

SECOND DIVISION

[G.R. No. 173441, December 03, 2009]

HEIRS OF SOFIA QUIRONG, REPRESENTED BY ROMEO P. QUIRONG, PETITIONERS, VS. DEVELOPMENT BANK OF THE PHILIPPINES, RESPONDENT.

DECISION

ABAD, J.:

This case is about the prescriptive period of an action for rescission of a contract of sale where the buyer is evicted from the thing sold by a subsequent judicial order in favor of a third party.

The Facts and the Case

The facts are not disputed. When the late Emilio Dalope died, he left a 589-square meter untitled lot^[1] in Sta. Barbara, Pangasinan, to his wife, Felisa Dalope (Felisa) and their nine children, one of whom was Rosa Dalope-Funcion.^[2] To enable Rosa and her husband Antonio Funcion (the Funcions) get a loan from respondent Development Bank of the Philippines (DBP), Felisa sold the whole lot to the Funcions. With the deed of sale in their favor and the tax declaration transferred in their names, the Funcions mortgaged the lot with the DBP.

On February 12, 1979, after the Funcions failed to pay their loan, the DBP foreclosed the mortgage on the lot and consolidated ownership in its name on June 17, 1981.^[3]

Four years later or on September 20, 1983 the DBP conditionally sold the lot to Sofia Quirong^[4] for the price of P78,000.00. In their contract of sale, Sofia Quirong waived any warranty against eviction. The contract provided that the DBP did not guarantee possession of the property and that it would not be liable for any lien or encumbrance on the same. Quirong gave a down payment of P14,000.00.

Two months after that sale or on November 28, 1983 Felisa and her eight children (collectively, the Dalopes)^[5] filed an action for partition and declaration of nullity of documents with damages against the DBP and the Funcions before the Regional Trial Court (RTC) of Dagupan City, Branch 42, in Civil Case D-7159.

On December 27, 1984, notwithstanding the suit, the DBP executed a deed of absolute sale of the subject lot in Sofia Quirong's favor. The deed of sale carried substantially the same waiver of warranty against eviction and of any adverse lien or encumbrance.

On May 11, 1985, Sofia Quirong having since died, her heirs (petitioner Quirong

heirs) filed an answer in intervention^[6] in Civil Case D-7159 in which they asked the RTC to award the lot to them and, should it instead be given to the Dalopes, to allow the Quirong heirs to recover the lot's value from the DBP. But, because the heirs failed to file a formal offer of evidence, the trial court did not rule on the merits of their claim to the lot and, alternatively, to relief from the DBP.^[7]

On December 16, 1992 the RTC rendered a decision, declaring the DBP's sale to Sofia Quirong valid only with respect to the shares of Felisa and Rosa Funcion in the property. It declared Felisa's sale to the Funcions, the latter's mortgage to the DBP, and the latter's sale to Sofia Quirong void insofar as they prejudiced the shares of the eight other children of Emilio and Felisa who were each entitled to a tenth share in the subject lot.

The DBP received a copy of the decision on January 13, 1993 and, therefore, it had until January 28, 1993 within which to file a motion for its reconsideration or a notice of appeal from it. But the DBP failed to appeal supposedly because of excusable negligence and the withdrawal of its previous counsel of record.^[8]

When the RTC judgment became final and the court issued a writ of execution, the DBP resisted the writ by motion to quash, claiming that the decision could not be enforced because it failed to state by metes and bounds the particular portions of the lot that would be assigned to the different parties in the case. The RTC denied the DBP's motion, prompting the latter to seek recourse by special civil action of *certiorari* directly with this Court in G.R. 116575, *Development Bank of the Philippines v. Fontanilla*. On September 7, 1994 the Court issued a resolution, denying the petition for failure of the DBP to pay the prescribed fees. This resolution became final and executory on January 17, 1995.^[9]

On June 10, 1998 the Quirong heirs filed the present action^[10] against the DBP before the RTC of Dagupan City, Branch 44, in Civil Case CV-98-02399-D for rescission of the contract of sale between Sofia Quirong, their predecessor, and the DBP and praying for the reimbursement of the price of P78,000.00 that she paid the bank plus damages. The heirs alleged that they were entitled to the rescission of the sale because the decision in Civil Case D-7159 stripped them of nearly the whole of the lot that Sofia Quirong, their predecessor, bought from the DBP. The DBP filed a motion to dismiss the action on ground of prescription and *res judicata* but the RTC denied their motion.

On June 14, 2004, after hearing the case, the RTC rendered a decision,^[11] rescinding the sale between Sofia Quirong and the DBP and ordering the latter to return to the Quirong heirs the P78,000.00 Sofia Quirong paid the bank.^[12] On appeal by the DBP, the Court of Appeals (CA) reversed the RTC decision and dismissed the heirs' action on the ground of prescription. The CA concluded that, reckoned from the finality of the December 16, 1992 decision in Civil Case D-7159, the complaint filed on June 10, 1998 was already barred by the four-year prescriptive period under Article 1389 of the Civil Code.^[13] The Quirong heirs filed a motion for reconsideration of the decision but the appellate court denied it,^[14] thus, this petition.

The Issues Presented

The issues presented in this case are:

1. Whether or not the Quirong heirs' action for rescission of respondent DBP's sale of the subject property to Sofia Quirong was already barred by prescription; and
2. In the negative, whether or not the heirs of Quirong were entitled to the rescission of the DBP's sale of the subject lot to the late Sofia Quirong as a consequence of her heirs having been evicted from it.

The Court's Rulings

The CA held that the Quirong heirs' action for rescission of the sale between DBP and their predecessor, Sofia Quirong, is barred by prescription reckoned from the date of finality of the December 16, 1992 RTC decision in Civil Case D-7159 and applying the prescriptive period of four years set by Article 1389 of the Civil Code.

Unfortunately, the CA did not state in its decision the date when the RTC decision in Civil Case D-7159 became final and executory, which decision resulted in the Quirong heirs' loss of 80% of the lot that the DBP sold to Sofia Quirong. Petitioner heirs claim that the prescriptive period should be reckoned from January 17, 1995, the date this Court's resolution in G.R. 116575 became final and executory.^[15]

But the incident before this Court in G.R. 116575 did not deal with the merit of the RTC decision in Civil Case D-7159. That decision became final and executory on January 28, 1993 when the DBP failed to appeal from it within the time set for such appeal. The incident before this Court in G.R. 116575 involved the issuance of the writ of execution in that case. The DBP contested such issuance supposedly because the dispositive portion of the decision failed to specify details that were needed for its implementation. Since this incident did not affect the finality of the decision in Civil Case D-7159, the prescriptive period remained to be reckoned from January 28, 1993, the date of such finality.

The next question that needs to be resolved is the applicable period of prescription. The DBP claims that it should be four years as provided under Article 1389 of the Civil Code.^[16] Article 1389 provides that "the action to claim rescission must be commenced within four years." The Quirong heirs, on the other hand, claim that it should be 10 years as provided under Article 1144 which states that actions "upon a written contract" must be brought "within 10 years from the date the right of action accrues."

Now, was the action of the Quirong heirs "for rescission" or "upon a written contract"? There is no question that their action was for rescission, since their complaint in Civil Case CV-98-02399-D asked for the rescission of the contract of sale between Sofia Quirong, their predecessor, and the DBP and the reimbursement of the price of P78,000.00 that Sofia Quirong paid the bank plus damages. The prescriptive period for rescission is four years.