UNDER ARTICLE 1146 OF THE CIVIL CODE OF THE PHILIPPINES, AS WELL AS, DUE TO ESTOPPEL BY LACHES;

##### II

WHETHER OR NOT THE COURT OF APPEALS IN SUSTAINING THE DECISION OF THE COURT A QUO COMMITTED A SERIOUS REVERSIBLE ERROR IN NOT APPLYING SECTION 52 OF P.D. 1529 AND ARTICLE 1544 OF THE CIVIL CODE OF THE PHILIPPINES BY FINDING THAT HEREIN PETITIONERS HAVE BETTER RIGHTS OF OWNERSHIP OVER THE SUBJECT CONDOMINIUM PROPERTY IN LITIGATION;

##### III

WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT FOR LACK OF VALID AND LEGITIMATE CAUSE OF ACTION OF HEREIN RESPONDENT AGAINST HEREIN

PETITIONERS;

IV

WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT ON GROUND OF FORUM SHOPPING;

V

WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT [ON] GROUND OF *RES JUDICATA*;

VI

WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT AWARDING DAMAGES AND ATTORNEY'S FEES IN FAVOR OF HEREIN PETITIONERS.<sup>[15]</sup>

Spouses Suntay contend that *res judicata* existed. They assert that HLURB Case No. REM-032196-9152 involved the same cause of action, parties and subject matter with Civil Case No. 06-114716 before the RTC. Considering that the former case had been decided on appeal by this Court, then there was already *res judicata* in the RTC case. They likewise claim the existence of forum shopping in the refile of the case with the RTC for the second time on March 24, 2006.

Spouses Suntay also raise the issue of prescription because Article 1146 of the New Civil Code<sup>[16]</sup> provides that actions resulting in injury prescribe after four (4) years. The resulting injury started on January 18, 1995. They argue that the correct reckoning period was March 24, 2006 when Civil Case No. 06-114716 was filed in the RTC; and that a period of more or less twelve (12) years had lapsed and the action had already prescribed. HLURB Case No. REM-032196-9152 filed on March 21, 1996 should not have been considered to have tolled the prescriptive period because it had a null and void judgment due to lack of jurisdiction.

Spouses Suntay argue that the CA erred in not applying Section 52 of P.D. No. 1529 and Article 1544 of the New Civil Code. Their right as purchasers in a public action should have been preferred because their right acquired thereunder retroacts to the date of registration of the Notice of Levy on January 18, 1995 and the subsequent auction sale on February 23, 1995. They claim that their right over the subject property is superior over that of Keyser because they purchased the subject property in a legitimate auction sale prior to Keyser's registration of the deed of absolute sale.

Spouses Suntay also pray for moral, exemplary damages and attorney's fees. They allegedly experienced mental anguish, besmirched reputation, sleepless nights, and wounded feelings warranting moral damages. They contend that exemplary damages should also be awarded in view of the reckless and wanton attitude of Keyser in instituting a groundless action against them. Furthermore, Spouses Suntay were constrained to hire the services of counsel to defend their right against

a baseless action.

### **The Court's Ruling**

The petition is meritorious.

*No res judicata, forum shopping and prescription in this case*

As to the procedural matters, the Court finds that the grounds invoked by Spouses Suntay are inapplicable. First, the defense of *res judicata* must fail. The doctrine of *res judicata* is a fundamental principle of law which precludes parties from re-litigating issues actually litigated and determined by a prior and final judgment.<sup>[17]</sup> *Res judicata* constituting bar by prior judgment occurs when the following requisites concur: (1) the former judgment is final; (2) it is rendered by a court having jurisdiction over the subject matter and the parties; (3) it is a judgment or an order on the merits; and (4) there is identity of parties, of subject matter, and of causes of action.<sup>[18]</sup>

The previous case instituted by Keyser in the HLURB was denied on appeal by this Court based on lack of jurisdiction. Thus, the third requisite of *res judicata* is not present because the previous case was not adjudicated on the merits as it was denied on jurisdictional grounds.

There is no forum shopping either in this case. To determine whether a party violated the rule against forum shopping, the elements of *litis pendentia* must be present, or the final judgment in one case amounts to *res judicata* in another.<sup>[19]</sup> Since there is no *res judicata* in this case, then there is no forum shopping either.

The defense of prescription is likewise unavailing. In *Fulton Insurance Company v. Manila Railroad Company*,<sup>[20]</sup> this Court ruled that the filing of the first action interrupted the running of the period, and then declared that, at any rate, the second action was filed within the balance of the remaining period. Applying Article 1155 of the New Civil Code in that case,<sup>[21]</sup> the interruption took place when the first action was filed in the Court of First Instance of Manila. The interruption lasted during the pendency of the action until the order of dismissal for alleged lack of jurisdiction became final.

In the present case, the prescriptive period was interrupted when HLURB Case No. REM-032196-9152 was filed on March 21, 1996. The interruption lasted during the pendency of the action and until the judgment of dismissal due to lack of jurisdiction was rendered on the September 23, 2005. Thus, the filing of Civil Case No. 06-114716 on March 24, 2006 was squarely within the prescriptive period of four (4) years.

*Spouses Suntay properly relied on the Certificate of Title of Bayfront*

Now, the Court proceeds to the substantial issues. This Court finds that the petition is meritorious applying the Torrens System of Land Registration. The main purpose of the Torrens system is to avoid possible conflicts of title to real estate and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring