Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

MR. AND MRS. ERNESTO MANLAN,
Petitioners,

G.R. No. 222530

Present:

PERALTA, *J., Chairperson,*
LEONEN,*
REYES, A., JR.,
HERNANDO, and
INTING, *JJ.*

- *versus* -

MR. AND MRS. RICARDO BELTRAN,
Respondents.

Promulgated:

October 16, 2019

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DECISION

INTING, *J.*:

Before this Court is a petition[1] for review under Rule 45 of the Rules of Court assailing the Decision[2] dated April 29, 2015 and Resolution[3] dated December 4, 2015 of the Court of Appeals (CA) in CA-G.R. CV No. 01395 which affirmed *in toto* the Decision[4] dated April 5, 2006 of Branch 40, Regional Trial Court (RTC), Dumaguete City.

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* On leave.

1 *Rollo*, pp. 12-28.

2 *Id.* at 127-136; penned by Associate Justice Edgardo L. Delos Santos, and concurred in by Associate Justices Ma. Luisa Quijano-Padilla and Marie Christine Azcarraga-Jacob.

3 *Id.* at 143-144; penned by Associate Justice Edgardo L. Delos Santos, and concurred in by Associate Justices Pamela Ann Abella Maxino and Renato C. Francisco.

4 *Id.* at 93-100; rendered by Presiding Judge Gerardo A. Paguio, Jr.

The Antecedents

The present case involves the conflicting claims of two sets of buyers over a parcel of land. One group avers of having bought the property from one of its co-owners and building their house thereon in good faith. Meanwhile, the other group claims of having bought the same land from all the co-owners and registered it in good faith.

Specifically, the subject matter here is a 1,214 square meter (sq.m.) land situated in *Barangay* Calindagan, Dumaguete City forming part of Lot 1366-E and originally owned in common by Serbio, Anfiano, Engracia, Carmela, Manuel, Teresito, Corazon, Segundina, and Leonardo, all surnamed Orbeta (collectively referred as "the Orbetas").

On May 5, 1983, Spouses Ernesto and Rosita Manlan (petitioners) bought a 500 sq.m. portion of the subject property from Manuel Orbeta for ₱30,000.00. After receiving the advance payment of ₱15,000.00, Manuel Orbeta allowed petitioners to occupy it.[5]

On October 21, 1986, the Orbetas (except for Manuel Orbeta who was already deceased; thus, represented by his wife Emiliana Villamil Orbeta) executed a Deed of Absolute Sale (DOAS) conveying the 714 sq.m. portion of the same property to Spouses Ricardo and Zosima Beltran (respondents). On November 20, 1990, respondents bought the remaining 500 sq.m. from the Orbetas,[6] as evidenced by another DOAS.[7] Consequently, on January 28, 1991, the subject property was registered in respondents' name under Transfer Certificate of Title (TCT) No. 20152.[8]

Thereafter, respondents demanded from petitioners to vacate the property in dispute, but to no avail. Thus, they brought the matter to the *barangay lupon*. When conciliation failed, respondents filed an action for quieting of title and recovery of possession of the 500 sq.m. portion of the subject land.[9]

In the Complaint,[10] respondents claimed to be the absolute owners of the subject property having bought it from the Orbetas.

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5 *Id.* at 128.
6 *Id.*
7 *Rollo*, pp. 63-64.
8 *Id.* at 36.
9 *Id.* at 129.
10 *Id.* at 29-35.

In their Answer,[11] petitioners alleged that they bought the 500 sq.m. portion of the disputed land from Serbio and Manuel Orbeta in 1983.

As counterclaim, they contended that the DOAS dated November 20, 1990, executed by respondents and the Orbetas, was fictitious, having been procured by means of falsification and insidious scheme and machination because at the time it was notarized, one of the co-owners, Serbio, was already dead. Accordingly, the deed could not be a source of respondents' right over the contested land.

Ruling of the RTC

In its April 5, 2006, Decision,[12] the RTC ruled that respondents had a better title over the subject property. The dispositive portion of its decision reads:

> WHEREFORE, premises considered, judgment is hereby rendered as follows:
>
> A. The plaintiffs are entitled to the possession of the 500[-]square meter portion of Lot 1366-E covered by Transfer Certificate of Title No. 2015[2];[13]
>
> B. The defendants are declared to be builders or possessors in good faith entitled to reimbursement of all improvements and expenses, both necessary and useful, introduced into the 500[-]square meter portion of Lot 1366-E with right of retention as provided by Articles 448 and 546 of the Civil Code;
>
> C. The defendants are ordered to vacate the 500[-]square meter portion of Lot 1366-E after reimbursement, as stated in paragraph B, by the plaintiffs;
>
> No costs.
>
> SO ORDERED.[14]

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[11] *Id.* at 40-45.
[12] *Id.* at 93-100.
[13] *Id.* at 36. The Transfer Certificate of Title number is 20152 and not 20153.
[14] *Id.* at 99-100.

Although the RTC found that the notarization of the DOAS dated November 20, 1990 was defective, it, nevertheless, ruled that the defect did not affect the legality of the conveyance from the Orbetas to respondents. Moreover, it ruled that petitioners could not collaterally attack the validity of respondents' title. Thus, it upheld the transfer of rights from the Orbetas to respondents.

Aggrieved, petitioners elevated the case to the CA.

Ruling of the CA

On April 29, 2015, the CA promulgated the assailed Decision[15] affirming the RTC ruling, to wit:

> WHEREFORE, all the foregoing proffered, the instant appeal is DENIED. The Decision dated April 5, 2006 of the RTC, Branch 40, Dumaguete City is hereby AFFIRMED.
>
> SO ORDERED.[16]

The CA held that the rule on double sales under Article 1544 of the New Civil Code does not apply here. It explained that there is double sale only when the same property is validly sold by one vendor to different vendees. It ruled that Lot 1366-E was not transferred by a single vendor to several purchasers considering that respondents bought the contested lot from the original co-owners, the Orbetas; while petitioners bought the same contested property from Manuel Orbeta.[17]

Likewise, the CA affirmed the RTC ruling that respondents had a better right over the subject property as they proved their valid conveyance from all the co-owners of the property. It also upheld the RTC findings that the defect in the notarization of the deed of sale dated November 20, 1990 did not affect the transfer of rights from the Orbetas to respondents. It ruled that a defective notarization, simply means that the deed of sale should be treated as a private document, which could be proved by anyone who saw the document executed or written, or by evidence anent the genuineness of the signature or handwriting of the

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[15] *Id.* at 127-137.
[16] *Id.* at 136.
[17] *Id.* at 132.

maker. Lastly, it found that respondents were able to prove the authenticity and due execution of the questioned deed of sale.[18]

Petitioners moved for reconsideration, but the RTC denied it for lack of merit in the assailed Resolution[19] dated December 4, 2015.

In the instant petition, petitioners argue that: (1) the rules on double sale are applicable; (2) the CA erred in not considering that respondents were in bad faith in purchasing the subject property; (3) the DOAS dated November 20, 1990 is fraudulent as it was not validly notarized; and (4) the defective notarization in the deed of sale affected the validity of TCT No. 20152.

In a nutshell, petitioners raise the issue of whether the DOAS dated November 20, 1990 is valid.[20]

Ruling of the Court

The petition is unmeritorious.

At the outset, it must be emphasized that this Court is not a trier of facts and only questions of law must be raised in a petition filed under Rule 45 of the Rules of Court.[21] Moreover, this Court accords finality on the factual findings of the trial courts, especially when such findings are affirmed by the appellate court, as in the case at bench.[22] Although said rule admits certain exceptions,[23] none of which was proved here. Thus, this Court is *not* duty-bound to analyze and weigh all over again the evidence already considered in the proceedings before the trial court.

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[18] *Id.* at 133-134.
[19] *Id.* at 143-144.
[20] *Id.* at 19.
[21] *Heirs of Mariano v. City of Naga*, G.R. No. 197743, March 12, 2018.
[22] *St. Mary's Farm, Inc. v. Prima Real Properties, Inc. et al.*, 582 Phil. 673, 679 (2008).
[23] As provided in *Medina v. Mayor Asistio, Jr.*, 269 Phil. 225, 232 (1990) the following are the exceptions: (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence onwhich they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.

More particularly, petitioners proffer factual issues such as whether respondents were in bad faith when they bought the property from the Orbetas and whether respondents fraudulently executed the Deed of Sale dated November 20, 1990. These factual matters are not within the province of this Court to look into, save only in exceptional circumstances which are not present here. As such, this Court gives credence to the factual evaluation made by the trial court which was affirmed by the CA.

Based on the foregoing, the Court limits its discussion on the following questions of law: (1) whether the rules on double sale under Article 1544 of the New Civil Code are applicable; (2) whether the defective notarization affects the legality of sale; and (3) whether petitioners collaterally attacked the respondents' Torrens title.

On whether the rules on double sale are applicable.

Petitioners insist that this is a plain case of double sale. They argue that they bought in good faith the 500 sq.m. portion of Lot 1366-E in 1983, while respondents bought the subject property only in 1990. They stress that they have a better right over the property following the rules on double sale under Article 1544 of the New Civil Code.[24]

We disagree.

Petitioners' reliance on Article 1544 of the New Civil Code is misplaced.

Article 1544 of the New Civil Code provides:

> 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.

[24] *Rollo*, p. 19.

> 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.

In *Cheng v. Genato*,[25] the Court enumerated the requisites in order for Article 1544 to apply, *viz.*:

> (a) The two (or more) sales transactions in issue must pertain to exactly the same subject matter, and must be valid sales transactions.
>
> (b) The two (or more) buyers at odds over the rightful ownership of the subject matter must each represent conflicting interests; and
>
> (c) The two (or more) buyers at odds over the rightful ownership of the subject matter must each have bought from the very same seller.[26]

In fine, there is double sale when the same thing is sold to different vendees by a single vendor.[27] It only means that Article 1544 has no application in cases where the sales involved were initiated not just by one vendor but by several vendors.[28]

Here, petitioners and respondents acquired the subject property from different transferors. The DOAS[29] dated November 20, 1990 shows that all of the original co-owners (except for Manuel and Serbio, who are already deceased) sold the subject lot to respondents. On the other hand, the Receipt and Promissory Note[30] both dated May 5, 1983, reveal that only Manuel sold the lot to petitioners. As found by the RTC and the CA, nothing on the records shows that Manuel was duly authorized by the other co-owners to sell the subject property in 1983.

Evidently, there are two sets of vendors who sold the subject land to two different vendees. Thus, this Court upholds the findings of the trial court and the CA that the rule on double sale is not applicable in the instant case.

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[25] 360 Phil. 891 (1998). Italics omitted.
[26] *Id.* at 909.
[27] *Heirs of Bayog-Ang v. Quinones,* G.R. No. 205680, November 21, 2018.
[28] *Mactan-Cebu International Airport Authority v. Sps. Tirol at al.*, 606 Phil. 641, 651 (2009).
[29] *Rollo*, pp. 63-64.
[30] *Id.* at 46.

On whether the defective notarization affects the legality of the sale.

Petitioners maintain that the DOAS dated November 20, 1990 cannot be a source of rights for respondents because the notarization was defective. They contend that when the deed of sale was notarized, one of its signatories was already dead. In simple terms, petitioners assail the deed of sale as it was obtained by respondents through fraud.

Petitioners are mistaken.

Basic is the rule in civil law that the necessity of a public document for contracts which transmit or extinguish real rights over immovable property, as mandated by Article 1358[31] of the Civil Code, is only for convenience. It is not essential for its validity or enforceability.[32] In other words, the failure to follow the proper form prescribed by Article 1358 of the Civil Code does not render the acts or contracts invalid.[33] Where a contract is not in the form prescribed by law, the parties can merely compel each other to observe that form, once the contract has been perfected.[34]

In addition, it has been held, time and again, that a sale of a real property that is not consigned in a public instrument is, nevertheless, valid and binding among the parties.[35] This is in accordance with the time-honored principle that even a verbal contract of sale of real estate produces legal effects between the parties.[36] Contracts are obligatory, in whatever form they may have been entered into, provided all the essential requisites for their validity are present.[37]

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[31] Art. 1358. The following must appear in a public document:
(1) Acts and contracts which have for their object the creation, transmission, modification or extinguishment of real rights over immovable property; sales of real property or of an interest therein are governed by articles 1403, No. 2, and 1405;
(2) The cession, repudiation or renunciation of hereditary rights or of those of the conjugal partnership of gains;
(3) The power to administer property, or any other power which has for its object an act appearing or which should appear in a public document, or should prejudice a third person;
(4) The cession of actions or rights proceeding from an act appearing in a public document.
All other contracts where the amount involved exceeds five hundred pesos must appear in writing, even a private one. But sales of goods, chattels or things in action are governed by articles 1403, No. 2 and 1405. (1280 a)

[32] *Estreller, et al. v. Ysmael, et al.*, 600 Phil. 292 (2009); see also *Estate of Gonzales v. Heirs of Perez*, 620 Phil. 47 (2009).

[33] *Peñalosa v. Santos*, 416 Phil. 12, 29 (2001).

[34] *Id.*

[35] *The Estate of Pedro C. Gonzales, et al. v. Heirs of Marcos Perez*, 620 Phil. 47, 61 (2009).

[36] *Id.*

[37] CIVIL CODE, Article 1356.

Following these principles, the defective notarization of the DOAS dated November 20, 1990 does not affect the validity of the transaction between the Orbetas and respondents. It has no effect on the transfer of rights over the subject property from the Orbetas to respondents.

A defective notarization will merely strip the document of its public character and reduce it to a private instrument.[38] Consequently, when there is a defect in the notarization of a document, the clear and convincing evidentiary standard normally attached to a duly notarized document is dispensed with, and the measure to test the validity of such document is preponderance of evidence.[39] The document with a defective notarization shall be treated as a private document and can be examined under the parameters of Section 20, Rule 132 of the Rules of Court which provides that, "*before any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either: (a) by anyone who saw the document executed or written; or (b) by evidence of the genuineness of the signature or handwriting of the maker x x x.*"[40]

In the instant case, Ricardo Beltran (Ricardo) positively testified that he personally went to the Orbetas and that he was actually present when the Orbetas signed the contract.[41] He likewise testified that while the deed of sale was not signed by the Orbetas before the notary public, they appeared before the latter and affirmed that their signatures therein were authentic.[42] Ricardo has personal knowledge of the fact that the Orbetas signed the questioned deed of sale.[43] Beyond doubt, respondents proved, by preponderant evidence, that they are the rightful owners of the subject property.

Moreover, the non-appearance of the parties before the notary public who notarized the document neither nullifies nor renders the parties' transaction void *ab initio*.[44] The failure of the Orbetas to appear before the notary public when they signed the questioned deed of sale does not nullify the parties' transaction.

Based on the foregoing, the Court finds that the CA did not err in ruling that the DOAS dated November 20, 1990 is valid and binding.

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38 *Adelaida Meneses (deceased) v. Venturozo*, 675 Phil. 641, 652 (2011).
39 *Id.*
40 *The Heirs of Victoriano Sarili v. Lagrosa*, 724 Phil. 608, 619 (2014).
41 *Rollo*, p. 133.
42 *Id.* at 134.
43 *Id.*
44 *Mallari v. Alsol*, 519 Phil. 139, 149 (2006).

On whether the petitioners collaterally attacked the respondents' title.

Petitioners postulate that their counterclaim[45] in the Answer[46] constitutes a direct attack on respondents' title, which is allowed under the rules.

Their claim holds no water.

Section 48 of Presidential Decree No. 1529 or the Property Registration Decree, proscribes a collateral attack to a certificate of title, *viz.*:

> Sec. 48. *Certificate not subject to collateral attack.* – A certificate of title shall not be subject to collateral attack. It cannot be altered, modified or cancelled except in a direct proceeding in accordance with law.

In *Sps. Sarmiento v. Court of Appeals*,[47] this Court differentiated a direct and collateral attack in this wise:

> An action is deemed an attack on a title when the object of the action or proceeding is to nullify the title, and thus challenge the judgment pursuant to which the title was decreed. The attack is direct when the object of the action is to annul or set aside such judgment, or enjoin its enforcement. On the other hand, the attack is indirect or collateral when, in an action to obtain a different relief, an attack on the judgment is nevertheless made as an incident thereof.[48] (Citations omitted.)

In the instant case, petitioners argue that respondents are not innocent purchasers for value and were in bad faith in registering the subject lot. Such claim is merely incidental to the principal case of quieting of title and recovery of possession, and thus, an indirect attack on respondents' title.

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45 *Rollo*, p. 43.
46 *Id.* at 39-44.
47 507 Phil. 101 (2005).
48 *Id.* at 113.

Citing *Sampaco v. Lantud* (*Sampaco*)[49] and *Development Bank of the Phils. v. CA and Carlos Cajes* (*DBP*),[50] petitioners insist that their counterclaim is a direct attack against respondents' title. After a careful perusal, petitioners cannot invoke *Sampaco* and *DBP* in their favor. Considering that the factual milieu in these cases is not on all fours with the instant case. In *Sampaco*, therein petitioner filed a counterclaim and prayed for the cancellation of respondent's title and reconveyance of the subject property; thus:

> x x x Petitioner filed a counterclaim for actual and moral damages, and attorney's fees for the unfounded complaint and prayed for its dismissal. *He also sought the cancellation of respondent's OCT No. P-658 and the reconveyance of the subject parcel of land.*[51] (Italics supplied)

Similarly, in *DBP* the counterclaim filed by private respondent therein was specifically for reconveyance of land which was erroneously registered in the name of another person; thus:

> x x x Having been the sole occupant of the land in question, *private respondent may seek reconveyance of his property* despite the lapse of more than 10 years.
>
> Nor is there any obstacle to the determination of the validity of TCT No. 10101. It is true that the indefeasibility of torrens titles cannot be collaterally attacked. *In the instant case, the original complaint is for recovery of possession filed by petitioner against private respondent, not an original action filed by the latter to question the validity of TCT No. 10101* on which petitioner bases its right. To rule on the issue of validity in a case for recovery of possession is tantamount to a collateral attack. *However, it should not be overlooked that private respondent filed a counterclaim against petitioner, claiming ownership over the land and seeking damages.*[52] (Italics supplied)

From the extant jurisprudence, there is no arguing that for a counterclaim to be considered a direct attack on the title, it must specifically pray for annulment of the questioned title and reconveyance of ownership of the subject property.

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[49] 669 Phil. 304 (2011).
[50] 387 Phil. 283 (2000).
[51] *Supra* note 49 at 309.
[52] *Development Bank of the Phils. v. CA and Carlos Cajes, supra* note 50 at 300.

After a careful scrutiny of petitioners' counterclaim in this case, this Court finds that they did not specifically ask for the reconveyance of the subject property to them. Nothing in the petitioners' counterclaim indicates that they were praying for reconveyance of Lot 1366-E. Instead, they merely repleaded their allegations in the Answer.[53]

Finally, in *Co v. Court of Appeals*,[54] the Court through the pen of Justice Florenz Regalado judiciously discussed matters relating to counterclaim, thus:

> Anent the issue on whether the counterclaim attacking the validity of the Torrens title on the ground of fraud is a collateral attack, we distinguish between the two remedies against a judgment or final order. *A direct attack against a judgment is made through an action or proceeding the main object of which is to annul, set aside, or enjoin the enforcement of such judgment, if not yet carried into effect; or, if the property has been disposed of, the aggrieved party may sue for recovery. A collateral attack is made when, in another action to obtain a different relief, an attack on the judgment is made as an incident in said action.* This is proper only when the judgment, on its face, is null and void, as where it is patent that the court which rendered said judgment has no jurisdiction.
>
> In their reply dated September 11, 1990, petitioners argue that the issues of fraud and ownership raised in their so-called compulsory counterclaim partake of the nature of an independent complaint which they may pursue for the purpose of assailing the validity of the transfer certificate of title of private respondents. That theory will not prosper.
>
> While a counterclaim may be filed with a subject matter or for a relief different from those in the basic complaint in the case, it does not follow that such counterclaim is in the nature of a separate and independent action in itself. In fact, its allowance in the action is subject to explicit conditions, as above set forth, particularly in its required relation to the subject matter of the opposing party's claim. Failing in that respect, it cannot even be entertained as a counterclaim

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[53] *Rollo*, p. 43.

[54] 274 Phil. 108 (1991).

> in the original case but must be filed and pursued as an altogether different and original action.
>
> *It is evident that the objective of such claim is to nullify the title of private respondents to the property in question, which thereby challenges the judgment pursuant to which the title was decreed. This is apparently a collateral attack which is not permitted under the principle of indefeasibility of a Torrens title.* It is well settled that a Torrens title cannot be collaterally attacked. The issue on the validity of title, i.e., whether or not it was fraudulently issued, can only be raised in an action expressly instituted for that purpose. Hence, whether or not petitioners have the right to claim ownership of the land in question is beyond the province of the instant proceeding. That should be threshed out in a proper action. The two proceedings are distinct and should not be confused.[55] (Citations omitted; Italics supplied.)

When confronted with respondents' title, petitioners argue that respondents procured it through fraudulent means because the questioned deed of sale is fictitious. This Court, however, finds that petitioners' objective in alleging respondents' bad faith in securing the title is to annul and set aside the judgment pursuant to which such title was decreed. Apparently, the attack on the proceeding granting respondents' title was made as an incident in the main action for quieting of title and recovery of possession. Evidently, petitioners' action is a collateral attack on the respondents' title, which is prohibited under the rules.

WHEREFORE, the petition is **DENIED**. The Decision dated April 29, 2015 and the Resolution dated December 4, 2015 of the Court of Appeals in CA-G.R. CV No. 01395 are **AFFIRMED**.

SO ORDERED.

HENRI JEAN PAUL B. INTING
Associate Justice

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[55] *Id.* at 115-116.

WE CONCUR:

DIOSDADO M. PERALTA
Associate Justice
Chairperson

(On leave)
MARVIC M.V.F. LEONEN
Associate Justice

ANDRES B. REYES, JR.
Associate Justice

RAMON PAUL L. HERNANDO
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.

DIOSDADO M. PERALTA
Associate Justice
Chairperson

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.

LUCAS P. BERSAMIN
Chief Justice

CERTIFIED TRUE COPY

MISAEL DOMINGO C. BATTUNG III
Deputy Division Clerk of Court
Third Division

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