

## THIRD DIVISION

[ G.R. No. 136897, November 22, 2005 ]

**PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES,  
PELAGIO TOLOSA, IN HIS CAPACITY AS REGISTER OF DEEDS,  
GENERAL SANTOS CITY, AND ATANACIO M. VILLEGAS,  
PETITIONERS, VS. THE COURT OF APPEALS AND GENERAL  
SANTOS DOCTORS' HOSPITAL, INC., RESPONDENTS.**

### D E C I S I O N

**GARCIA, J.:**

In this petition for review on *certiorari* under Rule 45 of the Rules of Court, petitioners Private Development Corporation of the Philippines and Atanacio M. Villegas seek the reversal and setting aside of the following issuances of the Court of Appeals in *CA-G.R. CV No. 52542*, to wit:

1. *Decision dated July 16, 1998*,<sup>[1]</sup> affirming an earlier decision of the Regional Trial Court at General Santos City which ordered the petitioners, in particular petitioner Atanacio M. Villegas, to present before the Register of Deeds of General Santos City TCT No. T-32610 covering Lot 908-B-6-L-4-B for the annotation thereon of a *Memorandum of Agreement* establishing an easement of right-of-way in favor of private respondent General Santos Doctor's Hospital, Inc.; and
2. *Resolution dated January 8, 1999*,<sup>[2]</sup> denying petitioners' motion for reconsideration.

Culled from the records are the following factual antecedents:

The spouses Agustin Narciso and Aurora Narciso (the Narcisos, for short) were the original owners of two (2) lots situated at Barrio Lagao, General Santos City, Cotabato.

The first lot, which is a portion of a bigger parcel of land known as Lot No. 908-B-6-L-3 and covered by TCT No. 22608, is identified as Lot No. 908-B-6-L-3-A, hereinafter referred to as the **interior lot**, with an area of one (1) hectare. Adjacent to this lot and abutting the national highway is the second lot, Lot No. 908-B-6-L-4-B, hereinafter referred to as the **exterior lot**, covered by TCT No. 13550.<sup>[3]</sup>

On September 6, 1968, the Narcisos executed in favor of herein respondent, **General Santos Doctor's Hospital, Inc. (GSDHI)** an *Option to Buy*<sup>[4]</sup> the **interior lot**, subject, among others, to the condition that:

5. The vendors shall construct a 10 meter wide road commencing from the National Highway, traversing the property of the Vendors and terminating perpendicularly at the mid-point of the Southern boundary of the property subject of this Option, facing the national highway. Additionally, the vendors shall also construct a 10 meter wide road alongside the same southern boundary of the subject land, forming a right angle with the road first above described. The Vendors shall also provide drainage facilities.<sup>[5]</sup>

True enough, on September 25, 1968, the **interior lot** was bought by GSDHI, as evidenced by a Deed of Absolute Sale.<sup>[6]</sup>

On the same day of the sale, a *Memorandum of Agreement*<sup>[7]</sup> was executed by and between the Narcisos and GSDHI, paragraph 7 of which practically reproduced the same condition, *supra*, appearing in the earlier *Option to Buy*, thus:

7. The vendors [Narcisos] also known as Party of the First Part, shall construct a ten (10) meter wide road commencing from the National Highway, traversing the property of the vendors and terminating perpendicularly at the mid-point of the Southern boundary of the property subject of the sale facing the National Highway. Additionally, the vendors or party of the first part, shall also construct a ten (10) meter wide road alongside the same Southern boundary of the subject land, forming a right angle with the road first above-described. The vendors shall also provide drainage facilities.<sup>[8]</sup>

Years later, or on September 30, 1977, the **exterior lot** was mortgaged by the Narcisos to one of the petitioners herein, **Private Development Corporation of the Philippines (PDCP)**. Upon the Narcisos' failure to pay the mortgage obligation, the mortgage was foreclosed and the mortgaged property (exterior lot) sold at a public auction on June 21, 1982 with PDCP as the lone bidder. Accordingly, the Narcisos' title covering the **exterior lot** was cancelled and in lieu thereof TCT No. 23202 was issued in the name of PDCP.

On April 18, 1988, in the Regional Trial Court at General Santos City, respondent GSDHI, claiming that it has an easement of right-of-way over the foreclosed property (**exterior lot**), filed a complaint for specific performance against PDCP, therein impleading the Register of Deeds of General Santos City, Pelagio T. Tolosa, as a nominal party-defendant, to compel PDCP to present before the Register of Deeds its duplicate copy of TCT No. 23202 over the **exterior lot** for the annotation thereon of the *Memorandum of Agreement* establishing an easement of right-of-way in favor of GSDHI.

In its complaint, docketed with the trial court as *Civil Case No. 4128*, respondent GSDHI, as plaintiff, alleged that the easement was a condition and primary consideration for its purchase from the Narcisos of the **interior lot** so that the hospital it intends to build thereat would have an access to the national highway; that the grant is evidenced by two (2) public documents executed between it and the Narcisos, i.e., "Option to Buy"<sup>[9]</sup> the interior lot dated September 6, 1968 and "Memorandum of Agreement"<sup>[10]</sup> dated September 25, 1968; that the portion

covered by the easement was inadvertently and erroneously included in the mortgage of the **exterior lot** as the same was not segregated from the mother title; that upon informing PDCP of the easement on January 27, 1983, it (respondent) even offered to buy the whole exterior lot so as to avoid future litigation but although negotiations lasted until August of 1988, no agreement was reached on the price, hence, it (respondent) opted to continue and preserve the easement of right-of-way established in its favor since 1968.

In its *Answer*, PDCP denied any knowledge of the alleged easement of right-of-way, averring that it was not a party to any of the transactions between respondent and the Narcisos. PDCP argued that the "Option to Buy" and "Memorandum of Agreement" cannot by themselves constitute a valid agreement to create and vest in favor on respondent an easement of right-of-way in the absence of terms providing for, among others, the amount of consideration therefor. And, even assuming that the *Memorandum of Agreement* created such an easement, PDCP contended that it cannot be bound thereby because said agreement was not duly inscribed and registered with the Registry of Deeds. Furthermore, PDCP asserted that it is an innocent purchaser for value and in good faith, hence, the alleged easement cannot be enforced against it.

Meanwhile, during the pendency of the case, or sometime in January, 1989, PDCP sold the **exterior lot** to the other petitioner herein, **Atanacio M. Villegas**. On account thereof, PDCP's title over the **exterior** lot was cancelled and TCT No. 32610 issued in the name of Villegas.

Consequently, respondent GSDHI amended its complaint by impleading Villegas as additional party-defendant. For his part, Villegas formally adopted PDCP's aforementioned allegations and defenses in its *Answer*.

Eventually, in a decision dated December 15, 1998,<sup>[11]</sup> the trial court rendered judgment for plaintiff GSDHI and against defendants PDCP and Villegas, to wit:

Accordingly, judgment is rendered for the plaintiff and against the defendants ordering the latter, particularly Atanacio M. Villegas to present before the Register of Deeds of General Santos City Transfer Certificate of Title No. T-32610 for annotation of the Memorandum of Agreement establishing the easement of right-of-way in favor of the plaintiff.

SO ORDERED.

Explains the trial court in its decision:

The long and short of the seeming complexity of the issues raised by the parties is summed up by the question of whether or not the plaintiff under the circumstances is entitled to compel the defendants particularly Atanacio M. Villegas to respect and annotate in the certificate of title the easement of right of way, or conversely whether the defendants are innocent mortgagor or purchaser for value, hence not bound by it.

The dominion of the plaintiff over the disputed road that virtually cut into two lot 908-B-6-L-4-B comprising a total area of 1,000 square (10 m x 100m) was elucidated and clarified by Agustin N. Narciso, the source of

plaintiff's rights. (Exhibits "A" and "B") When Lot 908-B-L-3-A was sold by Narciso to GSDHI way back on September 25, 1963 the imperfection of the document of absolute sale was discovered at once. (Exhibit "D") So a "Memorandum of Agreement" was executed that same day to rectify the omission and put in black and white the agreement regarding the direct access road to the national highway passing through the adjoining lot 908-B-6-L-4-B then owned by Narciso. (Exhibit "E") The relevant portion of the agreement provides:

xxx "7. The vendors also known as Party of the First Part, shall construct a ten (10) meter wide road commencing from the National Highway, traversing the property of the vendors and terminating perpendicularly at the mid-point of the Southern boundary of the property subject of the sale facing the National Highway. Additionally, the vendors or party of the first part, shall also construct a ten (10) meter wide road alongside the same Southern boundary of the subject land, forming a right angle with the road first above-described. The vendors shall also provide drainage facilities." xxx

Prior to the execution of the Deed of Absolute Sale and the Memorandum of Agreement, the Narcisos and the plaintiff executed a document denominated "Option to Buy" on September 6, 1968, the pertinent portion of which provides:

xxx "5. The vendors shall construct a 10 meter wide road commencing from the National Highway, traversing the property of the Vendors and terminating perpendicularly at the mid-point of the Southern boundary of the property subject of this Option, facing the national highway. Additionally, the vendors shall also construct a 10 meter wide road alongside the same southern boundary of the subject land, forming a right angle with the road first above described. The Vendors shall also provide drainage facilities." xxx

In keeping with their agreement with the plaintiff, the Narcisos caused to be constructed a 10 meter wide road starting from the National Highway passing through Lot 908-B-6-L-4-B until the mid-point of the Southern boundary of Lot 908-B-L-3-A which was the property sold to the plaintiff. He also had a 10 meter wide road alongside the southern boundary of the land sold to the plaintiff forming an angle with the road that commenced from the national highway.

These undertakings of the Narcisos were in compliance with their agreement with the plaintiff to guarantee direct access to the national highway from the hospital that was to be constructed by the plaintiff on inner Lot 908-B-L-3-A. The total consideration for the sale of Lot 908-B-L-3-A covering an area of one hectare was P100,000.00 and an additional of P10,000.00 was paid for the 10 meter wide road right-of-way from the southern boundary of the property straight to the national highway with an approximate length of 100 meters. This was not specifically mentioned in the Deed of Absolute Sale but this was in pursuance of their agreement that the one hectare lot was priced at P10.00 per square

meter, or for P100,000.00. Narcisos' agreement with the plaintiff for the construction of the road right-of-way was for its use in perpetuity by the plaintiff as well as the public. The road right-of-way was constructed immediately upon execution of the Deed of Sale but it is being maintained ever since by the plaintiff. The road was located in the shortest distance between the national highway and the hospital of the plaintiff and because of it the property over which the easement of road right-of-way passing through at the middle was substantially benefited making it commercial.

Sometime in 1976 or 1977, the Narcisos mortgaged Lot 908-B-6-L-4-B which was the servient estate to PDCP thru its branch office in Davao City. As a requirement, the Narcisos submitted to PDCP the title of the land, the map and the sketch on the easement that was granted by the plaintiff to the CSDHI. When the property was inspected, Agustin Narciso showed the extent of the property offered as collateral and together with the manager and other officers of the PDCP even passed through the road right-of-way in question. The metes and bounds of the Narcisos property was also shown to the officers of the PDCP including the signboard along the national highway leading to the hospital. Thereafter the loan was approved.

On cross-examination, Agustin Narciso admitted having mortgaged the property covered by his title but excluding the 10 X 100 meter road which was paid for by the plaintiff. The "Memorandum of Agreement," however, and the "Option to Buy" which embodied the meeting of minds of the plaintiff and the Narcisos regarding the easement of right-of-way over Lot 908-B-6-L-4-B was not registered or annotated. Agustin Narciso reiterated that when the property mortgaged to PDCP was verified, several personnel of PDCP came, a certain Mr. Rey Feria, Mr. Lim, Mr. Alcantara and a certain Mr. Delgado. He did not, however, furnish them copies of the "Option to Buy" and the "Memorandum of Agreement."

The importance of the road right-of-way to the plaintiff was underscored by officers of the plaintiff. Acquisition of the hospital site was premised on the grant by the then owner and seller Agustin Narciso of the ten meter wide access road through the servient property owned by the seller. It was a condition *sine qua non* of the contract between plaintiff and the Narcisos because the plaintiff wanted the site to be a bit far from the national highway but with easy and direct access to the highway because of the nature of the business they were putting up. The hospital having been constructed sometime in 1968, plaintiff maintained the 10 x 100 meters road to the highway and used it including the public openly, continuously and notoriously without being challenged by any party.

When the Narcisos failed to pay their account with the defendant PDCP Lot 908-B-L-3-B which was put up as guarantee thereof was foreclosed and in the subsequent public auction sale the defendant PDCP was the lone bidder and therefore it became the owner.

The plaintiff learned of the acquisition by PDCP of the property previously owned by the Narcisos and steps were taken by the plaintiff to buy peace