

FIRST DIVISION

[G.R. No. 144225, June 17, 2003]

**SPOUSES GODOFREDO ALFREDO AND CARMEN LIMON ALFREDO,
SPOUSES ARNULFO SAVELLANO AND EDITHA B. SAVELLANO,
DANTON D. MATAWARAN, SPOUSES DELFIN F. ESPIRITU, JR.
AND ESTELA S. ESPIRITU AND ELIZABETH TUAZON,
PETITIONERS, VS. SPOUSES ARMANDO BORRAS AND ADELIA
LOBATON BORRAS, RESPONDENTS.**

DECISION

CARPIO, J.:

The Case

Before us is a petition for review assailing the Decision^[1] of the Court of Appeals dated 26 November 1999 affirming the decision^[2] of the Regional Trial Court of Bataan, Branch 4, in Civil Case No. DH-256-94. Petitioners also question the Resolution of the Court of Appeals dated 26 July 2000 denying petitioners' motion for reconsideration.

The Antecedent Facts

A parcel of land measuring 81,524 square meters ("Subject Land") in Barrio Culis, Mabiga, Hermosa, Bataan is the subject of controversy in this case. The registered owners of the Subject Land were petitioner spouses, Godofredo Alfredo ("Godofredo") and Carmen Limon Alfredo ("Carmen"). The Subject Land is covered by Original Certificate of Title No. 284 ("OCT No. 284") issued to Godofredo and Carmen under Homestead Patent No. V-69196.

On 7 March 1994, the private respondents, spouses Armando Borras ("Armando") and Adelia Lobaton Borras ("Adelia"), filed a complaint for specific performance against Godofredo and Carmen before the Regional Trial Court of Bataan, Branch 4. The case was docketed as Civil Case No. DH-256-94.

Armando and Adelia alleged in their complaint that Godofredo and Carmen mortgaged the Subject Land for P7,000.00 with the Development Bank of the Philippines ("DBP"). To pay the debt, Carmen and Godofredo sold the Subject Land to Armando and Adelia for P15,000.00, the buyers to pay the DBP loan and its accumulated interest, and the balance to be paid in cash to the sellers.

Armando and Adelia gave Godofredo and Carmen the money to pay the loan to DBP which signed the release of mortgage and returned the owner's duplicate copy of OCT No. 284 to Godofredo and Carmen. Armando and Adelia subsequently paid the balance of the purchase price of the Subject Land for which Carmen issued a receipt dated 11 March 1970. Godofredo and Carmen then delivered to Adelia the owner's

duplicate copy of OCT No. 284, with the document of cancellation of mortgage, official receipts of realty tax payments, and tax declaration in the name of Godofredo. Godofredo and Carmen introduced Armando and Adelia, as the new owners of the Subject Land, to the Natanawans, the old tenants of the Subject Land. Armando and Adelia then took possession of the Subject Land.

In January 1994, Armando and Adelia learned that hired persons had entered the Subject Land and were cutting trees under instructions of allegedly new owners of the Subject Land. Subsequently, Armando and Adelia discovered that Godofredo and Carmen had re-sold portions of the Subject Land to several persons.

On 8 February 1994, Armando and Adelia filed an adverse claim with the Register of Deeds of Bataan. Armando and Adelia discovered that Godofredo and Carmen had secured an owner's duplicate copy of OCT No. 284 after filing a petition in court for the issuance of a new copy. Godofredo and Carmen claimed in their petition that they lost their owner's duplicate copy. Armando and Adelia wrote Godofredo and Carmen complaining about their acts, but the latter did not reply. Thus, Armando and Adelia filed a complaint for specific performance.

On 28 March 1994, Armando and Adelia amended their complaint to include the following persons as additional defendants: the spouses Arnulfo Savellano and Editha B. Savellano, Danton D. Matawaran, the spouses Delfin F. Espiritu, Jr. and Estela S. Espiritu, and Elizabeth Tuazon ("Subsequent Buyers"). The Subsequent Buyers, who are also petitioners in this case, purchased from Godofredo and Carmen the subdivided portions of the Subject Land. The Register of Deeds of Bataan issued to the Subsequent Buyers transfer certificates of title to the lots they purchased.

In their answer, Godofredo and Carmen and the Subsequent Buyers (collectively "petitioners") argued that the action is unenforceable under the Statute of Frauds. Petitioners pointed out that there is no written instrument evidencing the alleged contract of sale over the Subject Land in favor of Armando and Adelia. Petitioners objected to whatever parole evidence Armando and Adelia introduced or offered on the alleged sale unless the same was in writing and subscribed by Godofredo. Petitioners asserted that the Subsequent Buyers were buyers in good faith and for value. As counterclaim, petitioners sought payment of attorney's fees and incidental expenses.

Trial then followed. Armando and Adelia presented the following witnesses: Adelia, Jesus Lobaton, Roberto Lopez, Apolinario Natanawan, Rolando Natanawan, Tomas Natanawan, and Mildred Lobaton. Petitioners presented two witnesses, Godofredo and Constanca Calonso.

On 7 June 1996, the trial court rendered its decision in favor of Armando and Adelia. The dispositive portion of the decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs, the spouses Adelia Lobaton Borrás and Armando F. Borrás, and against the defendant-spouses Godofredo Alfredo and Carmen Limon Alfredo, spouses Arnulfo Sabellano and Editha B. Sabellano, spouses Delfin F. Espiritu, Jr. and Estela S. Espiritu, Danton D. Matawaran and Elizabeth Tuazon, as follows:

1. Declaring the Deeds of Absolute Sale of the disputed parcel of land (covered by OCT No. 284) executed by the spouses Godofredo Alfredo and Camen Limon Alfredo in favor of spouses Arnulfo Sabellano and Editha B. Sabellano, spouses Delfin F. Espiritu, Danton D. Matawaran and Elizabeth Tuazon, as null and void;
2. Declaring the Transfer Certificates of Title Nos. T-163266 and T-163267 in the names of spouses Arnulfo Sabellano and Editha B. Sabellano; Transfer Certificates of Title Nos. T-163268 and 163272 in the names of spouses Delfin F. Espiritu, Jr. and Estela S. Espiritu; Transfer Certificates of Title Nos. T-163269 and T-163271 in the name of Danton D. Matawaran; and Transfer Certificate of Title No. T-163270 in the name of Elizabeth Tuazon, as null and void and that the Register of Deeds of Bataan is hereby ordered to cancel said titles;
3. Ordering the defendant-spouses Godofredo Alfredo and Carmen Limon Alfredo to execute and deliver a good and valid Deed of Absolute Sale of the disputed parcel of land (covered by OCT No. 284) in favor of the spouses Adelia Lobaton Borrás and Armando F. Borrás within a period of ten (10) days from the finality of this decision;
4. Ordering defendant-spouses Godofredo Alfredo and Carmen Limon Alfredo to surrender their owner's duplicate copy of OCT No. 284 issued to them by virtue of the Order dated May 20, 1992 of the Regional Trial Court of Bataan, Dinalupihan Branch, to the Registry of Deeds of Bataan within ten (10) days from the finality of this decision, who, in turn, is directed to cancel the same as there exists in the possession of herein plaintiffs of the owner's duplicate copy of said OCT No. 284 and, to restore and/or reinstate OCT No. 284 of the Register of Deeds of Bataan to its full force and effect;
5. Ordering the defendant-spouses Godofredo Alfredo and Carmen Limon Alfredo to reconstitute and/or return the amount of the respective purchase prices and/or consideration of sale of the disputed parcels of land they sold to their co-defendants within ten (10) days from the finality of this decision with legal interest thereon from date of the sale;
6. Ordering the defendants, jointly and severally, to pay plaintiff-spouses the sum of P20,000.00 as and for attorney's fees and litigation expenses; and
7. Ordering defendants to pay the costs of suit.

Defendants' counterclaims are hereby dismissed for lack of merit.

SO ORDERED. ^[3]

Petitioners appealed to the Court of Appeals.

On 26 November 1999, the Court of Appeals issued its Decision affirming the decision of the trial court, thus:

WHEREFORE, premises considered, the appealed decision in Civil Case No. DH-256-94 is hereby AFFIRMED in its entirety. Treble costs against the defendants-appellants.

SO ORDERED.^[4]

On 26 July 2000, the Court of Appeals denied petitioners' motion for reconsideration.

The Ruling of the Trial Court

The trial court ruled that there was a perfected contract of sale between the spouses Godofredo and Carmen and the spouses Armando and Adelia. The trial court found that all the elements of a contract of sale were present in this case. The object of the sale was specifically identified as the 81,524-square meter lot in Barrio Culis, Mabigas, Hermosa, Bataan, covered by OCT No. 284 issued by the Registry of Deeds of Bataan. The purchase price was fixed at P15,000.00, with the buyers assuming to pay the sellers' P7,000.00 DBP mortgage loan including its accumulated interest. The balance of the purchase price was to be paid in cash to the sellers. The last payment of P2,524.00 constituted the full settlement of the purchase price and this was paid on 11 March 1970 as evidenced by the receipt issued by Carmen.

The trial court found the following facts as proof of a perfected contract of sale: (1) Godofredo and Carmen delivered to Armando and Adelia the Subject Land; (2) Armando and Adelia treated as their own tenants the tenants of Godofredo and Carmen; (3) Godofredo and Carmen turned over to Armando and Adelia documents such as the owner's duplicate copy of the title of the Subject Land, tax declaration, and the receipts of realty tax payments in the name of Godofredo; and (4) the DBP cancelled the mortgage on the Subject Property upon payment of the loan of Godofredo and Carmen. Moreover, the receipt of payment issued by Carmen served as an acknowledgment, if not a ratification, of the verbal sale between the sellers and the buyers. The trial court ruled that the Statute of Frauds is not applicable because in this case the sale was perfected.

The trial court concluded that the Subsequent Buyers were not innocent purchasers. Not one of the Subsequent Buyers testified in court on how they purchased their respective lots. The Subsequent Buyers totally depended on the testimony of Constanca Calonso ("Calonso") to explain the subsequent sale. Calonso, a broker, negotiated with Godofredo and Carmen the sale of the Subject Land which Godofredo and Carmen subdivided so they could sell anew portions to the Subsequent Buyers.

Calonso admitted that the Subject Land was adjacent to her own lot. The trial court pointed out that Calonso did not inquire on the nature of the tenancy of the Natanawans and on who owned the Subject Land. Instead, she bought out the tenants for P150,000.00. The buy out was embodied in a *Kasunduan*. Apolinario Natanawan ("Apolinario") testified that he and his wife accepted the money and

signed the *Kasunduan* because Calonso and the Subsequent Buyers threatened them with forcible ejectment. Calonso brought Apolinario to the Agrarian Reform Office where he was asked to produce the documents showing that Adelia is the owner of the Subject Land. Since Apolinario could not produce the documents, the agrarian officer told him that he would lose the case. Thus, Apolinario was constrained to sign the *Kasunduan* and accept the P150,000.00.

Another indication of Calonso's bad faith was her own admission that she saw an adverse claim on the title of the Subject Land when she registered the deeds of sale in the names of the Subsequent Buyers. Calonso ignored the adverse claim and proceeded with the registration of the deeds of sale.

The trial court awarded P20,000.00 as attorney's fees to Armando and Adelia. In justifying the award of attorney's fees, the trial court invoked Article 2208 (2) of the Civil Code which allows a court to award attorney's fees, including litigation expenses, when it is just and equitable to award the same. The trial court ruled that Armando and Adelia are entitled to attorney's fees since they were compelled to file this case due to petitioners' refusal to heed their just and valid demand.

The Ruling of the Court of Appeals

The Court of Appeals found the factual findings of the trial court well supported by the evidence. Based on these findings, the Court of Appeals also concluded that there was a perfected contract of sale and the Subsequent Buyers were not innocent purchasers.

The Court of Appeals ruled that the handwritten receipt dated 11 March 1970 is sufficient proof that Godofredo and Carmen sold the Subject Land to Armando and Adelia upon payment of the balance of the purchase price. The Court of Appeals found the recitals in the receipt as "sufficient to serve as the memorandum or note as a writing under the Statute of Frauds."^[5] The Court of Appeals then reiterated the ruling of the trial court that the Statute of Frauds does not apply in this case.

The Court of Appeals gave credence to the testimony of a witness of Armando and Adelia, Mildred Lobaton, who explained why the title to the Subject Land was not in the name of Armando and Adelia. Lobaton testified that Godofredo was then busy preparing to leave for Davao. Godofredo promised that he would sign all the papers once they were ready. Since Armando and Adelia were close to the family of Carmen, they trusted Godofredo and Carmen to honor their commitment. Armando and Adelia had no reason to believe that their contract of sale was not perfected or validly executed considering that they had received the duplicate copy of OCT No. 284 and other relevant documents. Moreover, they had taken physical possession of the Subject Land.

The Court of Appeals held that the contract of sale is not void even if only Carmen signed the receipt dated 11 March 1970. Citing ***Felipe v. Heirs of Maximo Aldon***,^[6] the appellate court ruled that a contract of sale made by the wife without the husband's consent is not void but merely voidable. The Court of Appeals further declared that the sale in this case binds the conjugal partnership even if only the wife signed the receipt because the proceeds of the sale were used for the benefit of the conjugal partnership. The appellate court based this conclusion on Article 161^[7]