

SPECIAL SIXTEENTH DIVISION

[CA-G.R. CV NO. 100569, December 11, 2014]

SPOUSES FRANCISCO B. SINFUEGO, JR. AND JESUSISIMA B. SINFUEGO, PLAINTIFFS-APPELLEES, VS. SPOUSES EDUARDO I. CHAN AND ROSELILY CHAN, ESTATE OF MARIA VDA. DE CORDERO, GODOLFO R. GUNDRAN, REGISTER OF DEEDS OF RIZAL, TREASURER OF THE PHILIPPINES, DEFENDANTS, SPOUSES EDUARDO I. CHAN AND ROSELILY CHAN, DEFENDANTS-APPELLANTS.

D E C I S I O N

BATO, JR., J.:

This is an appeal from the Decision^[1] dated September 13, 2012 of the Regional Trial Court of Pasig City (stationed in Taguig City), Branch 153, in Civil Case No. 69627, the dispositive portion of which reads:

WHEREFORE, the foregoing premises considered, defendants are ordered to:

1. Reconvey to plaintiffs the 27.06 sq. m. portion of the subject property previously covered by TCT No. 18551 registered in the name of Ma. Vda. de Cordero and now by TCT No. 40244, registered in the names of defendants spouses;
2. Pay plaintiffs the following:
 - a. Twenty Thousand Pesos (P20,000.00) as moral damages;
 - b. Twenty Thousand Pesos (P20,000.00) as attorney's fees; and
 - c. Costs of suit.

Defendants' counter claims, for lack of merit, are dismissed.

SO ORDERED.

The facts are borne out by the records.

On March 21, 1998, plaintiffs-appellees Spouses Francisco and Jesusisima Sinfuego (hereinafter "Sinfuegos") and the late Maria Vda. de Cordero (hereinafter "Cordero") entered into a *Kasulatan ng Bilihang Lampasan* (Deed of Absolute Sale)^[2] wherein Cordero sold to the Sinfuegos 27.06 square meters (out of 237 square meters) of her real property located in Zone 6, Upper Bicutan, Taguig City and covered by

Transfer Certificate of Title (TCT) No. 18551, for a consideration of P65,000.00.

Almost two months later, or on May 19, 1998, Cordero mortgaged her entire 237 square meter real property, covered by TCT No. 18551, to the defendants-appellants Spouses Eduardo and Roselily Chan (hereinafter "Chans") to secure the payment of a loan in the amount of P60,000.00. The Real Estate Mortgage^[3] dated May 19, 1998 was annotated on TCT No. 18551 on May 20, 1998 as Entry No. 8729.

Meanwhile, the Sinfuegos repeatedly demanded from Cordero to deliver to them the owner's duplicate copy of TCT No. 18551 so that the Sinfuegos can register in their name the portion which they purchased from Cordero. But, Cordero told them that the title was in the possession of a third person. It was only in February 2000 that the Sinfuegos got a photocopy of TCT No. 18551. To their surprise, Cordero's entire property—including that which the Sinfuegos had purchased—had been mortgaged to the Chans. On February 18, 2000, the Sinfuegos filed an Affidavit of Adverse Claim^[4] which was annotated on TCT No. 18551 as Entry No. 6424.

Cordero failed to pay her obligation to the Chans. As a result, the Chans foreclosed the mortgaged property and, during the auction sale, the Chans were the highest bidder. After the expiration of the redemption period, the Chans consolidated ownership of the property. TCT No. 18551 was then cancelled and, on September 12, 2002, TCT No. 40244 was issued in the name of the Chans.

At the instance of the Chans, a writ of possession was issued on August 27, 2003 ordering the removal of all occupants of the real property covered by TCT No. 18551, now TCT No. 40244, including the Sinfuegos who, since acquiring the 27.06 portion thereof, had put up a house and a beauty parlor.

Claiming that they have a better right to the 27.06 square meters which they acquired from Cordero, the Sinfuegos filed on September 16, 2003 a Petition^[5] for Reconveyance against the Chans, the estate of Cordero, the Register of Deeds of Rizal and the Treasurer of the Philippines. The Sinfuegos prayed that TCT No. 40244 be cancelled and a new TCT be issued in the name of the Sinfuegos covering the 27.06 square meter portion of the real property, that the mortgage between Cordero and the Chans—and the subsequent proceedings taken thereon—be declared null and void, and that the Chans be ordered to pay the Sinfuegos moral damages and attorney's fees.

In their Answer with Compulsory Counterclaim,^[6] the Chans claimed that they were not aware of the Deed of Absolute Sale between the Sinfuegos and Cordero, that the said sale did not bind third persons because it was not registered, that the Adverse Claim filed by the Sinfuegos was annotated after the recording of the Real Estate Mortgage, and that the law on foreclosure of mortgages was faithfully observed by the Chans.

During the pre-trial conference on August 5, 2008, the parties jointly stipulated as follows:

1. They knew Maria Vda. de Cordero (now deceased);

2. Maria Vda. de Cordero is the registered owner of a parcel of land covered by Transfer Certificate of Title No. 18551 with an area of 237 square meters;
3. The parcel of land covered by TCT No. 18551 is the subject of the present controversy;
4. That TCT No. 18551 in the name of Maria Vda. de Cordero was cancelled and a new TCT No. 40244 was issued in the name of Eduardo I. Chan;
5. That there was a petition for Writ of Possession involving the subject property filed before RTC Branch 152 and which petition was granted by the said Court on August 27, 2003; and
6. That the instant Petition for Reconveyance filed on September 16, 2003 was filed after the Writ of Possession was issued by RTC Branch 152 on August 27, 2003.^[7]

The parties also agreed on the following issues:

1. Whether defendant Eduardo Chan, as claimed by plaintiffs, is a mortgagee in bad faith and therefore a buyer in bad faith;
2. Whether the sale by Maria Vda. de Cordero consisting of 27.06 square meters, a portion of her property in favor of Sps. Sinfuego, can bind third parties; and
3. Whether both parties are entitled to their respective claims.^[8]

During the trial, both the Sinfuegos testified and presented Melchor Baera, their construction worker. On the other hand, only Eduardo Chan testified for the defense.

On September 13, 2012, the court *a quo* issued its now assailed Decision which ordered the Chans to reconvey the 27.06 square meter portion of the 237 square meter property covered by TCT No. 40244 to the Sinfuegos and to pay P20,000.00 as moral damages and P20,000.00 as attorney's fees. According to the trial court, the Chans were buyers in bad faith because, at the time of the foreclosure sale sometime in June 2000, they already had constructive notice of the adverse claim filed by the Sinfuegos, which adverse claim was inscribed on February 18, 2000.

Not satisfied with the court *a quo*'s Decision, the Chans are now before this Court, on ordinary appeal, alleging that:

First Assignment of Error

THE LOWER COURT ERRED IN FINDING THAT THE DEFENDANTS-

APPELLANTS WERE BUYERS IN BAD FAITH.

Second Assignment of Error

THE LOWER COURT ERRED IN ORDERING THE RECONVEYANCE OF THE 27.06 SQ. M. PORTION OF THE SUBJECT LOT X X X AND IN AWARDING DAMAGES TO THE PLAINTIFFS-APPELLEES.

Third Assignment of Error

THE LOWER COURT ERRED IN NOT GRANTING THE COUNTERCLAIM OF DEFENDANTS-APPELLANTS.^[9]

The Sinfuegos oppose the appeal, claiming that the appealed decision is supported by the evidence and the law; that the defendants-appellants were, in fact, buyers in bad faith.

Thus, the issue in this appeal is whether or not the court *a quo* committed reversible error in ordering the Chans to reconvey to the Sinfuegos the 27.06 square meter portion of the 237 square meter real property now covered by TCT No. 40244, which the Sinfuegos purchased from Cordero.

The appeal is bereft of merit.

We agree with the trial court's ruling that the Chans were not purchasers in good faith. Based on the records, the adverse claim filed by the Sinfuegos was recorded earlier than the auction sale of the subject real property. Because the adverse claim was recorded and annotated on TCT No. 18551, the Chans are presumed to have constructive notice thereof. By ignoring or refusing to investigate the matter—when they should have—the Chans are deemed buyers in bad faith. As explained in *Spouses Pudadera vs. Magallanes*:^[10]

One is considered a purchaser in good faith if he buys the property without notice that some other person has a right to or interest in such property and pays its fair price before he has notice of the adverse claims and interest of another person in the same property. **Well-settled is the rule that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.** “However, this rule shall not apply when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation.” “His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in his vendor's title will not make him an innocent purchaser for value if it later develops that the title was in fact defective,