

SECOND DIVISION

[G.R. NO. 142687, July 20, 2006]

**SPOUSES FRANCISCO AND BERNARDINA RODRIGUEZ,
PETITIONERS, VS. HON. COURT OF APPEALS, SPOUSES
CHRISTOPHER AND MA. ANGELICA BARRAMEDA, AND SPOUSES
ANTONIO AND MARIDEL CALINGO,**

DECISION

PUNO, J.:

This is a petition for review of the decision of the Court of Appeals dated September 7, 1999 in CA-G.R. CV No. 48772 and its resolution dated March 31, 2000. The Court of Appeals reversed the decision of the Regional Trial Court of Makati in Civil Case No. 92-3524.

The facts show that herein respondent Spouses Antonio and Maridel Calingo (respondents Calingo) were the registered owners of a house and lot located at No. 7903 Redwood Street, Marcelo Green Village, Parañaque, Metro Manila. The property was mortgaged to the Development Bank of the Philippines, which mortgage was later absorbed by the Home Mutual Development Fund (HMDF) or Pag-ibig.

On April 27, 1992, respondents Calingo and respondent Spouses Christopher and Ma. Angelica Barrameda (respondents Barrameda) entered into a contract of sale with assumption of mortgage where the former sold to the latter the property in question and the latter assumed to pay the outstanding loan balance to the Development Bank of the Philippines.^[1] Respondents Barrameda issued two checks in the amounts of P150,000.00 and P528,539.76, for which respondents Calingo issued a receipt dated April 24, 1992.^[2]

In a letter dated April 23, 1992, respondent Antonio S. Calingo informed HMDF/Pag-ibig about the sale of the property with assumption of mortgage. Said letter, however, together with an affidavit by respondents Calingo, was served upon HMDF/Pag-ibig on October 2, 1992.^[3]

On May 29, 1992, respondents Barrameda filed with the Register of Deeds of Parañaque an affidavit of adverse claim on the property. The adverse claim was inscribed at the back of the certificate of title as Entry No. 3439.^[4]

On June 1, 1992, respondent Ma. Angelica Paez-Barrameda wrote HMDF, Mortgage and Loans Division informing the office that they have purchased the subject property from the Calingo spouses and that they filed a notice of adverse claim with the Register of Deeds of Parañaque. They also sought assistance from said office as regards the procedure for the full settlement of the loan arrearages and the transfer

of the property in their names.^[5]

Respondents Barrameda moved into the property on June 2, 1992.

On July 13, 1992, a notice of levy with attachment on real property by virtue of a writ of execution was annotated at the back of the certificate of title of the property in question. The writ of execution was issued by Judge Salvador Abad Santos, Regional Trial Court of Makati, Branch 65 in connection with Civil Case No. 88-2159 involving a claim by herein petitioners, Spouses Francisco and Bernardina Rodriguez, against respondents Calingo. Judge Abad Santos issued the writ in favor of petitioners Rodriguez.^[6]

On July 21, 1992, petitioners' counsel, Atty. Nelson A. Loyola, sent a letter to respondents Barrameda inquiring about the basis of their occupation of the property in question.

On August 21, 1992, respondents Barrameda remitted to respondents Calingo the amount of P364,992.07 to complete the payment of the agreed purchase price. Respondents Calingo acknowledged receipt of said amount and waived all their rights to the property in favor of the Barrameda spouses. They also guaranteed that the property was clear and free from any liens and encumbrances, except the real estate mortgage assumed by respondents Barrameda.^[7]

On October 7, 1992, respondents Barrameda executed a joint affidavit stating that they are the owners of the property in question by virtue of a deed of sale with assumption of mortgage; that they registered an affidavit of adverse claim with the Register of Deeds of Parañaque; that the Sheriff of the Regional Trial Court, Branch 65, Makati, Sheriff Manuel C. Dolor, levied said property despite their adverse claim; and that they have acquired the property long before the levy was made, and therefore, said levy was illegal. They served a copy of the affidavit on petitioners' counsel, Atty. Loyola, who made a reply thereto on October 15, 1992.

In his letter to Christopher Barrameda dated October 15, 1992, Atty. Loyola pointed out that the alleged deed of sale with assumption of mortgage was not registered with the Register of Deeds and that the records of the HMDF show that the property is owned by the Calingo spouses. He urged the Barrameda spouses to confer with the petitioners to amicably settle the controversy.^[8]

On November 9, 1992, respondents Barrameda found a Notice of Sheriff's Sale posted on their front gate, announcing the auction sale of their house and lot on December 3, 1992 at 10:00 in the morning.^[9]

On November 20, 1992, pursuant to Rule 39, Section 17 of the Revised Rules of Court, respondents Barrameda served a Notice of Third Party Claim upon Sheriff Manuel C. Dolor, accompanied by their affidavit of title.

On December 2, 1992, respondents Barrameda filed with the Regional Trial Court of Makati a petition for quieting of title with prayer for preliminary injunction. The petition prayed, among others, that the execution sale of the property be enjoined, the notice of levy and attachment inscribed on the certificate of title be cancelled, and that respondents Barrameda be declared the lawful and sole owners of the

property in question.^[10]

The trial court ruled in favor of herein petitioners and dismissed respondents Barrameda's petition for quieting of title. It ruled that the annotation of respondents Barrameda's adverse claim at the back of the certificate of title was insufficient to establish their claim over the property. It said that respondents Barrameda, as buyers of the property, should have registered the title in their names. Furthermore, respondents Barrameda's adverse claim had lost its efficacy after the lapse of thirty days in accordance with the provisions of the Land Registration Act. The trial court also found that there was collusion between respondents Barrameda and respondents Calingo to transfer the property to defraud third parties who may have a claim against the Calingos.^[11]

The Court of Appeals, however, reversed the decision of the trial court. Citing the ruling in **Sajonas v. Court of Appeals**,^[12] the appellate court held that respondents Barrameda's adverse claim inscribed on the certificate of title was still effective at the time the property was levied on execution. It said:

Therefore, the disputed inscription of adverse claim on TCT No. 83612/57286 was still in effect on July 13, 1992 when the Rodriguezes caused the annotation of the notice of levy on execution thereto. Consequently, they are charged with knowledge that the property sought to be levied upon on execution was encumbered by an interest the same as or better than that of the registered owner thereof. Such notice of levy cannot prevail over the existing adverse claim inscribed on the certificate of title in favor of the Barramedas. xxx

The court held, therefore, that the notice of levy could not prevail over respondents Barrameda's adverse claim.

Petitioners moved for a reconsideration of the appellate court's ruling, but the motion was denied.

Hence, this petition. Petitioners essentially argue that the remedy of a petition for quieting of title was not available to respondents Barrameda as they did not have a valid title to the property in question; that the affidavit of adverse claim inscribed by respondents Barrameda at the back of the certificate of title was not sufficient to establish their claim to the property; and there was collusion between respondents Barrameda and respondents Calingo.

The principal issue that needs to be resolved in this case is whether respondents Barrameda's adverse claim on the property should prevail over the levy on execution issued by another court in satisfaction of a judgment against respondents Calingo.

We hold that it cannot.

Respondents Barrameda anchor their claim on the property on the deed of sale with assumption of mortgage executed by them and respondents Calingo on April 27, 1992. The Property Registration Decree^[13] requires that such document be registered with the Register of Deeds in order to be binding on third persons. The law provides: