

FIRST DIVISION

[G.R. NO. 166496, November 29, 2006]

JOSEFA BAUTISTA FERRER, PETITIONER, VS. SPS. MANUEL M. FERRER & VIRGINIA FERRER AND SPS. ISMAEL M. FERRER AND FLORA FERRER, RESPONDENTS.

D E C I S I O N

CHICO-NAZARIO, J.:

Before this Court is an Appeal by *Certiorari* which assails the Decision^[1] of the Court of Appeals dated 16 August 2004 in CA-G.R. SP No. 78525, reversing and setting aside the Order^[2] dated 16 December 2002 of the Regional Trial Court (RTC), Mandaluyong City, Branch 212 in Civil Case No. MC02-1780. The Court of Appeals ordered the dismissal of the Complaint^[3] filed by petitioner Josefa Bautista Ferrer against respondents Sps. Manuel M. Ferrer and Virginia Ferrer, and Sps. Ismael M. Ferrer and Flora Ferrer in the aforesaid Civil Case No. MC02-1780.

In her Complaint for payment of conjugal improvements, sum of money, and accounting with prayer for injunction and damages, petitioner alleged that she is the widow of Alfredo Ferrer (Alfredo), a half-brother of respondents Manuel M. Ferrer (Manuel) and Ismael M. Ferrer (Ismael). Before her marriage to Alfredo, the latter acquired a piece of lot, covered by Transfer Certificate of Title (TCT) No. 67927.^[4] He applied for a loan with the Social Security System (SSS) to build improvements thereon, including a residential house and a two-door apartment building. However, it was during their marriage that payment of the loan was made using the couple's conjugal funds. From their conjugal funds, petitioner posited, they constructed a warehouse on the lot. Moreover, petitioner averred that respondent Manuel occupied one door of the apartment building, as well as the warehouse; however, in September 1991, he stopped paying rentals thereon, alleging that he had acquired ownership over the property by virtue of a Deed of Sale executed by Alfredo in favor of respondents, Manuel and Ismael and their spouses. TCT No. 67927 was cancelled, and TCT. No. 2728 was issued and registered in the names of respondents.

It is petitioner's contention that on 2 October 1989, when her husband was already bedridden, respondents Ismael and Flora Ferrer made him sign a document, purported to be his last will and testament. The document, however, was a Deed of Sale covering Alfredo's lot and the improvements thereon. Learning of this development, Alfredo filed with the RTC of Pasig, a Complaint for Annulment of the said sale against respondents, docketed as Civil Case No. 61327.^[5] On 22 June 1993, the RTC dismissed the same.^[6] The RTC found that the terms and conditions of the Deed of Sale are not contrary to law, morals, good customs, and public policy, and should be complied with by the parties in good faith, there being no compelling reason under the law to do otherwise. The dismissal was affirmed by the Court of Appeals. Subsequently, on 7 November 1994, this Court, in G.R. No. L-117067,

finding no reversible error committed by the appellate court in affirming the dismissal of the RTC, affirmed the Decision of the Court of Appeals.^[7]

Further, in support of her Complaint, petitioner alluded to a portion of the Decision dated 22 June 1993 of the RTC in Civil Case No. 61327, which stated, to wit:

In determining which property is the principal and which is the accessory, the property of greater value shall be considered the principal. In this case, the lot is the principal and the improvements the accessories. Since Article 120 of the Family Code provides the rule that the ownership of accessory follows the ownership of the principal, then the subject lot with all its improvements became an exclusive and capital property of Alfredo with an obligation to reimburse the conjugal partnership of the cost of improvements at the time of liquidation of [the] conjugal partnership. Clearly, Alfredo has all the rights to sell the subject property by himself without need of Josefa's consent.^[8]

According to petitioner, the ruling of the RTC shows that, when Alfredo died on 29 September 1999, or at the time of the liquidation of the conjugal partnership, she had the right to be reimbursed for the cost of the improvements on Alfredo's lot. She alleged that the cost of the improvements amounted to P500,000.00; hence, one-half thereof should be reimbursed and paid by respondents as they are now the registered owners of Alfredo's lot. She averred that respondents cannot claim lack of knowledge about the fact that the improvements were constructed using conjugal funds as they had occupied one of the apartment buildings on Alfredo's lot, and even paid rentals to petitioner. In addition, petitioner prayed that respondents be ordered to render an accounting from September, 1991, on the income of the boarding house constructed thereon which they had appropriated for themselves, and to remit one-half thereof as her share. Finally, petitioner sought from respondents moral and exemplary damages, litigation and incidental expenses.

For their part, respondents filed a Motion to Dismiss,^[9] contending that petitioner had no cause of action against them, and that the cause of action was barred by prior judgment.

On 16 December 2002, the RTC rendered an Order,^[10] denying the Motion to Dismiss. According to the RTC, no pronouncement as to the improvements constructed on Alfredo's lot has been made in Civil Case No. 61327, and the payment of petitioner's share in the conjugal partnership constitutes a separate cause of action. A subsequent Order^[11] dated 17 January 2003 was issued by the RTC, denying respondents' Motion for Reconsideration.

Aggrieved, respondents elevated the case to the Court of Appeals by way of a Petition for *Certiorari*, alleging grave abuse of discretion amounting to lack or excess of jurisdiction on the RTC in denying the dismissal.

On 16 August 2004, the Court of Appeals rendered a Decision granting the Petition. It held that petitioner's Complaint failed to state a cause of action. The appellate court rationalized as follows:

[W]e believe that the instant complaint is not the proper action for the respondent to enforce her right of reimbursement of the cost of the

improvement[s] on the subject property. As correctly pointed out by the petitioners, the same should be made and directed in the settlement of estate of her deceased husband Alfredo Ferrer pursuant to Article 129^[12] of the Family Code. Such being the case, it appears that the complaint herein fails to state a cause of action against the petitioners, the latter not being the proper parties against whom the subject action for reimbursement must be directed to. A complaint states a cause of action where it contains three essential elements of a cause of action, namely: (1) the legal right of the plaintiff; (2) the correlative obligation of the defendant, and (3) the act or omission of the defendant in violation of said legal right. If these elements are absent, the complaint becomes vulnerable to a motion to dismiss on the ground of failure to state a cause of action. Albeit the respondent herein has the legal right to be reimbursed of the cost of the improvements of the subject property, it is not the petitioners but the estate of her deceased husband which has the obligation to pay the same. The complaint herein is therefore dismissible for failure to state a cause of action against the petitioners. Needless to say, the respondent is not without any further recourse as she may file her claim against the estate of her deceased husband.

In light of the foregoing, we find that the public respondent committed grave abuse of discretion in denying the petitioners' motion to dismiss for failure to state a cause of action.^[13]

Aggrieved, petitioner filed a Motion for Reconsideration thereon. However, on 17 December 2004, the Court of Appeals rendered a Resolution^[14] denying the motion.

Hence, the present recourse.

Petitioner submits the following grounds for the allowance of the instant Petition, to wit:

A. THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PETITIONER'S COMPLAINT FAILS TO STATE A CAUSE OF ACTION AGAINST THE RESPONDENTS, THE LATTER NOT BEING THE PROPER PARTIES AGAINST WHOM THE SUBJECT ACTION FOR REIMBURSEMENT MUST BE DIRECTED TO.

B. THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE PUBLIC RESPONDENT, HON. RIZALINA T. CAPCO-UMALI, COMMITTED GRAVE ABUSE OF DISCRETION IN DENYING THE [RESPONDENTS'] MOTION TO DISMISS FOR FAILURE TO STATE A CAUSE OF ACTION.^[15]

Both arguments raise the sole issue of whether the Court of Appeals erred in dismissing petitioner's Complaint for failure to state a cause of action.

Section 1(g) Rule 16^[16] of the 1997 Rules of Civil Procedure makes it clear that failure to make a sufficient allegation of a cause of action in the complaint warrants the dismissal thereof. Section 2, Rule 2 of the 1997 Rules of Civil Procedure defines a cause of action as the act or omission by which a party violates the right of another. It is the delict or the wrongful act or omission committed by the defendant

in violation of the primary right of the plaintiff.^[17]

A cause of action has the following essential elements, *viz*:

- (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) 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.^[18]

A complaint states a cause of action only when it has the three indispensable elements.^[19]

In the determination of the presence of these elements, inquiry is confined to the four corners of the complaint. Only the statements in the Complaint may be properly considered.^[20] The absence of any of these elements makes a complaint vulnerable to a Motion to Dismiss on the ground of a failure to state a cause of action.^[21]

After a reading of the allegations contained in petitioner's Complaint, we are convinced that the same failed to state a cause of action.

In the case at bar, petitioner asserts a legal right in her favor by relying on the Decision of the RTC in Civil Case No. 61327. It can be recalled that the aforesaid case is an action for Annulment filed by Alfredo and petitioner against the respondents to seek annulment of the Deed of Sale, executed by Alfredo in respondents' favor and covering the herein subject premises. The Complaint was dismissed by the RTC, and subsequently affirmed by the Court of Appeals and by this Court in G.R. No. L-117067.

According to petitioner, while the RTC in Civil Case No. 61327 recognized that the improvements constructed on Alfredo's lots were deemed as Alfredo's exclusive and capital property, the court also held that petitioner, as Alfredo's spouse, has the right to claim reimbursement from the estate of Alfredo. It is argued by petitioner that her husband had no other property, and his only property had been sold to the respondents; hence, she has the legal right to claim for reimbursement from the respondents who are now the owners of the lot and the improvements thereon. In fine, petitioner asseverates that the Complaint cannot be dismissed on the ground of failure to state a cause of action because the respondents have the correlative obligation to pay the value of the improvements.

Petitioner was not able to show that there is an obligation on the part of the respondents to respect or not to violate her right. While we could concede that Civil Case No. 61327 made a reference to the right of the spouse as contemplated in Article 120^[22] of the Family Code to be reimbursed for the cost of the improvements, the obligation to reimburse rests on the spouse upon whom ownership of the entire property is vested. There is no obligation on the part of the