Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

SPRING HOMES SUBDIVISION CO., INC., SPOUSES PEDRO L. LUMBRES and REBECCA T. ROARING,	**G.R. No. 200009**
	Present:
Petitioners,	CARPIO, *J., Chairperson,* PERALTA, MENDOZA, LEONEN, and JARDELEZA,* *JJ.*
- *versus* -	
SPOUSES PEDRO TABLADA, JR. and ZENAIDA TABLADA, Respondents.	**Promulgated:** 23 JAN 2017

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DECISION

PERALTA, *J.*:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision[1] dated May 31, 2011 and Resolution[2] dated January 4, 2012 of the Court of Appeals (*CA*) in CA-G.R. CV No. 94352 which reversed and set aside the Decision[3] dated September 1, 2009, of the Regional Trial Court (*RTC*), Branch 92, Calamba City.

The factual antecedents are as follows.

On October 12, 1992, petitioners, Spouses Pedro L. Lumbres and Rebecca T. Roaring, (*Spouses Lumbres*) entered into a Joint Venture

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* Designated Additional Member per Special Order No. 2416, dated January 4, 2017.

1 Penned by Associate Justice Isaias Dicdican, with Associate Justices Ricardo R. Rosario and Edwin D. Sorongon, concurring; *rollo*, pp. 60-79.

2 *Id.* at 81-82.

3 Penned by Judge Alberto F. Serrano; *id.* at 387-398.

Agreement with Spring Homes Subdivision Co., Inc., through its chairman, the late Mr. Rolando B. Pasic, for the development of several parcels of land consisting of an area of 28,378 square meters. For reasons of convenience and in order to facilitate the acquisition of permits and licenses in connection with the project, the Spouses Lumbres transferred the titles to the parcels of land in the name of Spring Homes.[4]

On January 9, 1995, Spring Homes entered into a Contract to Sell with respondents, Spouses Pedro Tablada, Jr. and Zenaida Tablada, (*Spouses Tablada*) for the sale of a parcel of land located at Lot No. 8, Block 3, Spring Homes Subdivision, Barangay Bucal, Calamba, Laguna, covered by Transfer Certificate of Title (*TCT*) No. T-284037. On March 20, 1995, the Spouses Lumbres filed with the RTC of Calamba City a complaint for Collection of Sum of Money, Specific Performance and Damages with prayer for the issuance of a Writ of Preliminary Attachment against Spring Homes for its alleged failure to comply with the terms of the Joint Venture Agreement.[5] Unaware of the pending action, the Spouses Tablada began constructing their house on the subject lot and thereafter occupied the same. They were then issued a Certificate of Occupancy by the Office Building Official. Thereafter, on January 16, 1996, Spring Homes executed a Deed of Absolute Sale in favor of the Spouses Tablada, who paid Spring Homes a total of ₱179,500.00, more than the ₱157,500.00 purchase price as indicated in the Deed of Absolute Sale.[6] The title over the subject property, however, remained with Spring Homes for its failure to cause the cancellation of the TCT and the issuance of a new one in favor of the Spouses Tablada, who only received a photocopy of said title.

Subsequently, the Spouses Tablada discovered that the subject property was mortgaged as a security for a loan in the amount of over ₱4,000,000.00 with Premiere Development Bank as mortgagee and Spring Homes as mortgagor. In fact, since the loan remained unpaid, extrajudicial proceedings were instituted.[7] Meanwhile, without waiting for trial on the specific performance and sum of money complaint, the Spouses Lumbres and Spring Homes entered into a Compromise Agreement, approved by the Calamba RTC on October 28, 1999, wherein Spring Homes conveyed the subject property, as well as several others, to the Spouses Lumbres.[8] By virtue of said agreement, the Spouses Lumbres were authorized to collect Spring Homes' account receivables arising from the conditional sales of several properties, as well as to cancel said sales, in the event of default in the payment by the subdivision lot buyers. In its capacity as mortgagee,

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4 *Id.* at 62.
5 *Id.*
6 *Id.*
7 *Id.* at 63.
8 *Id.*

Premiere Development Bank was included as a party in the Compromise Agreement.[9]

In the exercise of the power granted to them, the Spouses Lumbres started collecting deficiency payments from the subdivision lot buyers. Specifically, they sent demand letters to the Spouses Tablada for the payment of an alleged outstanding balance of the purchase price of the subject property in the amount of ₱230,000.00. When no payment was received, the Spouses Lumbres caused the cancellation of the Contract to Sell previously executed by Spring Homes in favor of the Spouses Tablada. On December 22, 2000, the Spouses Lumbres and Spring Homes executed a Deed of Absolute Sale over the subject property, and as a result, a new title, TCT No. T-473055, was issued in the name of the Spouses Lumbres.[10]

On June 20, 2001, the Spouses Tablada filed a complaint for Nullification of Title, Reconveyance and Damages against Spring Homes and the Spouses Lumbres praying for the nullification of the second Deed of Absolute Sale executed in favor of the Spouses Lumbres, as well as the title issued as a consequence thereof, the declaration of the validity of the first Deed of Absolute Sale executed in their favor, and the issuance of a new title in their name.[11] The Sheriff's Return dated August 1, 2001 indicated that while the original copy of the complaint and the summons were duly served upon the Spouses Lumbres, summons was not properly served upon Spring Homes because it was reportedly no longer existing as a corporate entity.[12]

On August 14, 2001, the Spouses Lumbres filed a Motion to Dismiss the case against them raising as grounds the non-compliance with a condition precedent and lack of jurisdiction of the RTC over the subject matter. They alleged that the Spouses Tablada failed to avail of conciliatory proceedings, and that the RTC has no jurisdiction since the parties, as well as property in question, are all located at Calamba City, and that the action instituted by the Spouses Tablada praying for the nullification of the Compromise Agreement actually corresponds to a nullification of a judgement issued by a co-equal trial court. The Spouses Tablada opposed by alleging that Spring Homes holds office at Parañaque City, falling under the exception from the requirement of barangay conciliatory proceedings and that the action they filed was for nullification of title issued to the Spouses Lumbres as a result of a double sale, which is rightly under the jurisdiction of the trial court. They also emphasized that as non-parties to the Compromise Agreement, the same is not binding upon them. The Motion to Dismiss was eventually denied by the trial court on October 2, 2001.[13]

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9 *Id.*
10 *Id.* at 64.
11 *Id.*
12 *Id.*
13 *Id.* at 65.

Interestingly, on even date, the Spouses Lumbres filed an ejectment suit of their own before the Municipal Trial Court in Cities (*MTCC*) of Calamba City demanding that the Spouses Tablada vacate the subject property and pay rentals due thereon. The MTCC, however, dismissed the suit ruling that the Spouses Lumbres registered their title over the subject property in bad faith. Such ruling was reversed by the RTC which found that there was no valid deed of absolute sale between the Spouses Tablada and Spring Homes. Nevertheless, the CA, on appeal, agreed with the MTCC and reinstated the decision thereof. This was affirmed by the Court in *Spouses Lumbres v. Spouses Tablada*[14] on February 23, 2007.

Meanwhile, on the nullification and reconveyance of title suit filed by the Spouses Tablada, the RTC noted that Spring Homes has not yet been summoned. This caused the Spouses Tablada to move for the discharge of Spring Homes as a party on the ground that the corporation had already ceased to exist. The Spouses Lumbres, however, opposed said motion claiming that Spring Homes is an indispensable party.[15] The RTC ordered the motion to be held in abeyance until the submission of proof on Spring Homes' corporate status. In the meantime, trial ensued. Eventually, it was shown that Spring Homes' certificate of registration was revoked on September 29, 2003.[16]

On September 1, 2009, the RTC rendered its Decision dismissing the Spouses Tablada's action for lack of jurisdiction over the person of Spring Homes, an indispensable party.[17] According to the trial court, their failure to cause the service of summons upon Spring Homes was fatal for Spring Homes was an indispensable party without whom no complete determination of the case may be reached.[18] In support thereof, the RTC cited the pronouncement in *Uy v. CA, et. al.*[19] that the absence of an indispensable party renders all subsequent actuations of the court null and void for want of authority to act not only as to the absent parties but even as to those present.[20] In the instant case, the Spouses Tablada prayed that the Deed of Absolute Sale executed by Spring Homes in favor of the Spouses Lumbres be declared null and void and that Spring Homes be ordered to deliver the owner's duplicate certificate of title covering the subject lot. Thus, without jurisdiction over Spring Homes, the case could not properly proceed.[21] The RTC added that the Spouses Tablada's subsequent filing of the motion to discharge does serve as an excuse for at that time, the certificate of registration of Spring Homes had not yet been cancelled or revoked by the Securities and Exchange Commission (*SEC*). In fact, the assumption that it

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14 545 Phil. 471 (2007).
15 *Rollo*, p. 66.
16 *Id.*
17 *Id.* at 398.
18 *Id.* at 392.
19 527 Phil. 117, 128 (2006).
20 *Rollo*, p. 393.
21 *Id.*

was already dissolved when the suit was filed does not cure the defect, because the dissolution of a corporation does not render it beyond the reach of courts considering the fact that it continues as a body corporate for the winding up of its affairs.[22]

In its Decision dated May 31, 2011, however, the CA reversed and set aside the RTC Decision finding that Spring Homes is not an indispensable party. It held that Spring Homes may be the vendor of the subject property but the title over the same had already been issued in the name of the Spouses Lumbres. So any action for nullification of the said title causes prejudice and involves only said spouses, the registered owners thereof. Thus, the trial court may very well grant the relief prayed for by the Spouses Lumbres.[23] In support thereof, the appellate court cited the ruling in *Seno, el. al. v. Mangubat, et. al.*[24] wherein it was held that in the annulment of sale, where the action was dismissed against defendants who, before the filing of said action, had sold their interests in the subject land to their co-defendant, the said dismissal against the former, who are only necessary parties, will not bar the action from proceeding against the latter as the remaining defendant, having been vested with absolute title over the subject property.[25] Thus, the CA maintained that the RTC's reliance on *Uy v. CA* is misplaced for in said case, it was imperative that an assignee of interests in certain contracts be impleaded, and not the assignor, as the RTC interpreted the ruling to mean. Thus, the doctrine in *Uy* actually bolsters the finding that it is the Spouses Lumbres, as assignee of the subject property, and not Spring Homes, as assignor, who are the indispensable parties.[26]

Moreover, considering that the RTC had already concluded its trial on the case and the presentation of evidence by both parties, the CA deemed it proper to proceed to rule on the merits of the case. At the outset, the appellate court noted that the ruling of the Court in *Spouses Lumbres v. Spouses Tablada* back in 2007 cannot automatically be applied herein for said ruling involves an ejectment case that is effective only with respect to the issue of possession and cannot be binding as to the title of the subject property.

This notwithstanding, the CA ruled that based on the records, the first sale between Spring Homes and the Spouses Tablada must still be upheld as valid, contrary to the contention of the Spouses Lumbres that the same was not validly consummated due to the Spouses Tablada's failure to pay the full purchase price of ₱409,500.00. According to the appellate court, the first Deed of Absolute Sale clearly indicated that the consideration for the subject

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22 *Id.* at 394-396.
23 *Id.* at 71.
24 240 Phil. 121 (1987).
25 *Rollo*, pp. 71-72.
26 *Id.* at 72.

property was ₱157,500.00.[27] The Spouses Lumbres' argument that such Deed of Absolute Sale was executed only for the purpose of securing a loan from PAG-IBIG in favor of the Spouses Tablada was unsubstantiated. In fact, even the second Deed of Absolute Sale executed by Spring Homes in favor of the Spouses Lumbres, as well as several receipts presented, indicated the same amount of ₱157,500.00 as purchase price. As for the amount of ₱409,500.00 indicated in the Contract to Sell executed between Spring Homes and the Spouses Tablada, the CA adopted the findings of the Court in *Spouses Lumbres v. Spouses Tablada* in 2007 and held that the amount of ₱409,500.00 is actually composed not only of the subject parcel of land but also the house to be constructed thereon. But since it was proven that it was through the Spouses Tablada's own hard-earned money that the house was constructed, there existed no balance of the purchase price in the amount of ₱230,000.00 as the Spouses Lumbres vehemently insist, *viz.*:

> Further, the spouses Lumbres alleged that what was legal and binding between Spring Homes and plaintiffs-appellants [spouses Tablada] was **the Contract to Sell** which, in part, **reads**:
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> > 3. That the SELLER, for and in consideration of the payments and other terms and conditions hereinafter to be designated, has offered to sell and the BUYER has agreed to buy certain parcel of land more particularly described as follows:
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Blk. No. P-111	Lot No.	Area Sq. Meter	Price Per sq. Meter	Total Selling Price
3	8	105	P1,500	
		42	6,000	
				₱409,500
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> Similar to the ruling of the Supreme Court in Spouses Lumbres v. Spouses Tablada, despite there being no question that the total land area of the subject property was One Hundred Five (105) square meters, there appears in the said contract to sell a numerical value of Forty Two (42) square meters computed at the rate of Six Thousand Pesos (₱6,000.00) per square meter. **We agree with the findings of the Supreme Court in this regard that the Forty Two (42) square meters referred only to the land area of the house to be constructed in the subject property. Since the spouses Lumbres failed to disprove the plaintiffs-appellants [spouses Tablada] claim that it was through their own hard earned money that enabled them to fund the construction and completion of their house and not Spring Homes, there existed no balance of the purchase price to begin with. It is important to note that what the plaintiffs-appellants [spouses Tablada] bought from Spring Homes was a vacant lot. Nowhere in the Deed of Absolute Sale executed between plaintiffs-appellants [spouses Tablada] and Spring Homes was it indicated that the improvements found thereon form part of the subject property, lest, that any improvements existed thereto. It was**

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27 *Id.* at 74.

> **only through the plaintiffs-appellants [spouses Tablada] own efforts that a house was constructed on the subject property.**[28]

The appellate court further stressed that at the time when the Spouses Tablada entered into a contract of sale with Spring Homes, the title over the subject property was already registered in the name of Spring Homes. Thus, the Deed of Absolute Sale between Spring Homes and the Spouses Tablada was valid and with sufficient consideration for every person dealing with a 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.[29]

In the end, the CA upheld the ruling of the Court in *Spouses Lumbres v. Spouses Tablada* that notwithstanding the fact that the Spouses Lumbres, as the second buyer, registered their Deed of Absolute Sale, in contrast to the Spouses Tablada who were not able to register their Deed of Absolute Sale precisely because of Spring Home's failure to deliver the owner's copy of the TCT, the Spouses Tablada's right could not be deemed defeated as the Spouses Lumbres were in bad faith for even before their registration of their title, they were already informed that the subject property was already previously sold to the Spouses Tablada, who had already constructed their house thereon.[30] Thus, the CA disposed the case as follows:

> WHEREFORE, in view of the foregoing premises, the instant appeal is hereby GRANTED. The assailed Decision dated September 1, 2009 in Civil Case No. 3117-2001-C is hereby ANNULLED AND SET ASIDE. Accordingly, the Register of Deeds of Calamba, Laguna, is hereby directed to cancel Transfer Certificate of Title No. T-473055 registered in the name of the defendants-appellees spouses Pedro L. Lumbres and Rebecca T. Roaring Lumbres and, in lieu thereof, issue a new one in the name of plaintiffs-appellants.
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> SO ORDERED.[31]

When their Motion for Reconsideration was denied by the CA in its Resolution dated January 4, 2012, the Spouses Lumbres filed the instant petition invoking the following arguments:

> I.
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> THE COURT OF APPEALS ERRED IN NOT DISMISSING THE APPEAL FOR LACK OF JURISDICTION OF THE TRIAL COURT OVER THE PERSON OF SPRING HOMES AS AN INDISPENSABLE PARTY.

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28 *Id.* at 75-76.
29 *Id.* at 76-77.
30 *Id.* at 78.
31 *Id.* at 79.

II.

THE COURT OF APPEALS ERRED IN ORDERING THAT RESPONDENTS, NOT PETITIONERS, WERE PURCHASERS OF THE PROPERTY IN GOOD FAITH, WHICH IS NOT IN ACCORD WITH ESTABLISHED FACTS, LAW, AND JURISPRUDENCE.

In the instant petition, the Spouses Lumbres insist that the Spouses Tablada have not yet paid the balance of the purchase price of the subject property in the amount of ₱230,000.00 despite repeated demands.[32] They also insist that since Spring Homes, an indispensable party, was not duly summoned, the CA should have affirmed the RTC's dismissal of the instant complaint filed by the Spouses Tablada for lack of jurisdiction.[33] Citing the RTC's Decision, the Spouses Lumbres reiterated that even assuming that Spring Homes had been dissolved at the time of the filing of the complaint, the same does not excuse the failure to implead it for it still continues as a body corporate for three (3) years after revocation of its certificate of incorporation.[34]

Moreover, the Spouses Lumbres faulted the CA in upholding the findings of the Court in the 2007 case entitled *Spouses Lumbres v. Spouses Tablada* for the issue therein only involves physical possession and not ownership. Contrary to the findings of the CA, the Spouses Lumbres claim that the Spouses Tablada were not purchasers in good faith for their failure to react to their repeated demands for the payment of the ₱230,000.00.[35] In fact, the Spouses Tablada even admitted that they would pay the ₱230,000.00 upon the release of the PAG-IBIG loan.[36] Thus, the purported Deed of Absolute Sale between Spring Homes and the Spouses Tablada is void for having no valuable consideration, especially since it was issued merely for purposes of the loan application from PAG-IBIG. On the other hand, the Spouses Lumbres claim that they were in good faith since the First Deed of Absolute Sale between Spring Homes and the Spouses Tablada was not annotated at the back of the subject property's title.[37]

The petition is bereft of merit.

At the outset, it must be noted that Spring Homes is not an indispensable party. Section 7,[38] Rule 3 of the Revised Rules of Court defines indispensable parties as parties-in-interest without whom there can be no final determination of an action and who, for this reason, must be

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32 *Id.* at 21.
33 *Id.* at 23.
34 *Id.* at 27.
35 *Id.* at 40.
36 *Id.* at 43.
37 *Id.* at 41.
38 SECTION 7. *Compulsory joinder of indispensable parties.* – Parties-in-interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

joined either as plaintiffs or as defendants.[39] Time and again, the Court has held that a party is indispensable, not only if he has an interest in the subject matter of the controversy, but also if his interest is such that a final decree cannot be made without affecting this interest or without placing the controversy in a situation where the final determination may be wholly inconsistent with equity and good conscience.[40] He is a person whose absence disallows the court from making an effective, complete, or equitable determination of the controversy between or among the contending parties.[41] Conversely, a party is not indispensable to the suit if his interest in the controversy or subject matter is distinct and divisible from the interest of the other parties and will not necessarily be prejudiced by a judgment which does complete justice to the parties in court.[42] If his presence would merely permit complete relief between him and those already parties to the action or will simply avoid multiple litigation, he is not indispensable.

In dismissing the complaint for lack of jurisdiction, the trial court relied on *Uy v. CA, et. al.*[43] and held that since Spring Homes, an indispensable party, was not summoned, it had no authority to proceed. But as aptly observed by the CA, the doctrine in *Uy* hardly serves as basis for the trial court's conclusions and actually even bolsters the finding that it is the Spouses Lumbres, as assignee of the subject property, and not Spring Homes, as assignor, who are the indispensable parties. In said case, the Public Estates Authority (*PEA*), tasked to complete engineering works on the Heritage Memorial Park project, assigned all of its interests therein to Heritage Park Management Corporation (*HPMC*). When a complaint was filed against the PEA in connection with the project, the Court affirmed the dismissal thereof holding that HPMC, as assignee of PEA's interest, should have been impleaded, being the indispensable party therein. The pertinent portion of the Decision states:

> Based on the Construction Agreement, PEA entered into it in its capacity as Project Manager, pursuant to the PFTA. **According to the provisions of the PFTA, upon the formation of the HPMC, the PEA would turn over to the HPMC all the contracts relating to the Heritage Park. At the time of the filing of the CIAC Case on May 31, 2001, PEA ceased to be the Project Manager of the Heritage Park Project, pursuant to Section 11 of the PFTA. Through a Deed of Assignment, PEA assigned its interests in all the existing contracts it entered into as the Project Manager for Heritage Park to HPMC**. As early as March 17, 2000, PEA officially turned over to HPMC all the documents and equipment in its possession related to the Heritage Park Project. Petitioner was duly informed of these incidents through a letter dated March 13, 2000. **Apparently, as of the date of the filing of the CIAC Case, PEA is no longer a party-in-interest. Instead, it is now**

39 621 Phil. 212, 221 (2009).
40 *Id.*
41 *Id.*
42 504 Phil. 634, 640-641 (2005).
43 *Supra* note 19.

> **CIAC Case, PEA is no longer a party-in-interest. Instead, it is now private respondent HPMC, as the assignee, who stands to be benefited or injured by the judgment in the suit. In its absence, there cannot be a resolution of the dispute of the parties before the court which is effective, complete or equitable. We thus reiterate that HPMC is an indispensable party.**[44]

Moreover, as held by the CA, the pronouncement in *Seno, et. al. v. Mangubat, et. al.*[45] is instructive. In said case, the petitioner therein entered into an agreement with certain respondents over a parcel of land, which agreement petitioner believed to be merely an equitable mortgage but respondents insisted to be a sale. The agreement, however, was embodied in a document entitled "Deed of Absolute Sale." Consequently, respondents were able to obtain title over the property in their names. When two of the three respondents sold their shares to the third respondent, the third respondent registered the subject property solely in his name. Thereafter, the third respondent further sold said property to another set of persons. Confronted with the issue of whether the two respondents who sold their shares to the third respondent should be impleaded as indispensable parties in an action filed by petitioner to reform the agreement and to annul the subsequent sale, the Court ruled in the negative, *viz.*:

> **The first issue We need to resolve is whether or not defendants Andres Evangelista and Bienvenido Mangubat are indispensable parties**. Plaintiffs contend that said defendants being more dummies of defendant Marcos Mangubat and therefore not real parties in interest, there is no room for the application of Sec. 7, Rule 3 of the Revised Rules of Court.
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> x x x x
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> **In the present case, there are no rights of defendants Andres Evangelista and Bienvenido Mangubat to be safeguarded if the sale should be held to be in fact an absolute sale nor if the sale is held to be an equitable mortgage. Defendant Marcos Mangubat became the absolute owner of the subject property by virtue of the sale to him of the shares of the aforementioned defendants in the property. Said defendants no longer have any interest in the subject property.** However, being parties to the instrument sought to be reformed, their presence is necessary in order to settle all the possible issues of tile controversy. Whether the disputed sale be declared an absolute sale or an equitable mortgage, the rights of all the defendants will have been amply protected. Defendants-spouses Luzame in any event may enforce their rights against defendant Marcos Mangubat.[46]

Similarly, by virtue of the second Deed of Absolute Sale between Spring Homes and the Spouses Lumbres, the Spouses Lumbres became the

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44 *Id.* (Emphasis supplied).
45 *Supra* note 24.
46 *Id.* (Emphasis supplied).

absolute and registered owner of the subject property herein. As such, they possess that certain interest in the property without which, the courts cannot proceed for settled is the doctrine that registered owners of parcels of land whose title is sought to be nullified should be impleaded as an indispensable party.[47] Spring Homes, however, which has already sold its interests in the subject land, is no longer regarded as an indispensable party, but is, at best, considered to be a necessary party whose presence is necessary to adjudicate the whole controversy, but whose interests are so far separable that a final decree can be made in its absence without affecting it.[48] This is because when Spring Homes sold the property in question to the Spouses Lumbres, it practically transferred all its interests therein to the said Spouses. In fact, a new title was already issued in the names of the Spouses Lumbres. As such, Spring Homes no longer stands to be directly benefited or injured by the judgment in the instant suit regardless of whether the new title registered in the names of the Spouses Lumbres is cancelled in favor of the Spouses Tablada or not. Thus, contrary to the ruling of the RTC, the failure to summon Spring Homes does not deprive it of jurisdiction over the instant case for Spring Homes is not an indispensable party.

On the merits of the case, the Court likewise affirms the findings of the CA. The issue here involves what appears to be a double sale. *First*, the Spouses Tablada entered into a Contract to Sell with Spring Homes in 1995 which was followed by a Deed of Absolute Sale in 1996. *Second*, in 2000, the Spouses Lumbres and Spring Homes executed a Deed of Absolute Sale over the same property. The Spouses Lumbres persistently insist that the first Deed of Sale executed by the Spouses Tablada is void for having no valuable consideration. They argue that out of the ₱409,500.00 purchase price under the Contract to Sell, the Spouses Tablada merely paid ₱179,500.00, failing to pay the rest in the amount of ₱230,000.00 despite demands.

There is no merit in the contention.

As the CA held, it is clear from the first Deed of Absolute Sale that the consideration for the subject property is ₱157,500.00. In fact, the same amount was indicated as the purchase price in the second Deed of Absolute Sale between Spring Homes and the Spouses Lumbres. As for the varying amounts contained in the Contract to Sell, the Court notes that the same has already been duly addressed by the Court in the 2007 *Spouses Lumbres v. Spouses Tablada*[49] case, the pertinent portions of which states:

> In claiming their right of possession over the subject lot, petitioners made much of the judicially approved Compromise Agreement

47 719 Phil. 241, 253 (2013).
48 *Seno, et. al. v. Mangubat, et. al., supra* note 24.
49 *Supra* note 14.

in Civil Case No. 2194-95-C, wherein Spring Homes' rights and interests over the said lot under its Contract to Sell with the respondents were effectively assigned to them. **Petitioners argue that out of the whole ₱409,500.00 purchase price under the respondents Contract to Sell with Spring Homes, the respondents were able to pay only ₱179,500.00, leaving a balance of ₱230,000.00.**

Upon scrutiny, however, the CA astutely observed that despite there being no question that the total land area of the subject lot is 105 square meters, the Contract to Sell executed and entered into by Spring Homes and the respondent spouses states:

> 3. That the SELLER, for and in consideration of the payments and other terms and conditions hereinafter to be designated, has offered to sell and the BUYER has agreed to buy certain parcel of land more particularly described as follows:

Blk. No. P-111	Lot No.	Area Sq. Meter	Price Per sq. Meter	Total Selling Price
3	8	105	P1,500	
		42	6,000	
				P409,500

The two deeds of absolute sale as well as the respondents' Tax Declaration No. 019-1342 uniformly show that the land area of the property covered by TCT No. T-284037 is 105 square meters. The parties never contested its actual land area.

However, while there is only one parcel of land being sold, which is Lot 8, Blk. 3, paragraph "1" above of the Contract to Sell speaks of two (2) land areas, namely, "105" and "42," and two (2) prices per square meter, to wit: "₱1,500" and "₱6,000." As correctly observed by the CA:

> It does not require much imagination to understand why figures "3," "8," "105" and "₱1,500" appear in the paragraph "1" of the Contract to Sell. Certainly "3" stands for "Blk. No.," "8" stands for "Lot No.," "105" stands for the land area and "₱1,500" stands for the price per square meter. However, this Court is perplexed as regards figures "42" and "6,000" as they are not accompanied by any "Blk. No." and/or "Lot No." In other words, while there is only one parcel of land being sold, paragraph "1" of the Contract to Sell contains two land areas and two prices per square meter. There is no reason for the inclusion of land area in the computation when it was established beyond cavil that the total area being sold is only 105 square meters. Likewise, there is no explanation why there is another rate for the additional 42 square meters, which was pegged at ₱6,000 per square meter, while that of 105 square meters was only ₱1,500.00.

The CA could only think of one possible explanation: **the Contract to Sell refers only to a single lot with a total land area of 105**

> **square meters. The 42 square meters mentioned in the same contract and therein computed at the rate of ₱6,000 per square meter refer to the cost of the house which would be constructed by the respondents on the subject lot through a Pag-Ibig loan.** The land area of the house to be constructed was pegged at 42 square meters because of the following restrictions in the Contract to Sell:
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> 9. The lot(s) subject matter of this contract are subject to the following restrictions:
>
> a) Any building which may be constructed at anytime in said lot(s) must be strong x x x. Said building must not be constructed at a distance of less than (2) meters from any boundaries of the lot(s).
>
> b) The total area to be voted to buildings or structures shall not exceed eighty percent (80%) of the total area of the lot(s).[50]

Thus, while the Spouses Lumbres would like Us to believe that based on the Contract to Sell, the total selling price of the subject property is ₱409,500.00, the contract itself, as well as the surrounding circumstances following its execution, negate their argument. As appropriately found by the Court, said amount actually pertains to the sum of: (1) the cost of the land area of the lot at 105 square meters priced at ₱1,500 per square meter; and (2) the cost of the house to be constructed on the land at 42 square meters priced at ₱6,000 per square meter. But it would be a grave injustice to hold the Spouses Tablada liable for more than the cost of the land area when it was duly proven that they used their own funds in the construction of the house. As shown by the records, the Spouses Tablada was forced to use their own money since their PAG-IBIG loan application did not materialize, not through their own fault, but because Spring Homes failed, despite repeated demands, to deliver to them the owner's duplicate copy of the subject property's title required by the loan application. In reality, therefore, what Spring Homes really sold to the Spouses Tablada was only the lot in the amount of ₱157,500.00, since the house was constructed thereon using the Spouses Tablada's own money. In fact, nowhere in the Contract to Sell was it stated that the subject property includes any improvement thereon or that the same even exists. Moreover, as previously mentioned, in both the first and second Deeds of Absolute Sale, it was indicated that the amount of the property subject of the sale is only ₱157,500.00. Accordingly, the Court held further in *Spouses Lumbres v. Spouses Tablada*:

> **Looking at the above-quoted portion of the Contract to Sell, the CA found merit in the respondents' contention that the total selling price of P409,500 includes not only the price of the lot but also the cost of the house that would be constructed thereon.** We are inclined to agree. The CA went on to say:

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50 *Id.* (Emphasis supplied).

> **It could be argued that the contract to sell never mentions the construction of any house or building on the subject property. Had it been the intention of the parties that the total selling price would include the amount of the house that would be taken from a loan to be obtained from Pag-Ibig, they could have specified so. However, one should not lose sight of the fact that the contract to sell is an accomplished form.** [Respondents,] trusting Spring Homes, could not be expected to demand that another contract duly reflective of their agreements be utilized instead of the accomplished form. The terms and conditions of the contract may not contemplate the inclusion of the cost of the house in the total selling price, but the entries typewritten thereon sufficiently reveal the intentions of the parties.
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> **The position of the [respondents] finds support in the documents and subsequent actuations of Bertha Pasic, the representative of Spring Homes. [Respondents] undeniably proved that they spent their own hard-earned money to construct a house thereon after their Pag-Ibig loan did not materialize. It is highly unjust for the [respondents] to pay for the amount of the house when the loan did not materialize due to the failure of Spring Homes to deliver the owner's duplicate copy of TCT No. T-284037.**
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> x x x x
>
> **If the total selling price was indeed ₱409,500.00, as [petitioners] would like to poster, said amount should have appeared as the consideration in the deed of absolute sale dated January 15, 1996. However, only ₱157,500.00 was stated.** The amount stated in the Deed of Absolute Sale dated January 15, 1996 was not only a portion of the selling price, because the Deed of Sale dated December 22, 2000 also reflected ₱157,500.00 as consideration. It is not shown that [petitioners] likewise applied for a loan with Pag-Ibig. **The reasonable inference is that the consistent amount stated in the two Deeds of Absolute Sale was the true selling price as it perfectly jibed with the computation in the Contract to Sell.**

We find the CA's reasoning to be sound. At any rate, the execution of the January 16, 1996 Deed of Absolute Sale in favor of the respondents effectively rendered the previous Contract to Sell ineffective and canceled. Furthermore, we find no merit in petitioners' contention that the first sale to the respondents was void for want of consideration. As the CA pointed out in its assailed decision:

> **Other than the [petitioners'] self-serving assertion that the Deeds of Absolute Sale was executed solely for the purpose of obtaining a Pag-Ibig loan, no other concrete evidence was tendered to justify the execution of the deed of absolute sale.** They failed to

> overcome the clear and convincing evidence of the [respondents] that as early as July 5, 1995 the latter had already paid the total amount of ₱179,500.00, much bigger than the actual purchase price for the subject land.[51]

There is, therefore, no factual or legal basis for the Spouses Lumbres to claim that since the Spouses Tablada still had an outstanding balance of ₱230,000.00 from the total purchase price, the sale between Spring Homes and the Spouses Tablada was void, and consequently, they were authorized to unilaterally cancel such sale, and thereafter execute another one transferring the subject property in their names. As correctly held by the Court in *Spouses Lumbres v. Spouses Tablada*,[52] the first Deed of Sale executed in favor of the Spouses Tablada is valid and with sufficient consideration. Thus, in view of this validity of the sale subject of the first Deed of Absolute Sale between Spring Homes and the Spouses Tablada, the Court shall now determine who, as between the two spouses herein, properly acquired ownership over the subject property. In this regard, Article 1544 of the Civil Code reads:

> Art. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.
>
> **Should it be immovable property, the ownership shall belong to the person acquiring it who in *good faith* first recorded it in the Registry of Property.**
>
> Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession, and, in the absence thereof, to the person who presents the oldest title, provided there is good faith. (Emphasis supplied)

The principle of *primus tempore, potior jure* (first in time, stronger in right) gains greater significance in case of a double sale of immovable property.[53] Thus, the Court has consistently ruled that ownership of an immovable property which is the subject of a double sale shall be transferred: (1) to the person acquiring it who in good faith first recorded it in the Registry of Property; (2) in default thereof, to the person who in good faith was first in possession; and (3) in default thereof, to the person who presents the oldest title, provided there is good faith.[54] The requirement of the law then is two-fold: acquisition in good faith and registration in good faith. Good faith must concur with the registration – that is, the registrant must have no knowledge of the defect or lack of title of his vendor or must

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51 *Id.* (Emphasis supplied).
52 *Id.*
53 711 Phil. 644, 658 (2013).
54 *Id.*

not have been aware of facts which should have put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor. If it is shown that a buyer was in bad faith, the alleged registration they have made amounted to no registration at all.[55]

Here, the first buyers of the subject property, the Spouses Tablada, were able to take said property into possession but failed to register the same because of Spring Homes' unjustified failure to deliver the owner's copy of the title whereas the second buyers, the Spouses Lumbres, were able to register the property in their names. But while said the Spouses Lumbres successfully caused the transfer of the title in their names, the same was done in bad faith. As correctly observed by the Court in *Spouses Lumbres v. Spouses Tablada*,[56] the Spouses Lumbres cannot claim good faith since at the time of the execution of their Compromise Agreement with Spring Homes, they were indisputably and reasonably informed that the subject lot was previously sold to the Spouses Tablada. They were also already aware that the Spouses Tablada had constructed a house thereon and were in physical possession thereof. They cannot, therefore, be permitted to freely claim good faith on their part for the simple reason that the First Deed of Absolute Sale between Spring Homes and the Spouses Tablada was not annotated at the back of the subject property's title. It is beyond the Court's imagination how spouses Lumbres can feign ignorance to the first sale when the records clearly reveal that they even made numerous demands on the Spouses Tablada to pay, albeit erroneously, an alleged balance of the purchase price.

Indeed, knowledge gained by the first buyer of the second sale cannot defeat the first buyer's rights except only as provided by law, as in cases where the second buyer first registers in good faith the second sale ahead of the first.[57] Such knowledge of the first buyer does bar her from availing of her rights under the law, among them, first her purchase as against the second buyer. But conversely, knowledge gained by the second buyer of the first sale defeats his rights even if he is first to register the second sale, since such knowledge taints his prior registration with bad faith.[58]

Accordingly, in order for the Spouses Lumbres to obtain priority over the Spouses Tablada, the law requires a continuing good faith and innocence or lack of knowledge of the first sale that would enable their contract to ripen into full ownership through prior registration.[59] But from the very beginning, the Spouses Lumbres had already known of the fact that the subject property had previously been sold to the Spouses Tablada, by virtue

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55 *Id.*
56 *Supra* note 14.
57 621 Phil. 126, 146 (2009).
58 *Id.*
59 *Id.*

of a valid Deed of Absolute Sale. In fact, the Spouses Tablada were already in possession of said property and had even constructed a house thereon. Clearly then, the Spouses Lumbres were in bad faith the moment they entered into the second Deed of Absolute Sale and thereafter registered the subject property in their names. For this reason, the Court cannot, therefore, consider them as the true and valid owners of the disputed property and permit them to retain title thereto.

WHEREFORE, premises considered, the instant petition is **DENIED.** The assailed Decision dated May 31, 2011 and Resolution dated January 4, 2012 of the Court of Appeals in CA-G.R. CV No. 94352 are hereby **AFFIRMED.**

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

JOSE CATRAL MENDOZA
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice