

SECOND DIVISION

[G.R. No. 142313, March 01, 2001]

**SPOUSES MANUEL CHU, SR. AND CATALINA B. CHU, THE FORMER
SUBSTITUTED BY THEANLYN B. CHU, THEAN CHING LEE B. CHU,
THEAN LEEWN B. CHU AND MARTIN LAWRENCE B. CHU, THE
LATTER REPRESENTED BY HIS MOTHER AND GUARDIAN AD
LITEM, PETITIONER CATALINA B. CHU, PETITIONERS, VS.
BENELDA ESTATE DEVELOPMENT CORPORATION, RESPONDENT.**

DECISION

DE LEON, JR., J.:

Before us is a petition for review on *certiorari* of the Decision^[1] and Resolution^[2] of the Court of Appeals^[3], dated November 29, 1999 and March 14, 2000, respectively, which reversed the Order^[4] dated March 30, 1998 of the Regional Trial Court of Pampanga, Branch 52, denying respondent's motion to dismiss as well as the Order denying respondent's motion for reconsideration, dated May 26, 1998.

The petitioners spouses Manuel Chu, Sr. and Catalina Chu (the former substituted by Theanlyn Chu, Thean Ching Lee Chu, Thean Leewn Chu, and Martin Lawrence Chu) were the registered owners of five (5) parcels of land situated in Barrio Saguin, San Fernando, Pampanga, covered and described in Transfer Certificate of Title Nos. 198470-R, 198471-R, 198472-R, 198473-R and 199556-R of the Registry of Deeds of the province of Pampanga.

On September 30, 1986, the petitioners executed a deed of sale with assumption of mortgage in favor of Trinidad N. Cunanan in consideration of P5,161,090.00. Although Cunanan has actually an unpaid balance of P2,561,090.00, it was made to appear in the deed of sale that the total consideration had been fully paid to enable Cunanan to have the parcels of land registered in her name so that she could mortgage the same to secure a loan and thereupon pay from the proceeds of the loan the said balance of P2,561,090.00. Their agreement, however, was that the ownership of the properties shall remain with the petitioners until full payment of the balance of the total purchase price. Trinidad N. Cunanan was thus able to cause the cancellation of the said titles registered in the name of the petitioners spouses Manuel Chu, Sr. and Catalina Chu and in lieu thereof the issuance of TCTs No. 239278-R, No. 239376-R, No. 239279-R, No. 239277-R, and No. 239280-R which are all registered in her name.

Cunanan failed to pay the balance of the total purchase price to the petitioners. Without the knowledge of the petitioners, Cunanan sold the three (3) parcels of land to Cool Town Realty and Development Corporation, and the two (2) other parcels of land subject of the instant case and covered by TCT Nos. 239276-R and 239277-R to the spouses Amado and Gloria Carlos. The spouses Carlos, in turn, sold these two (2) properties to the respondent Benelda Estate Development Corporation.

Petitioners commenced Civil Case No. G-1936 before the Regional Trial Court of Pampanga against Trinidad N. Cunanan, Cool Town Realty and Development Corporation and the Register of Deeds of Pampanga. The petitioners amended their complaint to include respondent Benelda Estate Development Corporation as a defendant, alleging, insofar as the latter is concerned that:

3. That in order to cause financial damage and irreparable injury to the original plaintiffs, defendant Trinidad N. Cunanan without any lawful right and authority whatsoever sold the remaining two (2) parcels of land involved in this case previously covered by Transfer Certificates of Title Nos. 239276-R and 239277-R registered in her name (formerly embraced by Transfer Certificates of Titles Nos. 198471-R and 198472-R in the names of the original plaintiffs) in favor of the spouses AMADO E. CARLOS and GLORIA A. CARLOS, who like defendant Cool Town Realty and Development Corporation are not also buyers for value and in good faith of the subject two (2) parcels of land as shown by Transfer Certificates of Titles Nos. 247026-R and 246947-R both of the Register of Deeds of Pampanga, whose xerox copies are hereto attached respectively as Annexes "G", "G-1", "G-2", "H", and "H-1" hereof.
4. That likewise in order to cause further financial damage and prejudice to the plaintiffs, the spouses AMADO E. CARLOS AND GLORIA A. CARLOS, who have never acquired valid titles over the two (2) parcels of land previously embraced by Transfer Certificates of Titles Nos. 247026-R and 246947-R both of the Registry of Deeds of Pampanga registered in their names referred to in the immediately preceding paragraph sold the same two (2) parcels of land on November 13, 1995 in favor of defendant BENELDA ESTATE DEVELOPMENT CORPORATION as shown by the corresponding Deed of Absolute Sale, whose xerox copy is hereto attached as Annexes "I" and "I-2" hereof.
5. That in view of the fact that the ownership of the five (5) parcels of land in issue in this case legally remains with the plaintiffs, the deed of conveyances executed by defendant Trinidad N. Cunanan relative to the subject five (5) parcels of land in litigation in favor of defendant Cool Town Realty & Development Corporation and in favor of the spouses Amado L. Carlos and Gloria A. Carlos and the deed of absolute sale dated November 13, 1995 executed by the spouses Amado E. Carlos and Gloria A. Carlos on lot 4224-A-2 of the subdivision plan previously covered by Transfer Certificate of Title No. 246947-R and Lot 4224-A-3 of the subdivision plan formerly embraced by Transfer Certificate of Title No. 247026-R both of the Registry of Deeds of Pampanga in favor of defendant BENELDA ESTATE DEVELOPMENT CORPORATION, which are among the five (5) parcels of land involved in this case are all null and void, consequently the said deed of conveyances did not vest valid title of ownership over the said five (5) parcels of land in controversy in favor of defendant COOL TOWN REALTY DEVELOPMENT CORPORATION and BENELDA ESTATE

DEVELOPMENT CORPORATION because defendant Trinidad N. Cunanan, who has never been an owner of any of the five (5) parcels of land in dispute cannot validly and legally transfer the ownership thereof in favor of any person whomsoever.

6. That despite demands made by the plaintiffs to the defendants, the latter unjustifiably failed and refused as they still fail and refuse to reconvey the five (5) parcels of land to the said plaintiffs.^[5]

The respondent filed its answer with a motion to dismiss on the ground, among others, that the amended complaint states no cause of action against herein respondent. It alleged that respondent corporation, through its officers, acted in good faith in buying the properties inasmuch as it exerted all efforts to verify the authenticity of the titles and that no defect was found therein. After the petitioner filed an opposition to the motion to dismiss, the trial court rendered a decision denying the motion to dismiss.

The respondent filed a petition for certiorari under Rule 65 of the Rules of Court before the Court of Appeals alleging that the trial court committed grave abuse of discretion in denying its motion to dismiss the amended complaint. The Court of Appeals reversed the order of the trial court and dismissed the case as against herein respondent on the ground of lack of cause of action and for failure of the petitioners to include the spouses Carlos as indispensable parties in the complaint.

Petitioner raises the following assignments of error:

I

WITH ALL DUE RESPECT TO THIS HONORABLE COURT - CONTRARY TO ITS CONCLUSION IN ITS DECISION SOUGHT TO BE SET ASIDE, PETITIONERS' AMENDED COMPLAINT DATED JUNE 9, 1997 STATES A VALID CAUSE OF ACTION AGAINST RESPONDENT BENELDA ESTATE DEVELOPMENT CORPORATION.

II

WITH ALL DUE RESPECT TO THIS HONORABLE COURT - THE SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS ARE NOT REAL AND INDISPENSABLE PARTIES IN THE CASE AT BENCH.

III

IT IS RESPECTFULLY SUBMITTED - THAT THE AVERMENTS MADE IN THAT DEED OF ABSOLUTE SALE, WHOSE XEROX COPY IS ATTACHED AS ANNEXES "1" AND "1-2" OF THE AMENDED COMPLAINT INVOLVED IN THIS CASE TO THE EFFECT THAT THE SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS WARRANTED "VALID TITLES TO AND POSSESSION OF THE PROPERTIES SOLD AND CONVEYED" AND THAT THEIR TITLES THERETO ARE " FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES OF ANY KIND WHATSOEVER" CANNOT BE VALIDLY CONSIDERED IN DETERMINING WHETHER OR NOT PETITIONERS' AMENDED COMPLAINT DATED JUNE 9, 1997 STATES A VALID CAUSE OF ACTION AGAINST