

EN BANC

[G.R. No. 94457, October 16, 1997]

**VICTORIA LEGARDA, PETITIONER, VS. THE HONORABLE COURT
OF APPEALS, NEW CATHAY HOUSE, INC., THE HONORABLE
REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 94,
RESPONDENTS.
R E S O L U T I O N**

ROMERO, J.:

For our resolution is the motion for reconsideration of the March 18, 1991, decision of the Court's First Division, filed by private respondents New Cathay House, Inc. (Cathay). A brief narration of facts is in order.

The parties hereto entered into a lease agreement over a certain Quezon City property owned by petitioner Victoria Legarda. For some reason or another, she refused to sign the contract although respondent lessee, Cathay, made a deposit and a down payment of rentals, prompting the latter to file before the Regional Trial Court of Quezon City, Branch 94 a complaint^[1] against the former for specific performance with preliminary injunction and damages. The court a quo issued the injunction. In the meantime, Legarda's counsel, noted lawyer Dean Antonio Coronel, requested a 10-day extension of time to file an answer which the court granted. Atty. Coronel, however, failed to file an answer within the extended period. His client was eventually declared in default, Cathay was allowed to present evidence ex-parte, and on March 25, 1985, a judgment by default was reached by the trial court ordering Legarda to execute the lease contract in favor of, and to pay damages to, Cathay.

On April 9, 1985, a copy of said decision was served on Atty. Coronel but he took no action until the judgment became final and executory. A month later, the trial court issued a writ of execution and a public auction was held where Cathay's manager, Roberto V. Cabrera, Jr., as highest bidder, was awarded the property for P376,500.00 in satisfaction of the judgment debt. Consequently, a Certificate of Sale was issued by the sheriff on June 27, 1985. Upon failure of Legarda to redeem her property within the one-year redemption period, a Final Deed of Sale was issued by the sheriff on July 8, 1986, which was registered by Cabrera with the Register of Deeds three days later. Hence, Legarda's Transfer Certificate of Title (TCT) No. 270814 was cancelled with the issuance of TCT No. 350892 in the name of Cabrera.

Despite the lapse of over a year since the judgment by default became final and executory, Atty. Coronel made no move on behalf of his client. He did not even inform her of all these developments. When Legarda did learn of the adverse decision, "she nevertheless did not lose faith in her counsel"^[2] and prevailed upon him to seek appropriate relief. Thus, on October 23, 1986, he filed a petition for annulment of judgment with prayer for the issuance of a writ of preliminary mandatory injunction before the Court of Appeals.^[3]

On November 29, 1989, the appellate court rendered a decision affirming the March 25, 1985, decision of the trial court, dismissing the petition for annulment of judgment, and holding Legarda bound by the negligence of her counsel. It considered her allegation of fraud by Cathay to be "improbable," and added that there was "pure and simple negligence" on the part of petitioner's counsel who failed to file an answer and, later, a petition for relief from judgment by default. Upon notice of the Court of Appeals decision, Atty. Coronel again neglected to protect his client's interest by failing to file a motion for reconsideration or to appeal therefrom until said decision became final on December 21, 1989.

Sometime in March 1990, Legarda learned of the adverse decision of the Court of Appeals dated November 29, 1989, not from Atty. Coronel but from his secretary. She then hired a new counsel for the purpose of elevating her case to this Court. The new lawyer filed a petition for certiorari praying for the annulment of the decision of the trial and appellate courts and of the sheriff's sale, alleging, among other things, that Legarda lost in the courts below because her previous lawyer was grossly negligent and inefficient, whose omissions cannot possibly bind her because this amounted to a violation of her right to due process of law. She, therefore, asked Cathay (not Cabrera) to reconvey the subject property to her.

On March 18, 1991, a decision^[4] was rendered in this case by Mr. Justice Gancayco, ruling, inter alia, as follows: (a) granting the petition; (b) nullifying the trial court's decision dated March 25, 1985, the Court of Appeals decision dated November 29, 1989, the Sheriff's Certificate of Sale dated June 27, 1985, of the property in question, and the subsequent final deed of sale covering the same property; and (c) ordering Cathay to reconvey said property to Legarda, and the Register of Deeds to cancel the registration of said property in the name of Cathay (not Cabrera) and to issue a new one in Legarda's name.

The Court then declared that Atty. Coronel committed, not just ordinary or simple negligence, but reckless, inexcusable and gross negligence, which deprived his client of her property without due process of law. His acts, or the lack of it, should not be allowed to bind Legarda who has been "consigned to penury" because "her lawyer appeared to have abandoned her case not once but repeatedly." Thus, the Court ruled against tolerating "such unjust enrichment" of Cathay at Legarda's expense, and noted that counsel's "lack of devotion to duty is so gross and palpable that this Court must come to the aid of his distraught client."

Aggrieved by this development, Cathay filed the instant motion for reconsideration, alleging, inter alia, that reconveyance is not possible because the subject property had already been sold by its owner, Cabrera, even prior to the promulgation of said decision.

By virtue of the Gancayco decision, Cathay was duty bound to return the subject property to Legarda. The impossibility of this directive is immediately apparent, for two reasons: First, Cathay neither possessed nor owned the property so it is in no position to reconvey the same; second, even if it did, ownership over the property had already been validly transferred to innocent third parties at the time of promulgation of said judgment.

There is no question that the highest bidder at the public auction was Cathay's

manager. It has not been shown nor even alleged, however, that Roberto Cabrera had all the time been acting for or in behalf of Cathay. For all intents and purposes, Cabrera was simply a vendee whose payment effectively extinguished Legarda's liability to Cathay as the judgment creditor. No proof was ever presented which would reveal that the sale occurred only on paper, with Cabrera acting as a mere conduit for Cathay. What is clear from the records is that the auction sale was conducted regularly, that a certificate of sale and, subsequently, a final deed of sale were issued to Cabrera which allowed him to consolidate his ownership over the subject property, register it and obtain a title in his own name, and sell it to Nancy Saw, an innocent purchaser for value, at a premium price. Nothing on record would demonstrate that Cathay was the beneficiary of the sale between Cabrera and Saw. Cabrera himself maintained that he was "acting in his private (as distinct from his corporate) capacity"^[5] when he participated in the bidding.

Since the decision of the Court of Appeals gained finality on December 21, 1989, the subject property has been sold and ownership thereof transferred no less than three times, viz.: (a) from Cabrera to Nancy Saw on March 21, 1990, four months after the decision of the Court of Appeals became final and executory and one year before the promulgation of the March 18, 1991, decision under reconsideration; (b) from Nancy Saw to Lily Tanlo Sy Chua on August 7, 1990, more than one year before the Court issued a temporary restraining order in connection with this case; and (c) from the spouses Victor and Lily Sy Chua to Janet Chong Luminlun on April 3, 1992. With these transfers, Cabrera's TCT No. 350892 gave way to Saw's TCT No. 31672, then to Chua's TCT No. 31673, and finally to Luminlun's TCT No. 99143, all issued by the Register of Deeds of Quezon City on April 3, 1990, August 8, 1990, and November 24, 1993, respectively.

We do not have to belabor the fact that all the successors-in-interest of Cabrera to the subject lot were transferees for value and in good faith, having relied as they did on the clean titles of their predecessors. The successive owners were each armed with their own indefeasible titles which automatically brought them under the aegis of the Torrens System. As the Court declared in *Sandoval v. Court of Appeals*,^[6] "(i)t is settled doctrine that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the title. He is charged with notice only of such burdens and claims as are annotated on the title."^[7] In the case at bar, it is not disputed that no notice of lis pendens was ever annotated on any of the titles of the subsequent owners. And even if there were such a notice, it would not have created a lien over the property because the main office of a lien is to warn prospective buyers that the property they intend to purchase is the subject of a pending litigation. Therefore, since the property is already in the hands of Luminlun, an innocent purchaser for value, it can no longer be returned to its original owner by Cabrera, much less by Cathay itself.

Another point to consider, though not raised as an issue in this case, is the fact that Cabrera was impleaded as a party-respondent only on August 12, 1991, after the promulgation of the Gancayco decision.^[8] The dispositive portion itself ordered Cathay, instead of Cabrera to reconvey the property to Legarda. Cabrera was never a party to this case, either as plaintiff-appellee below or as respondent in the present action. Neither did he ever act as Cathay's representative. As we held in the recent case of *National Power Corporation v. NLRC, et al.*,^[9] "(j)urisdiction over a party is acquired by his voluntary appearance or submission to the court or by the

coercive process issued by the court to him, generally by service of summons.”^[10] In other words, until Cabrera was impleaded as party respondent and ordered to file a comment in the August 12, 1991, resolution, the Court never obtained jurisdiction over him, and to command his principal to reconvey a piece of property which used to be HIS would not only be inappropriate but would also constitute a real deprivation of one’s property without due process of law.

Assuming arguendo that reconveyance is possible, that Cathay and Cabrera are one and the same and that Cabrera’s payment redounded to the benefit of his principal, reconveyance, under the facts and evidence obtaining in this case, would still not address the issues raised herein

The application of the sale price to Legarda’s judgment debt constituted a payment which extinguished her liability to Cathay as the party in whose favor the obligation to pay damages was established.^[11] It was a payment in the sense that Cathay had to resort to a court-supervised auction sale in order to execute the judgment.^[12] With the fulfillment of the judgment debtor’s obligation, nothing else was required to be done.

Under the Gancayco ruling, the order of reconveyance was premised on the alleged gross negligence of Legarda’s counsel which should not be allowed to bind her as she was deprived of her property “without due process of law.”

It is, however, basic that as long as a party was given the opportunity to defend her interests in due course, she cannot be said to have been denied due process of law, for this opportunity to be heard is the very essence of due process. The chronology of events shows that the case took its regular course in the trial and appellate courts but Legarda’s counsel failed to act as any ordinary counsel should have acted, his negligence every step of the way amounting to “abandonment,” in the words of the Gancayco decision. Yet, it cannot be denied that the proceedings which led to the filing of this case were not attended by any irregularity. The judgment by default was valid, so was the ensuing sale at public auction. If Cabrera was adjudged highest bidder in said auction sale, it was not through any machination on his part. All of his actuations that led to the final registration of the title in his name were aboveboard, untainted by any irregularity.

The fact that Cabrera is an officer of Cathay does not make him a purchaser in bad faith. His act in representing the company was never questioned nor disputed by Legarda. And while it is true that he won in the bidding, it is likewise true that said bidding was conducted by the book. There is no call to be alarmed that an official of the company emerges as the winning bidder since in some cases, the judgment creditor himself personally participates in the bidding.

There is no gainsaying that Legarda is the judgment debtor here. Her property was sold at public auction to satisfy the judgment debt. She cannot claim that she was illegally deprived of her property because such deprivation was done in accordance with the rules on execution of judgments. Whether the money used to pay for said property came from the judgment creditor or its representative is not relevant. What is important is that it was purchased for value. Cabrera parted with real money at the auction. In his “Sheriff’s Certificate of Sale” dated June 27, 1985,^[13] Deputy Sheriff Angelito R. Mendoza certified, inter alia, that the “highest bidder paid to the

Deputy Sheriff the said amount of P376,500.00, the sale price of the levied property.” If this does not constitute payment, what then is it? Had there been no real purchase and payment below, the subject property would never have been awarded to Cabrera and registered in his name, and the judgment debt would never have been satisfied. Thus, to require either Cathay or Cabrera to reconvey the property would be an unlawful intrusion into the lawful exercise of his proprietary rights over the land in question, an act which would constitute an actual denial of property without due process of law.

It may be true that the subject lot could have fetched a higher price during the public auction, as Legarda claims, but she fails to betray any hint of a bid higher than Cabrera’s which was bypassed in his favor. Certainly, he could not help it if his bid of only P376,500.00 was the highest. Moreover, in spite of this allegedly low selling price, Legarda still failed to redeem her property within the one-year redemption period. She could not feign ignorance of said sale on account of her counsel’s failure to so inform her, because such auction sales comply with requirements of notice and publication under the Rules of Court. In the absence of any clear and convincing proof that such requirements were not followed, the presumption of regularity stands. Legarda also claims that she was in the United States during the redemption period, but she admits that she left the Philippines only on July 13, 1985, or sixteen days after the auction sale of June 27, 1985. Finally, she admits that her mother Ligaya represented her during her absence.^[14] In short, she was not totally in the dark as to the fate of her property and she could have exercised her right of redemption if she chose to, but she did not.

Neither Cathay nor Cabrera should be made to suffer for the gross negligence of Legarda’s counsel. If she may be said to be “innocent” because she was ignorant of the acts of negligence of her counsel, with more reason are respondents truly “innocent.” As between two parties who may lose due to the negligence or incompetence of the counsel of one, the party who was responsible for making it happen should suffer the consequences. This reflects the basic common law maxim, so succinctly stated by Justice J.B.L. Reyes, that “. . . (B)etween two innocent parties, the one who made it possible for the wrong to be done should be the one to bear the resulting loss.”^[15] In this case, it was not respondents, Legarda, who misjudged and hired the services of the lawyer who practically abandoned her case and who continued to retain him even after his proven apathy and negligence.

The Gancayco decision makes much of the fact that Legarda is now “consigned to penury” and, therefore, this Court “must come to the aid of the distraught client.” It must be remembered that this Court renders decisions, not on the basis of emotions but on its sound judgment, applying the relevant, appropriate law. Much as it may pity Legarda, or any losing litigant for that matter, it cannot play the role of a “knight in shining armor” coming to the aid of someone, who through her weakness, ignorance or misjudgment may have been bested in a legal joust which complied with all the rules of legal proceedings.

In *Vales v. Villa*,^[16] this Court warned against the danger of jumping to the aid of a litigant who commits serious error of judgment resulting in his own loss: