

THIRD DIVISION

[G.R. No. 174669, September 19, 2012]

BELLE CORPORATION, PETITIONER, VS. ERLINDA DE LEON-BANKS, RHODORA DE LEON-TIATCO, BETTY DE LEON-TORRES, GREGORIO DE LEON, ALBERTO DE LEON, EUFRONIO DE LEON, * AND MARIA ELIZA DE LEON-DE GRANO, RESPONDENTS.

D E C I S I O N

PERALTA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision^[1] of the Court of Appeals (CA), dated May 18, 2006 in CA-G.R. CV No. 74669. The assailed Decision nullified the Order of the Regional Trial Court (RTC) of Tanauan, Batangas, Branch 6 in Civil Case No. T-1046, which dismissed herein petitioner's Amended Complaint. The petition also seeks to reverse and set aside the CA's Resolution denying petitioner's Motion for Reconsideration.

The factual and procedural antecedents of the case, as summarized by the CA, are as follows:

Plaintiffs-appellants [herein respondents] Erlinda De Leon-Banks, Rhodora De Leon-Tiatco, Betty De Leon-Torres, Gregorio De Leon, Alberto De Leon, Eufronio De Leon, Jr. and defendant-appellee Nelia De Leon-Alleje were seven of the eight children of the late spouses Eufronio and Josefa De Leon (LATE SPOUSES), while plaintiff Maria Eliza De Leon-De Grano [also one of herein respondents] was the daughter and sole heir of the late Angelina De Leon-De Grano, the eighth child.

Defendant-appellee Alfredo Alleje was the husband of Nelia De Leon-Alleje (both hereinafter referred to as SPOUSES ALLEJE), both of whom were the principal stockholders and officers of defendant-appellee Nelfred Properties Corporation (NELFRED). Meanwhile, defendant-appellee [herein petitioner] [Belle Corporation] BELLE was the purchaser of the disputed property.

The disputed property was a 13.29 hectare parcel of unregistered land originally belonging to the late spouses Eufronio and Josefa De Leon. It [is] located at Paliparan, Talisay, Batangas and was covered by various tax declarations.

On February 9, 1979, a Deed of Absolute Sale (1979 DEED) was executed between the LATE SPOUSES and NELFRED, represented therein by defendant-appellee Nelia De Leon-Alleje, wherein ownership of the

property was conveyed to Nelia De Leon-Alleje for P60,000.00. At that time, the disputed property was covered by Tax Declarations No. 0359 and No. 0361.

On December 19, 1980, the 1979 DEED was registered with the Register of Deeds. As time passed, several tax declarations over the disputed property were obtained by NElfred in its own name.

On September 23, 1997, x x x [herein petitioner] Belle, on one hand, and NElfred and Spouses Alleje on the other, executed a Contract to Sell covering the disputed property for the purchase price of P53,124,000.00 to be paid in four installments. When the final installment had been paid, a Deed of Absolute Sale (1998 DEED) was executed on June 24, 1998 between Belle and NElfred wherein the latter transferred ownership of the disputed property to the former.

[Meanwhile], on January 19, 1998, x x x [herein respondents] filed a Complaint for "Annulment of Deed of Sale, Reconveyance of Property with Prayer for Issuance of a Writ of Preliminary Injunction and Damages" [against the Spouses Alleje, NElfred and Belle] wherein they sought the annulment of the Contract to Sell. They alleged that the 1979 DEED was simulated; that x x x NElfred paid no consideration for the disputed property; that the disputed property was to be held in trust by x x x Nelia De Leon-Alleje, through, NElfred, for the equal benefit of all of the Late Spouses' children – x x x [herein respondents] and x x x Nelia De Leon-Alleje; that in the event of any sale, notice and details shall be given to all the children who must consent to the sale and that all amounts paid for the property shall be shared equally by the children; that on September 3, 1997, x x x Spouses Alleje gave x x x [herein respondents] P10,400,000.00 in cash, representing a portion of the proceeds of the sale of the disputed property; that it was only then that they were given notice of the sale; that their inquiries were ignored by the Spouses Alleje; that a final payment was to be made by x x x Belle to x x x Spouses Alleje sometime in January 1998; and that the x x x Spouses Alleje had refused to compromise.

On February 2, 1998, x x x Spouses Alleje and NElfred filed a Motion to Dismiss wherein they alleged that [herein respondents'] cause of action, the existence of an implied trust between them and NElfred on the one hand and the Late Spouses on the other, was barred by prescription and laches because more than 10 years had passed since the execution of the 1979 DEED.

On February 9, 1998, x x x Belle filed a Motion to Dismiss wherein it alleged that the Complaint stated no cause of action against [Belle], which was an innocent purchaser for value; that assuming, for the sake of argument, that [herein respondents] had a cause of action against Belle, the claim on which the Complaint is founded was unenforceable; and assuming that the cause of action was based on an implied trust, the same had already been barred by laches.

On September 23, 1998, the RTC promulgated an Order that dismissed

the Complaint against x x x BELLE for failure to state a cause of action on the ground that there was no allegation in the Complaint that [BELLE] was a purchaser in bad faith. [Herein respondents] then filed a Motion for Reconsideration.

On November 11, 1998, pending the resolution of their Motion for Reconsideration of the September 23, 1998 Order, [herein respondents] filed a Manifestation/Motion to admit their Amended Complaint wherein they added the allegations that x x x NELFRED did not effect the registration of the disputed property, which remained unregistered land covered only by tax declarations; that at the time of the execution of the 1997 Contract to Sell, the disputed property was still unregistered land and remained unregistered; that a Deed of Absolute Sale (1998 DEED) had already been executed in favor of x x x BELLE; that x x x BELLE purchased the land with the knowledge that it was being claimed by other persons; and that x x x BELLE was in bad faith because when the 1998 DEED was executed between it and NELFRED on June 24, 1998, the Complaint in the case at bench had already been filed.

On April 29, 1999, the RTC reconsidered its Order of September 23, 1998 and lifted the dismissal against [BELLE]. At the same time, the RTC admitted the Amended Complaint of the plaintiffs-appellants.

On June 9, 1999, x x x BELLE filed a "Motion for Reconsideration or to Dismiss the Amended Complaint" wherein it alleged that the claim in the Amended Complaint was unenforceable; that the Amended Complaint still stated no cause of action against [BELLE]; and that the [Amended] Complaint was barred by prescription.

x x x x x x x x x

On December 16, 1999, the RTC promulgated its assailed Order in Civil Case No. T-1046 [dismissing the Amended Complaint].^[2]

Aggrieved by the Order of the RTC, herein respondents filed an appeal with the CA. On May 18, 2006, the CA rendered its assailed Decision, the dispositive portion of which reads as follows:

WHEREFORE, premises considered, appeal is hereby GRANTED and the assailed December 16, 1999 Order of the RTC of Tanauan, Batangas, Branch 6, in Civil Case No. T-1046, is hereby **REVERSED and SET ASIDE** and defendant-appellee Belle Corporation is hereby **DIRECTED** within fifteen (15) days from finality of this Decision, to file its Answer.

SO ORDERED.^[3]

Herein petitioner filed a Motion for Reconsideration, but the CA denied it in its Resolution dated September 4, 2006.

Hence, the instant petition based on the following assignment of errors:

I

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN DECLARING THAT PETITIONER HYPOTHETICALLY ADMITTED RESPONDENTS' ALLEGATIONS THAT IT HAD FULL KNOWLEDGE OF THEIR CLAIM ON THE PROPERTY AND, THEREFORE, PURCHASED THE SAME IN BAD FAITH.

II

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT THE TRUST CREATED BY THE LATE SPOUSES IN FAVOR OF NElfRED WAS AN IMPLIED TRUST INSTEAD OF AN EXPRESS TRUST.

III

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT THE TEN-YEAR PRESCRIPTIVE PERIOD FOR AN IMPLIED TRUST SHOULD BE RECKONED FROM THE EXECUTION OF THE DEED OF SALE BY NElfRED IN FAVOR OF PETITIONER AND NOT FROM THE REGISTRATION OF THE SALE BETWEEN THE LATE SPOUSES AND NElfRED WITH THE REGISTER OF DEEDS.

IV

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT BECAUSE THE SUBJECT OF THE SALE IS UNREGISTERED LAND, PETITIONER'S GOOD FAITH IS IMMATERIAL AND BOUGHT THE PROPERTY AT ITS OWN PERIL EVEN AS RESPONDENTS WERE RESPONSIBLE FOR CREATING SUCH PERIL.

V

THE HONORABLE COURT [OF APPEALS] SERIOUSLY ERRED IN HOLDING THAT A TRUST WAS CREATED WHEN ITS VERY PURPOSE WAS TO AVOID COMPLIANCE WITH TAX LAWS AND THE COMPREHENSIVE AGRARIAN REFORM LAW.^[4]

The basic issue in the instant case is whether the CA was correct in reversing the Order of the RTC which dismissed respondents' Amended Complaint on the ground of failure to state a cause of action.

The Court rules in the affirmative.

Section 2, Rule 2 of the Rules of Court defines cause of action as the acts or omission by which a party violates a right of another.

A cause of action is a formal statement of the operative facts that give rise to a remedial right.^[5] The question of whether the complaint states a cause of action is

determined by its averments regarding the acts committed by the defendant.^[6] Thus, it must contain a concise statement of the ultimate or essential facts constituting the plaintiff's cause of action.^[7] Failure to make a sufficient allegation of a cause of action in the complaint warrants its dismissal.^[8]

The essential elements of a cause of action are (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant in violation of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff for which the latter may maintain an action for recovery of damages or other appropriate relief.^[9]

In determining whether a complaint states a cause of action, the RTC can consider all the pleadings filed, including annexes, motions, and the evidence on record.^[10] The focus is on the sufficiency, not the veracity, of the material allegations.^[11] Moreover, the complaint does not have to establish facts proving the existence of a cause of action at the outset; this will have to be done at the trial on the merits of the case.^[12]

Thus, the first paragraph of Section 1, Rule 8 of the Rules of Court provides that "[e]very pleading shall contain in a methodical and logical form, a plain, concise and direct statement of the ultimate facts on which the party pleading relies for his claim or defense, as the case may be, omitting the statement of mere evidentiary facts."

Ultimate facts mean the important and substantial facts which either directly form the basis of the plaintiff's primary right and duty or directly make up the wrongful acts or omissions of the defendant.^[13] They refer to the principal, determinative, constitutive facts upon the existence of which the cause of action rests.^[14]

In the instant case, pertinent portions of respondents' allegations in their Amended Complaint are as follows:

x x x x

5. Plaintiffs [herein respondents] Erlinda De Leon-Banks, Rhodora De Leon-Tiatco, Betty De Leon-Torres, Gregorio De Leon, Alberto De Leon and Eufonio De Leon, Jr. and defendant Nelia De Leon-Alleje are seven (7) of the eight (8) children of the late spouses Eufonio and Josefa De Leon, while plaintiff [also one of herein respondents] Maria Eliza De Leon-De Grano is the daughter and sole heir of the late Angelina De Leon- De Grano, the eight[h] child.

x x x x

9. During their lifetime, the late Eufonio and Josefa Acquired several tracts of land located in the Province of Batangas, the City of Manila, Tagaytay City and Baguio City. The properties acquired included a 13.29 hectare property located at Paliparan, Talisay, Batangas covered by Tax