

## THIRD DIVISION

[ G.R. No. 128573, January 13, 2003 ]

**NAAWAN COMMUNITY RURAL BANK INC., PETITIONER, VS. THE COURT OF APPEALS AND SPOUSES ALFREDO AND ANNABELLE LUMO, RESPONDENTS.**

### DECISION

**CORONA, J.:**

Under the established principles of land registration, a person dealing with registered land may generally rely on the correctness of a certificate of title and the law will in no way oblige him to go beyond it to determine the legal status of the property.

Before us is a Petition for Review on Certiorari challenging the February 7, 1997 Decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. CV No. 55149, which in turn affirmed the decision<sup>[2]</sup> of the Regional Trial Court of Misamis Oriental, Branch 18 as follows:

“WHEREFORE, the plaintiffs-spouses are adjudged the absolute owners and possessors of the properties in question (Lot 18583, under TCT No. T-50134, and all improvements thereon) and quieting title thereto as against any and all adverse claims of the defendant. Further, the sheriff’s certificate of sale, Exhibit 4; 4-A; Sheriff’s deed of final conveyance, Exhibit 5, 5-A; Tax Declarations No. 71211, Exhibit 7, and any and all instrument, record, claim, encumbrance or proceeding in favor of the defendant, as against the plaintiffs, and their predecessor-in-interest, which may be extant in the office of the Register of Deeds of Province of Misamis Oriental, and of Cagayan de Oro City, and in the City Assessor’s Office of Cagayan de Oro City, are declared as invalid and ineffective as against the plaintiffs’ title.

“The counterclaim is dismissed for lack of merit.

“SO ORDERED.”<sup>[3]</sup>

The facts of the case, as culled from the records, are as follows:

On April 30, 1988, a certain Guillermo Comayas offered to sell to private respondent-spouses Alfredo and Annabelle Lumo, a house and lot measuring 340 square meters located at Pinikitan, Camaman-an, Cagayan de Oro City.

Wanting to buy said house and lot, private respondents made inquiries at the Office of the Register of Deeds of Cagayan de Oro City where the property is located and the Bureau of Lands on the legal status of the vendor’s title. They found out that the property was mortgaged for P8,000 to a certain Mrs. Galupo and that the owner’s

copy of the Certificate of Title to said property was in her possession.

Private respondents directed Guillermo Comayas to redeem the property from Galupo at their expense, giving the amount of P10,000 to Comayas for that purpose.

On May 30, 1988, a release of the adverse claim of Galupo was annotated on TCT No. T-41499 which covered the subject property.

In the meantime, on May 17, 1988, even before the release of Galupo's adverse claim, private respondents and Guillermo Comayas, executed a deed of absolute sale. The subject property was allegedly sold for P125,000 but the deed of sale reflected the amount of only P30,000 which was the amount private respondents were ready to pay at the time of the execution of said deed, the balance payable by installment.

On June 9, 1988, the deed of absolute sale was registered and inscribed on TCT No. T-41499 and, on even date, TCT No. T-50134 was issued in favor of private respondents.

After obtaining their TCT, private respondents requested the issuance of a new tax declaration certificate in their names. However, they were surprised to learn from the City Assessor's Office that the property was also declared for tax purposes in the name of petitioner Naawan Community Rural Bank Inc. Records in the City Assessor's Office revealed that, for the lot covered by TCT No. T-50134, Alfredo Lumo's T/D # 83324 bore the note: "This lot is also declared in the name of Naawan Community Rural Bank Inc. under T/D # 71210".

Apparently, on February 7, 1983, Guillermo Comayas obtained a P15,000 loan from petitioner Bank using the subject property as security. *At the time said contract of mortgage was entered into, the subject property was then an unregistered parcel of residential land, tax-declared in the name of a certain Sergio A. Balibay while the residential one-storey house was tax-declared in the name of Comayas.*

Balibay executed a special power of attorney authorizing Comayas to borrow money and use the subject lot as security. But the Deed of Real Estate Mortgage and the Special Power of Attorney were recorded in the registration book of the Province of Misamis Oriental, not in the registration book of Cagayan de Oro City. It appears that, when the registration was made, there was only one Register of Deeds for the entire province of Misamis Oriental, including Cagayan de Oro City. It was only in 1985 when the Office of the Register of Deeds for Cagayan de Oro City was established separately from the Office of the Register of Deeds for the Province of Misamis Oriental.

For failure of Comayas to pay, the real estate mortgage was foreclosed and the subject property sold at a public auction to the mortgagee Naawan Community Rural Bank as the highest bidder in the amount of P16,031.35. Thereafter, the sheriff's certificate of sale was issued and registered under Act 3344 in the Register of Deeds of the Province of Misamis Oriental.

*On April 17, 1984, the subject property was registered in original proceedings under the Land Registration Act. Title was entered in the registration book of the Register*

of Deeds of Cagayan de Oro City as Original Certificate of Title No. 0-820, pursuant to Decree No. N-189413.

On July 23, 1984, Transfer Certificate of Title No. T-41499 in the name of Guillermo P. Comayas was entered in the Register of Deeds of Cagayan de Oro City.

Meanwhile, on *September 5, 1986*, the period for redemption of the foreclosed subject property lapsed and the MTCC Deputy Sheriff of Cagayan de Oro City issued and delivered to petitioner bank the *sheriff's deed of final conveyance*. *This time, the deed was registered under Act 3344 and recorded in the registration book of the Register of Deeds of Cagayan de Oro City.*

By virtue of said deed, petitioner Bank obtained a tax declaration for the subject house and lot.

Thereafter, petitioner Bank instituted an action for ejectment against Comayas before the MTCC which decided in its favor. On appeal, the Regional Trial Court affirmed the decision of the MTCC in a decision dated April 13, 1988.

On January 27, 1989, the Regional Trial Court issued an order for the issuance of a writ of execution of its judgment. The MTCC, being the court of origin, promptly issued said writ.

However, when the writ was served, the property was no longer occupied by Comayas but herein private respondents, the spouses Lumo who had, as earlier mentioned, bought it from Comayas on May 17, 1988

Alarmed by the prospect of being ejected from their home, private respondents filed an action for quieting of title which was docketed as Civil Case No. 89-138. After trial, the Regional Trial Court rendered a decision declaring private respondents as purchasers for value and in good faith, and consequently declaring them as the absolute owners and possessors of the subject house and lot.

Petitioner appealed to the Court of Appeals which in turn affirmed the trial court's decision.

Hence, this petition.

Petitioner raises the following issues:

- I. WHETHER OR NOT THE SHERIFF'S DEED OF FINAL CONVEYANCE WAS DULY EXECUTED AND REGISTERED IN THE REGISTER OF DEEDS OF CAGAYAN DE ORO CITY ON DECEMBER 2, 1986;
- II. WHETHER OR NOT REGISTRATION OF SHERIFF'S DEED OF FINAL CONVEYANCE IN THE PROPER REGISTRY OF DEEDS COULD BE EFFECTIVE AS AGAINST SPOUSES LUMO.

Both parties cite Article 1544 of the Civil Code which governs the double sale of immovable property.

Article 1544 provides: