

THIRD DIVISION

[G.R. NO. 169129, March 28, 2007]

**SPS. VIRGILIO F. SANTOS & ESPERANZA LATI SANTOS,
SPS. VICTORINO F. SANTOS, & LAGRIMAS SANTOS, ERNESTO F.
SANTOS, AND TADEO F. SANTOS, PETITIONERS, VS. SPS. JOSE
LUMBAO AND PROSERFINA LUMBAO, RESPONDENTS.**

DECISION

CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the 1997 Revised Rules of Civil Procedure seeking to annul and set aside the Decision^[1] and Resolution^[2] of the Court of Appeals in CA-G.R. CV No. 60450 entitled, *Spouses Jose Lumbao and Proserfina Lumbao v. Spouses Virgilio F. Santos and Esperanza Lati, Spouses Victorino F. Santos and Lagrimas F. Santos, Ernesto F. Santos and Tadeo F. Santos*, dated 8 June 2005 and 29 July 2005, respectively, which granted the appeal filed by herein respondents Spouses Jose Lumbao and Proserfina Lumbao (Spouses Lumbao) and ordered herein petitioners Spouses Virgilio F. Santos and Esperanza Lati, Spouses Victorino F. Santos and Lagrimas F. Santos, Ernesto F. Santos and Tadeo F. Santos to reconvey to respondents Spouses Lumbao the subject property and to pay the latter attorney's fees and litigation expenses, thus, reversing the Decision^[3] of the Regional Trial Court (RTC) of Pasig City, dated 17 June 1998 which dismissed the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao for lack of merit.

Herein petitioners Virgilio, Victorino, Ernesto and Tadeo, all surnamed Santos, are the legitimate and surviving heirs of the late Rita Catoc Santos (Rita), who died on 20 October 1985. The other petitioners Esperanza Lati and Lagrimas Santos are the daughters-in-law of Rita.

Herein respondents Spouses Jose Lumbao and Proserfina Lumbao are the alleged owners of the 107-square meter lot (subject property), which they purportedly bought from Rita during her lifetime.

The facts of the present case are as follows:

On two separate occasions during her lifetime, Rita sold to respondents Spouses Lumbao the subject property which is a part of her share in the estate of her deceased mother, Maria Catoc (Maria), who died intestate on 19 September 1978. On the first occasion, Rita sold 100 square meters of her inchoate share in her mother's estate through a document denominated as "Bilihan ng Lupa," dated 17 August 1979.^[4] Respondents Spouses Lumbao claimed the execution of the aforesaid document was witnessed by petitioners Virgilio and Tadeo, as shown by their signatures affixed therein. On the second occasion, an additional seven square meters was added to the land as evidenced by a document also denominated as

"Bilihan ng Lupa," dated 9 January 1981.^[5]

After acquiring the subject property, respondents Spouses Lumbao took actual possession thereof and erected thereon a house which they have been occupying as exclusive owners up to the present. As the exclusive owners of the subject property, respondents Spouses Lumbao made several verbal demands upon Rita, during her lifetime, and thereafter upon herein petitioners, for them to execute the necessary documents to effect the issuance of a separate title in favor of respondents Spouses Lumbao insofar as the subject property is concerned. Respondents Spouses Lumbao alleged that prior to her death, Rita informed respondent Proserfina Lumbao she could not deliver the title to the subject property because the entire property inherited by her and her co-heirs from Maria had not yet been partitioned.

On 2 May 1986, the Spouses Lumbao claimed that petitioners, acting fraudulently and in conspiracy with one another, executed a Deed of Extrajudicial Settlement,^[6] adjudicating and partitioning among themselves and the other heirs, the estate left by Maria, which included the subject property already sold to respondents Spouses Lumbao and now covered by TCT No. 81729^[7] of the Registry of Deeds of Pasig City.

On 15 June 1992, respondents Spouses Lumbao, through counsel, sent a formal demand letter^[8] to petitioners but despite receipt of such demand letter, petitioners still failed and refused to reconvey the subject property to the respondents Spouses Lumbao. Consequently, the latter filed a Complaint for Reconveyance with Damages^[9] before the RTC of Pasig City.

Petitioners filed their Answer denying the allegations that the subject property had been sold to the respondents Spouses Lumbao. They likewise denied that the Deed of Extrajudicial Settlement had been fraudulently executed because the same was duly published as required by law. On the contrary, they prayed for the dismissal of the Complaint for lack of cause of action because respondents Spouses Lumbao failed to comply with the Revised Katarungang Pambarangay Law under Republic Act No. 7160, otherwise known as the Local Government Code of 1991, which repealed Presidential Decree No. 1508^[10] requiring first resort to barangay conciliation.

Respondents Spouses Lumbao, with leave of court, amended their Complaint because they discovered that on 16 February 1990, without their knowledge, petitioners executed a Deed of Real Estate Mortgage in favor of Julieta S. Esplana for the sum of P30,000.00. The said Deed of Real Estate Mortgage was annotated at the back of TCT No. PT-81729 on 26 April 1991. Also, in answer to the allegation of the petitioners that they failed to comply with the mandate of the Revised Katarungang Pambarangay Law, respondents Spouses Lumbao said that the Complaint was filed directly in court in order that prescription or the Statute of Limitations may not set in.

During the trial, respondents Spouses Lumbao presented Proserfina Lumbao and Carolina Morales as their witnesses, while the petitioners presented only the testimony of petitioner Virgilio.

The trial court rendered a Decision on 17 June 1998, the dispositive portion of which reads as follows:

Premises considered, the instant complaint is hereby denied for lack of merit.

Considering that [petitioners] have incurred expenses in order to protect their interest, [respondents spouses Lumbao] are hereby directed to pay [petitioners], to wit: 1) the amount of P30,000.00 as attorney's fees and litigation expenses, and 2) costs of the suit.^[11]

Aggrieved, respondents Spouses Lumbao appealed to the Court of Appeals. On 8 June 2005, the appellate court rendered a Decision, thus:

WHEREFORE, premises considered, the present appeal is hereby GRANTED. The appealed Decision dated June 17, 1998 of the Regional Trial Court of Pasig City, Branch 69 in Civil Case No. 62175 is hereby REVERSED and SET ASIDE. A new judgment is hereby entered ordering [petitioners] to reconvey 107 square meters of the subject [property] covered by TCT No. PT-81729 of the Registry of Deeds of Pasig City, Metro Manila, and to pay to [respondents spouses Lumbao] the sum of P30,000.00 for attorney's fees and litigation expenses.

No pronouncement as to costs.^[12]

Dissatisfied, petitioners filed a Motion for Reconsideration of the aforesaid Decision but it was denied in the Resolution of the appellate court dated 29 July 2005 for lack of merit.

Hence, this Petition.

The grounds relied upon by the petitioners are the following:

- I. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN REVERSING THE DECISION OF THE TRIAL COURT, THEREBY CREATING A VARIANCE ON THE FINDINGS OF FACTS OF TWO COURTS.
- II. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN ORDERING THE PETITIONERS TO RECONVEY THE SUBJECT [PROPERTY] TO THE RESPONDENTS [SPOUSES LUMBAO] AND IN NOT RULING THAT THEY ARE GUILTY OF LACHES, HENCE THEY CANNOT RECOVER THE LOT ALLEGEDLY SOLD TO THEM.
- III. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING HEREIN PETITIONER[S] TO BE IN GOOD FAITH IN EXECUTING THE "DEED OF EXTRAJUDICIAL SETTLEMENT" DATED [2 MAY 1986].
- IV. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT PETITIONERS ARE NOT LEGALLY BOUND TO COMPLY WITH THE SUPPOSED BILIHAN NG LUPA DATED [17 AUGUST 1979] AND [9 JANUARY 1981] THAT WERE SUPPOSEDLY EXECUTED BY THE LATE RITA CATOC.

V. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO'S] ACTION FOR RECONVEYANCE WITH DAMAGES CANNOT BE SUPPORTED WITH AN UNENFORCEABLE DOCUMENTS, SUCH AS THE BILIHAN NG LUPA DATED [17 AUGUST 1979] AND [9 JANUARY 1981].

VI. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO'S] COMPLAINT FOR RECONVEYANCE IS DISMISSABLE (SIC) FOR NON COMPLIANCE OF THE MANDATE OF [P.D. NO.] 1508, AS AMENDED BY Republic Act No. 7160.

VII. THE APPELLATE COURT COMMITTED A REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENTS [SPOUSES LUMBAO] SHOULD BE HELD LIABLE FOR PETITIONERS' CLAIM FOR DAMAGES AND ATTORNEY[']S FEES.

Petitioners ask this Court to scrutinize the evidence presented in this case, because they claim that the factual findings of the trial court and the appellate court are conflicting. They allege that the findings of fact by the trial court revealed that petitioners Virgilio and Tadeo did not witness the execution of the documents known as "Bilihan ng Lupa"; hence, this finding runs counter to the conclusion made by the appellate court. And even assuming that they were witnesses to the aforesaid documents, still, respondents Spouses Lumbao were not entitled to the reconveyance of the subject property because they were guilty of laches for their failure to assert their rights for an unreasonable length of time. Since respondents Spouses Lumbao had slept on their rights for a period of more than 12 years reckoned from the date of execution of the second "Bilihan ng Lupa," it would be unjust and unfair to the petitioners if the respondents will be allowed to recover the subject property.

Petitioners allege they are in good faith in executing the Deed of Extrajudicial Settlement because even respondents Spouses Lumbao's witness, Carolina Morales, testified that neither petitioner Virgilio nor petitioner Tadeo was present during the execution of the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981. Petitioners affirm that the Deed of Extrajudicial Settlement was published in a newspaper of general circulation to give notice to all creditors of the estate subject of partition to contest the same within the period prescribed by law. Since no claimant appeared to interpose a claim within the period allowed by law, a title to the subject property was then issued in favor of the petitioners; hence, they are considered as holders in good faith and therefore cannot be barred from entering into any subsequent transactions involving the subject property.

Petitioners also contend that they are not bound by the documents denominated as "Bilihan ng Lupa" because the same were null and void for the following reasons: 1) for being falsified documents because one of those documents made it appear that petitioners Virgilio and Tadeo were witnesses to its execution and that they appeared personally before the notary public, when in truth and in fact they did not; 2) the identities of the properties in the "Bilihan ng Lupa," dated 17 August 1979 and 9 January 1981 in relation to the subject property in litigation were not established by the evidence presented by the respondents Spouses Lumbao; 3) the right of the respondents Spouses Lumbao to lay their claim over the subject

property had already been barred through estoppel by laches; and 4) the respondents Spouses Lumbao's claim over the subject property had already prescribed.

Finally, petitioners claim that the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao was dismissible because they failed to comply with the mandate of Presidential Decree No. 1508, as amended by Republic Act No. 7160, particularly Section 412 of Republic Act No. 7160.

Given the foregoing, the issues presented by the petitioners may be restated as follows:

- I. Whether or not the Complaint for Reconveyance with Damages filed by respondents spouses Lumbao is dismissible for their failure to comply with the mandate of the Revised Katarungang Pambarangay Law under R.A. No. 7160.
- II. Whether or not the documents known as "Bilihan ng Lupa" are valid and enforceable, thus, they can be the bases of the respondents spouses Lumbao's action for reconveyance with damages.
- III. Whether or not herein petitioners are legally bound to comply with the "Bilihan ng Lupa" dated 17 August 1979 and 9 January 1981 and consequently, reconvey the subject property to herein respondents spouses Lumbao.

It is well-settled that in the exercise of the Supreme Court's power of review, the court is not a trier of facts and does not normally undertake the re-examination of the evidence presented by the contending parties during the trial of the case considering that the findings of fact of the Court of Appeals are conclusive and binding on the Court.^[13] But, the rule is not without exceptions. There are several recognized exceptions^[14] in which factual issues may be resolved by this Court. One of these exceptions is when the findings of the appellate court are contrary to those of the trial court. This exception is present in the case at bar.

Going to the first issue presented in this case, it is the argument of the petitioners that the Complaint for Reconveyance with Damages filed by respondents Spouses Lumbao should be dismissed for failure to comply with the barangay conciliation proceedings as mandated by the Revised Katarungang Pambarangay Law under Republic Act No. 7160. This argument cannot be sustained.

Section 408 of the aforesaid law and Administrative Circular No. 14-93^[15] provide that all disputes between parties actually residing in the same city or municipality are subject to barangay conciliation. A prior recourse thereto is a pre-condition before filing a complaint in court or any government offices. Non-compliance with the said condition precedent could affect the sufficiency of the plaintiff's cause of action and make his complaint vulnerable to dismissal on ground of lack of cause of action or prematurity; but the same would not prevent a court of competent jurisdiction from exercising its power of adjudication over the case before it, where the defendants failed to object to such exercise of jurisdiction.^[16]

While it is true that the present case should first be referred to the Barangay Lupon