



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

AFP RETIREMENT AND
SEPARATION BENEFITS
SYSTEM (AFP-RSBS),

Petitioner,

G.R. No. 231395

Members:

LEONEN,* *Acting Chief Justice,*

LAZARO-JAVIER,**

Working Chairperson

LOPEZ, M.,

LOPEZ, J., and

KHO, JR., *JJ.*

-versus-

PLASTIC KING INDUSTRIAL
CORP. and MERLEN AGABIN
and ATTY. NILO J. FLAVIANO
[deceased], substituted by his
heirs, namely, JOHANNA
FLAVIANO, CARLITO
FLAVIANO, JR. [deceased],
NELIA FLAVIANO and
LETECIA FLAVIANO,

Respondents.

Promulgated:

JUN 26 2023

X-----X

DECISION

LAZARO-JAVIER, J.:

* Per Special Order No. 2993 dated June 26, 2023.

** Per Special Order No. 2989 dated June 24, 2023.

The Case

This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the following dispositions of the Court of Appeals in CA-G.R. CV No. 02822-MIN:

- 1) Decision² dated October 21, 2016, which affirmed the trial court's directives for respondent Atty. Nilo J. Flaviano (substituted by his heirs Nelia Flaviano and Leticia Flaviano) to comply with his obligation to deliver to respondent Plastic King Industrial Corp. the titles of the entirety of Lot Y-2-C and the property itself, to reimburse petitioner AFP Retirement and Separation Benefits System (AFP-RSBS) the purchase price of PHP 40, 010, 000.00 it paid for the property, and to pay Plastic King Industrial Corp. PHP 500,000.00 as moral damages, PHP 100,000.00 as attorney's fees, and PHP 20,000.00 as litigation and costs of suit; and for the Register of Deeds of General Santos City to cause the cancellation of Transfer Certificate of Title (TCT) Nos. T-77598, T-77599, and T-77596 in the name of AFP-RSBS and the reinstatement of Original Certificate of Title (OCT) Nos. P-6208, P-6209, and P-6210 in the name of the Flavianos. The Court of Appeals also affirmed the trial court's declaration that TCT Nos. T-77598, T-77599, and T-77596 in the name of AFP-RSBS are void; and
- 2) Resolution³ dated April 10, 2017, insofar as it denied the subsequent motion for reconsideration of AFP-RSBS.

Antecedents

On August 8, 1995, Atty. Nilo Flaviano (Atty. Flaviano), on his own behalf and as attorney-in fact of Johanna Flaviano (Johanna), Carlito Flaviano (Carlito), Nelia Flaviano (Nelia) and Letecia Flaviano (Letecia), executed an Exclusive Contract to Sell in favor of Evelyn Te (Evelyn) and Alan Fausto V. Posadas, authorizing them to look for a buyer of the following property which Atty. Flaviano and his principals co-owned, *viz.*:⁴

Title No.	:	Untitled property
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¹ *Rollo*, pp. 12-93.

² Penned by Associate Justice Romulo V. Borja and concurred in by Associate Justices Oscar V. Badelles and Ronaldo B. Martin, pp. 94-125.

³ *Id.* at 126-128.

⁴ *Id.* at 95.

Area	:	Four thousand (4,000.00) square meters
Location	:	Ex- Magsaysay Park, General Santos City
Improvements	:	Fully fenced
Price	:	Six thousand pesos per square meter ⁵

The Exclusive Contract to Sell was effective for six days from its execution or until August 14, 1995. It is undisputed that it was Evelyn who offered the property to Plastic King Industrial Corporation (Plastic King), represented by Merlen Agabin (Agabin). Consequently, Atty. Flaviano, on his own behalf, and on behalf of his co-owners later on transferred their rights and interests over the entirety of Lot Y-2-C in favor of Plastic King via a document captioned as "Transfer of Rights", viz.:⁶

TRANSFER OF RIGHTS

KNOW ALL MEN BY THESE PRESENTS:

That I, **NILO J. FLAVIANO**, of legal age, Filipino, lawyer by profession, married to **JOHANNA MONTINOLA FLAVIANO** and resident of #26 Tieza Street, General Santos City, for and in consideration of **FIVE HUNDRED THOUSAND (P500,000.00) PESOS**, Philippine Currency, the receipt of which is hereby acknowledged to my entire satisfaction, have hereby **SOLD, TRANSFERRED, AND CONVEYED** unto and in favor of **PLASTIC KING INDUSTRIAL CORP.**, a domestic corporation created and existing under the laws of the Philippines, with address at Guerrero Street, Davao City, Philippines, represented by **MERLEN AGABEN**, a certain real property located at P. Acharon Boulevard, General Santos City, which is more particularly described as follows:

LOT Y-2-C

"A parcel of land, Lot Y-2-C, (being a portion of Lot Y-2, MR-1160-D), situated in the Barangay of Dadiangas, City of General Santos, Island of Mindanao. Bounded on the N., along line 4-1 by P. Acharon Boulevard; on the E., along line 1-2 by Lot Y-2-D, portion of Lot Y-2, MR-1160-D; on the S., along line 2-3 by Sarangani Bay; and on the W., along line 3-4 by Lot Y-2-B, portion of Lot Y-2, MR-1160-D. Beginning at a point marked "1" on the plan being S. 20 deg. 30 E., 6456.30 m. from Sarangani West Base, General Santos City.

THENCE:

DUE SOUTH	105.32m to point 2;
N. 87 deg. 27 W	37.04 m to point 3;
DUE NORTH	103.42 m. to point 4;
N. 89. 47 E,	37.00 m. to point of beginning.

⁵ Id. at 462.

⁶ Id. at 462-464.

Containing an area of THREE THOUSAND EIGHT HUNDRED (3,800) SQUARE METERS, more or less.”

That I warrant the peaceful possession, ownership, and occupation of the above-described property unto and in favor of the VENDEE, its heirs and successors-in-interests, and assigns and further warrant to protect its rights and interests from any adverse claim whatsoever.

xxx

On August 30, 1995, Atty. Flaviano executed on his behalf and on behalf of his co-owners another “Transfer of Rights” in favor of Plastic King pertaining to their rights and interests over the foreshore area granted them under a foreshore lease contract between the Flavianos and the City of General Santos. On even date, Atty. Flaviano and Evelyn executed a “Deed of Undertaking” to cause the titling of Lot Y-2-C in the name of Plastic King within a period of six months, subject to extension only in case of unforeseen delay. On the same day, too, Atty. Flaviano and Plastic King jointly executed a Memorandum of Agreement indicating that the real purchase price for Lot Y-2-C was PHP 15,200,000.00. The parties further agreed that Plastic King would pay Atty. Flaviano PHP 3,000,000.00, as down-payment, to cover the tax payments and expenses for titling of the property.⁷

As it turned out, Lot Y-2-C was subsequently subdivided into three lots: Lot Y-2-C-1, Lot Y-2-C-2, and Lot Y-2-C-3, for which OCT Nos. P-6208, P-6209, and P-6210 were issued, respectively, not under the name of Plastic King but the collective names of Atty. Flaviano and his wife Johanna for Oct No. P.-6208, Carlito and Nelia for Oct No. P-6209, and Letecia for Oct No. P-6210.⁸

Plastic King thereafter demanded that Atty. Flaviano execute a deed of conveyance of subject lots in its name. Atty. Flaviano, however, failed to heed the demand.⁹

Meantime, Wilfredo Pabalan (Pabalan), Assistant Vice President of the Real Estate Department and designated Project Officer for the AFP-RSBS General Santos Project,¹⁰ negotiated with the Flavianos for the purchase of the subject lots as part of a development project of AFP-RSBS.¹¹

⁷ Id. at 467-468.

⁸ Id. at 95.

⁹ Id. at 156.

¹⁰ Id. at 17.

¹¹ Id.

On December 9, 1996, while the aforesaid negotiations were ongoing, the Department of Environment and Natural Resources (DENR) issued Sales Patent Nos. 116303-96-523, 116303-96-522, and 116303-96-525, covering Lot Nos. Y-2-C-1, Y-2-C-2, and Y-2-C-3 in the names of Atty. Flaviano, Johanna, Nelia, Carlito, and Leticia.¹²

Subsequently, the AFP-RSBS and Atty. Flaviano, in his own capacity and as representative of his co-owners, executed a Contract to Sell the subject lots to AFP-RSBS. On December 23, 1996, the parties executed an Amended Contract to Sell, providing that the purchase price was PHP 40,010,000.00.¹³

On March 4, 1997, Atty. Flaviano, with his wife's consent, acting for himself and as Attorney-in-fact of his children Carlito and Leticia executed a Deed of Absolute Sale of the subject lots in favor of the AFP-RSBS, represented by its President, Brigadier General Jose S. Ramiscal. Under the Deed of Absolute Sale, the Flavianos warranted that they had valid titles to and peaceful possession of the subject lots. They further guaranteed the issuance of titles to AFP-RSBS, free from any liens and encumbrances.¹⁴

AFP-RSBS alleged that while their negotiations with the Flavianos were ongoing, Project Engineer Alan Aguirre (Engr. Aguirre) of the AFP-RSBS went to the Register of Deeds of General Santos to verify if the titles were indeed unencumbered. As it was, Engr. Aguirre was able to personally verify that the titles were indeed clean.¹⁵

Agabin, on the other hand, countered that as soon as Plastic King learned of the ongoing transaction between the Flavianos and AFP-RSBS, Plastic King immediately informed AFP-RSBS through phone calls that the lots subject of the negotiations were already sold to them (Plastic King). In fact, the titles even bore a notice of *lis pendens*. AFP-RSBS allegedly ignored the warning and still proceeded with the second sale transaction.

By February 28, 1997, AFP-RSBS paid the purchase price in full. As a consequence, on March 17, 1997, the Register of Deeds cancelled the OCTs in the name of the Flavianos and issued new TCTs all in the name of AFP-RSBS, to wit: TCT No. T-77598 for Lot Y-2-C-1; TCT No. T-77599 for Lot Y-2-C-2; and TCT No. T-77596 for Lot Y-2-C-3. These TCTs were later on deposited in the vault of the AFP-RSBS.¹⁶

¹² Id.

¹³ Id. at 18-22.

¹⁴ Id. at 22-23.

¹⁵ Id. at 23

¹⁶ Id.

On March 12, 1997, prior to the cancellation of the OCTs and the issuance of new titles in the name of APF-RSBS, Plastic King, represented by Agabin, filed before the Regional Trial Court-Davao City a complaint for specific performance, injunction, and damages (specific performance case) against the Flavianos to restrain them from disposing of the subject lots. Plastic King, et al. alleged that Atty. Flaviano and Johanna (Spouses Flaviano) already sold to them their rights, interest, and participation over Lot Y-2-C and its foreshore area, and even undertook to have Lot Y-2-C titled in the name of Plastic King. But, Spouses Flaviano, instead, had the lot subdivided and titled in the names of their kin, Carlito, Nelia, and Leticia Flaviano. Worse, Spouses Flaviano sold these lots to another buyer, AFP-RSBS.¹⁷

Plastic King further alleged that as soon as it learned of the ongoing transaction between the Flavianos and AFP-RSBS, Plastic King immediately informed AFP-RSBS, through phone calls, that the subject lots were already sold to it (Plastic King). In fact, the titles in the name of the Flavianos, and later, in the name of AFP-RSBS, bore a notice of *lis pendens* at the instance of Plastic King. AFP-RSBS, however, ignored the warning and still proceeded with the second sale transaction. Hence, Plastic King prayed that these titles, as well as the lots, be surrendered to it by AFP-RSBS.¹⁸ The case was docketed as Civil Case No. 25, 115-97.¹⁹

The case was raffled to Branch 16, presided by Honorable Judge Emmanuel Carpio.

In their answer with counterclaim, the Flavianos denied that they sold Lot Y-2-C and its foreshore area to Plastic King. They asserted that the "Transfer of Rights" was a forgery as it was not signed by Atty. Flaviano. In any case, the document was executed not to effect the transfer of the aforesaid lots and the foreshore area to Plastic King et al., but only to satisfy the demand of Agabin's agent, Evelyn. Too, they had already revoked the first sale and reimbursed the purchase price paid by Plastic King pursuant to an "Agreement to Buy and Sell, Cancellation of a Disclaimed 'Transfer of Rights, and Quitclaim'" (Memorandum of Revocation) they executed with the agent of Plastic King, Evelyn. Under a General Power of Attorney, Plastic King authorized Evelyn "to ask, demand, sue, and to take any and all lawful ways and means for the recovery thereof (subject property) by suit, attachment, compromise, or otherwise, and to make, sign, execute, and deliver contracts, documents, agreements, and other writings of whatever nature and kind, with and all third persons, concerns, or entities, upon terms and conditions acceptable to my said attorney." They confirmed the said authority with

¹⁷ Id. at 24.

¹⁸ Id. at 96.

¹⁹ Id. at 95.

Agabin through a phone call prior to the execution of the Memorandum of Revocation. Lastly, they admitted the subdivision and titling of the lots in the names of Carlo, Nelia, and Leticia Flaviano and their subsequent sale to another entity.²⁰

On March 25, 1997, Plastic King sent a letter dated March 23, 1997 to AFP-RSBS through Pabalan. In the said letter, Plastic King, et al. informed the AFP-RSBS that since August 30, 1995, the lots sold to the latter had already been the subject of a Transfer of Rights executed by Atty. Flaviano in their favor (Plastic King). They informed the AFP-RSBS about the specific performance case they filed against the Flavianos and caused a formal notice of *lis pendens* to be annotated on the OCTs of the subject properties. Finally, they suggested to the AFP-RSBS that the latter communicate with their counsel to finally settle the issue.²¹

On April 22, 1998, AFP-RSBS received a Supplemental Complaint dated April 7, 1998, impleading it as a co-defendant of the Flavianos in Civil Case No. 25, 115-97 (the specific performance case). Plastic King prayed that AFP-RSBS be held liable for moral, exemplary, actual, and compensatory damages.²²

In its Answer with Counterclaim and Cross-claim dated April 29, 1998, AFP-RSBS asserted that when it received the letter from Plastic King, the contract between itself and the Flavianos had already been consummated. The transfer of titles to it was already accomplished on March 17, 1997 or seven days prior to its receipt of the aforesaid notice. Hence, it was a buyer in good faith for value entitled to protection under Article 1544 of the New Civil Code²³ or the rule pertaining to double sale.²⁴

Lastly, it asserted that the Flavianos expressly represented themselves to AFP-RSBS as the owner of the subject lots. Hence, in the event that an

²⁰ Id. at 96-98.

²¹ Id. at 32.

²² Id. at 102-103.

²³ Article 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 possession; and in the absence thereof, to the person who presents the oldest title, provided there is good faith

²⁴ *Rollo*, p. 103.

adverse judgment be rendered against them, the Flavianos should return the purchase price they paid for these lots.²⁵

In their answer to the compulsory counterclaim, Plastic King reiterated that AFP-RSBS was a buyer in bad faith as it was duly informed of the prior sale of the subject lots to them.²⁶

As for the Flavianos, they responded to the cross-claim, claiming anew that they sold the lots to AFP-RSBS in good faith. For the latter was made aware of the prior sale of the subject lots to Plastic King, albeit it was eventually revoked on November 21, 1996 by virtue of the Memorandum of Revocation heretofore mentioned and the refund of the purchase price to Evelyn, the attorney-in-fact of Plastic King.²⁷

The Flavianos subsequently filed a Third-Party Complaint dated February 20, 2000 against Evelyn, who allegedly acted as Plastic King's agent by virtue of a general power of attorney.²⁸ They claimed that they had already returned to Plastic King, through Evelyn, the amount of PHP 8,525,798.90, as proven by cash vouchers and cashier's check which they turned over to Evelyn. Hence, Evelyn should be held accountable for the said amount.²⁹

For her part, Evelyn filed an answer to the third-party complaint alleging that she had already turned over the money received from Atty. Flaviano to Plastic King.³⁰ Evelyn however failed to appear during the pre-trial on the third-party complaint. As a consequence, Atty. Flaviano filed a motion for judgment on the pleadings against Evelyn. Plastic King initially opposed the same but eventually withdrew its opposition.

By Order dated October 10, 2018, the trial court declared the "incident submitted for resolution."³¹ Records do not show how the trial court eventually disposed of the aforesaid motion.

Going now to the Pre-trial Order of Branch 16, the same bore the parties' admissions and denials, *viz.*

²⁵ Id. at 104.

²⁶ Id.

²⁷ Id.

²⁸ Id. at 37-39.

²⁹ Id. at 105.

³⁰ Id. at 106.

³¹ Id. at 105.

The following facts were admitted by the new defendant [AFP-RSBS]:

- 1) a letter was sent to the new defendant advising it of the pendency of the instant case and informing it that there was already a Notice of Lis Pendens annotated on the titles of the land xxx;
- 2) when the titles were transferred to the new defendant AFP-RSBS by defendant Nilo H. Flaviano, they bore the annotation of the Notice of Lis Pendens.

The following facts were not admitted by the new defendant:

- 1) that the land was sold to plaintiffs before it was sold to the new defendant AFP-RSBS;
- 2) that the said new defendant was informed not only thru letter but was [sic] thru several long distance calls by plaintiff to the office of the new defendant xxx.

The following fact was admitted by the plaintiffs (Plastic King, et al.):

- 1) by virtue of the sale of the said parcels of land to the new defendants, the Register of Deeds of General Santos City issue [sic] T- 77598, T-77599 and T-77596 on March 17, 1997 in the name of the new defendant AFP-RSBS – subject to the stipulation that the Notice of Lis Pendens were already annotated on the said titles.

The following fact was not admitted by the plaintiffs:

- 1) the sale by the owners of the three (3) parcels of land [was] evidenced by the amendment to the contract [*to Sell*] dated December 23, 1996 and the Deed of Absolute Sale dated March 4, 1997.³²

Trial proper ensued. After the parties had completed the presentation of their respective evidence, Branch 16 considered the case submitted for decision. But not long after, Judge Carpio inhibited himself from the case, which consequently got re-raffled to Branch 11 presided by Honorable Judge Virginia Hofileña-Europa, who also inhibited herself. The case was further re-raffled to Branch 13, presided by Honorable Judge Isaac G. Robillo, who eventually rendered the decision on the case.³³

³² Id. at 104–105.

³³ Id. at 105.

The Ruling of Branch 13

In its Decision³⁴ dated May 31, 2010, Branch 13 ruled in favor of Plastic King, ordered the Flavianos to comply with their obligation to deliver the lots to Plastic King, declared as void the TCTs issued in the name of AFP-RSBS, and directed that the corresponding OCTs thereof be reinstated, thus:

WHEREFORE, judgment is hereby rendered:

1) Directing defendants Flavianos to specifically comply with their obligation and that is to deliver the subject titles (of Lot Y-2-C) to the plaintiffs, and to deliver possession of the said property to plaintiffs;

2) The derivative titles OCT Nos. P-6208, P-6209, AND P-6210, which are TCT No. T-77598, TCT No. T-77599 and TCT No. T-77596 issued in the name of defendant AFP-RSBS are hereby declared NULL and VOID, and consequently the Register of Deeds of General Santos City is hereby directed to cause the cancellation of the same, and the reinstatement of OCT Nos. P-6208, P-6209, and P-6210;

3) Defendants Flavianos are likewise directed to reimburse to defendant AFP-RSBS the amount of P40,010,000.00 which it paid to said defendants for the purchase of the properties which have already been sold by defendants to plaintiffs;

4) In the event that defendants Flavianos would not be able to deliver the said titles or transfer the properties to plaintiffs, said defendants are ordered to reimburse to plaintiffs the amount of P15,574,995.07 with interest at 12% per annum computed from the date of the filing of the Complaint until fully paid.

5) Defendants Flavianos are likewise directed to pay the amount of P500,000.00 as moral damages, plus attorney's fees in the amount of P100,000.00;

6) Defendants Flavianos are likewise directed to pay the additional sum of P20,000.00 as expenses incident to litigation and costs of suit.

SO ORDERED.

The trial court held that AFP-RSBS was not an innocent purchaser for value. It cited as proofs thereof the letter dated March 23, 1997 sent by the counsel of Plastic King, informing AFP-RSBS of the transactions it had with

³⁴ Id. at 153-163.

the Flavianos; and the telephone bills of AFP-RSBS showing that the representatives of Plastic King called AFP-RSBS, through Pabalan on November 14, 1996, March 7, 1997, and March 10, 1997 invariably calling its attention to the existing prior sale of the subject lots to Plastic King.

Proceedings Before the Court of Appeals

The AFP-RSBS and the Flavianos filed their separate appeals. The Office of the Solicitor General (OSG), representing AFP-RSBS, averred that the trial court did not have jurisdiction to declare as void the TCTs issued in name of AFP-RSBS as such relief was not even prayed for in the original and supplemental complaints. Too, the Register of Deeds was not impleaded as a necessary party in Plastic King's complaint and supplemental complaint. More, the proceedings before the trial court were tainted with irregularity as the judge who heard the parties during the presentation of evidence allowed another judge, who did not hear the case, to render the decision thereon. On the other hand, the Flavianos admitted that they had entered into a contract of sale with Plastic King, but maintained that they executed a Memorandum of Revocation signed by Evelyn, the supposed agent of Plastic King.³⁵

As for the Flavianos, they faulted the trial court in finding that Agabin would never have granted Evelyn an authority to revoke the contract of sale. They also found erroneous the trial court's ruling that the power given to Evelyn was insufficient to cause the revocation of the sale.

Ruling of the Court of Appeals

In its assailed Decision³⁶ dated October 21, 2016, the Court of Appeals affirmed. It ruled that the trial court correctly concluded that the Memorandum of Revocation executed by the Flavianos and duly signed by an agent of Plastic King, is unenforceable as Evelyn acted beyond her authority when she signed the Memorandum of Revocation.³⁷

As for the inhibition of Judge Carpio, the appellate court emphasized that the decision to inhibit was a matter within the discretion of Judge Carpio, hence, may not be faulted. Also, where a case was heard by another judge who later on inhibited therefrom, absent any proof that the decision was tainted with irregularity, the same should not be disturbed. Finally, AFP-RSBS was purportedly not a buyer in good faith as it had been informed of the sale of the

³⁵ Id. at 125.

³⁶ Id. at 94-125.

³⁷ Id. at 125.

subject lots to Plastic King prior to the execution of the contract of sale in its favor.³⁸

As for the substantive issue, the Court of Appeals ruled that the title of AFP-RSBS is not indefeasible. There was no doubt in the mind of the appellate court that AFP-RSBS had been informed of the prior sale by virtue of the notices of *lis pendens* dated March 14, 1997; the long distance calls by Agabin to AFP-RSBS; and the letter dated March 23, 1997 by Plastic King informing AFP-RSBS of the Transfer of Rights it had entered into with the Flavianos.³⁹

The respective motions for reconsideration of the Flavianos and AFP-RSBS were denied under the questioned Resolution⁴⁰ dated April 10, 2017.

The Present Petition

Only AFP-RSBS now seeks affirmative relief against the assailed Court of Appeals' Decision and Resolution.

AFP-RSBS faults the Court of Appeals for affirming the trial court's decree of cancellation although this relief was not even sought in the complaint nor litigated before the trial court. The decree of cancellation validated what otherwise was simply a collateral attack against the TCTs in question. AFP-RSBS claims that the complaint by Plastic King et al. against the Flavianos in Civil Case No. 25, 115-97 in which AFP-RSBS was impleaded via a supplemental complaint, was only for specific performance, injunction, and damages. Notably, AFP-RSBS was not a party to the supposed contract of sale between Plastic King and the Flavianos. Too, the cancellation of the TCTs should not have been allowed as the Register of Deeds was not impleaded as a necessary party in the case.

AFP-RSBS likewise asserts anew that it was an innocent purchaser for value as there was in fact no transfer of ownership rights to Plastic King over the lots in question. Too, whatever claim Plastic King may have had on the subject lots was not annotated on the titles of the Flavianos.

Lastly, the decision of the judge to voluntarily inhibit himself only after the parties had already presented their respective evidence was tainted with grave abuse of discretion since it was not based on any valid ground. Although

³⁸ Id. at 120.

³⁹ Id. at 121.

⁴⁰ Id. at 126--128.

voluntary inhibition rests solely on judicial discretion, the same is not absolute for every inhibition must be impelled by just and valid reasons.

Issues

1. Was the inhibition of Judge Carpio proper? Did it affect the validity of the judgment rendered by Judge Robillo who was not the same judge who heard the case?
2. Was the revocation of the contract of sale made through agent Evelyn valid?
3. Was AFP-RSBS an innocent purchaser in good faith and for value?

Our Ruling

The decision of Judge Carpio to inhibit from the case must be respected; the decision rendered by another judge who was not the same judge who heard the case was valid

Section 1 of Rule 137 of the Rules of Court ordains:

Section 1. *Disqualification of judges.* - No judge or judicial officer shall sit in any case in which he, or his wife or child, is pecuniarily interested as heir, legatee, creditor or otherwise, or in which he is related to either party within the sixth degree of consanguinity or affinity, or to counsel within the fourth degree, computed according to the rules of the civil law, or in which he has been executor, administrator, guardian, trustee or counsel, or in which he has presided in any inferior court when his ruling or decision is the subject of review, without the written consent of all parties in interest, signed by them and entered upon the record.

A judge may, in the exercise of his sound discretion, disqualify himself from sitting in a case, for just or valid reasons other than those mentioned above.

This provision contemplates two kinds of inhibition: compulsory and voluntary. The first paragraph governs the grounds for compulsory inhibition while the second paragraph deals with the grounds for voluntary inhibition. The latter gives the judge discretion whether he or she should desist from sitting in a case for reasons other than those provided in the first paragraph, with only conscience as guide.⁴¹

The decision on whether one should voluntarily desist from sitting in a case is primarily a matter of conscience. This, however, should be based on one's rational and logical assessment of the circumstances prevailing in the case.⁴² If after reflection, the judge should resolve to voluntarily desist from sitting in a case where one's motives or fairness might be seriously impugned, the action of the judge is to be interpreted as giving meaning and substance to the second paragraph of Section 1, Rule 137.⁴³

Here, the decision of Judge Carpio to inhibit himself from the case was not unfounded. As borne out by the records, the reason for his voluntary inhibition was due to the closeness of his son to Atty. Flaviano's son. He pointed out that his son and Atty. Flaviano's son were fraternity brothers and both are also gun enthusiasts who constantly accompany each another in firing ranges. For this reason, he saw himself unfit to sit in the case. The decision of Judge Carpio on this score must therefore be respected.⁴⁴

At any rate, the case was already resolved on the merits by Judge Robillo who took over the case following the inhibition of Judge Carpio. In *Garcia v. People*,⁴⁵ we declared that it is not unusual for a judge who did not try a case in its entirety to decide it solely on the basis on the records on hand.

Said judgment is not violative of substantive and procedural due process of law. The judge may base his or her ruling on transcripts of stenographic notes and calibrate the testimonies of witnesses in accordance with their conformity to common experience, knowledge and observation of ordinary persons.

**The revocation of the sale
made through agent Evelyn Te
is invalid**

⁴¹ See *Chin v. CA*, 456 Phil. 440, (2003) [Per J. Quisumbing, Second Division].

⁴² Id. Citing *Gacayan v. Pamintuan*, A.M. No. RTJ-99-1483, September 17, 1999, 314 SCRA 682,700.

⁴³ See *Chavez v. Marco*, 834 Phil. 219, (2018) [Per J. Leonen, Third Division].

⁴⁴ See *Villamor v. Manalastas*, 764 Phil. 456 (2015) [Per J. Brion, Second Division].

⁴⁵ See *Garcia v. People*, 614 Phil. 40 (2009) [Per J. Quisumbing, Second Division].

Plastic King issued a General Power of Attorney dated November 11, 1996 appointing Evelyn as its attorney-in-fact:

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

I, MERLEN AGABEN, of legal age, married, resident of General Santos City, do hereby name, constitute, and appoint EVELYN TE, to be my true and lawful attorney, for me and in my name, place, and stead, to do and perform the following acts and things to wit:

To ask, demand, sue for a parcel of land more particularly described as follows:

"A parcel of land, Lot Y-2-C (being a portion of Lot Y-2 MR-1160-D), situated in the barangay of General Santos, Island of Mindanao, Bounded on the N. along line 4-1 by P. Acharon Boulevard; on the E., long the line 1-2 by LOT -2-D; portion of lot Y-2 MR-1160-D; on the S., along line 2-3 by Sarangani Bay; and on the W., along line 3-4 by Lot Y-2-B; portion of Lot Y-2, MR-1160-D. Beginning at the point marked "1" on the plan being S. 20 deg 30'E., 6546.30 m from Sarangani West Base, General Santos City.

Belonging to me by virtue of the Deed of Transfer of Rights, executed by Nilo J. Flaviano and to have, sue, and to take any and all lawful ways and means for the recovery thereof by suit, attachment, compromise, or otherwise.

To make, sign, execute, and deliver contracts, documents, agreements and other writings of whatever nature or kind, with any and all third persons, concerns, or entities upon terms and conditions acceptable to my said attorney;

xxx.¹⁶

To be sure, the grant of authority therein refers to acts of administration, not acts of ownership. Article 1877 of the Civil Code states that "an agency couched in general terms comprises only acts of administration, even if the principal should state that he withholds no power or that the agent may execute such acts as he may consider appropriate, or even though the agency should authorize a general and unlimited management."

As worded, there was nothing in the aforesaid General Power of Attorney authorizing the agent to revoke the sale made by the Flavianos in favor of Plastic King via the so called Memorandum of Revocation, viz.:

¹⁶ *Rollo*, p. 245.

That as a result hereof, I do hereby declare as revoked, cancelled and rescinded, that agreement to buy and sell which my principal MERLEN AGABEN and/or PLASTIC KING had entered into with ATTY. NILO J. FLAVIANO sometime in 1995; and that I declare as null and void as a consequence hereof, that "transfer of rights" which is attached hereto as Annex "B" the same being disclaimed by ATTY. NILO J. FLAVIANO, and the Notary Public thereof, and that finally, by virtue hereof, I forever quitclaim, renounce, and relinquish whatever rights and interests that my principal MERLEN AGABEN had over the aforementioned lot unto and in favor of its owner ATTY. NILO J. FLAVIANO.

xxx⁴⁷

On this score, we agree with both courts below that the Memorandum of Revocation did not validly cancel the contract of sale between the Flavianos and Plastic King as Evelyn was not authorized to do so in the first place. In accordance with Article 1910 of the Civil Code, the act of an agent beyond the scope of his or her authority does not bind the principal, unless the principal ratifies them, expressly or impliedly. Here, no act of ratification was done by the principal which in fact had promptly disowned it.

That Atty. Flaviano may have issued three checks in the name of Evelyn for the total amount of PHP 8,525,798.90 as alleged refund of the purchase price paid by Plastic King does not mean the same was turned over to and received by Plastic King or its duly authorized representative. In the first place, the checks were issued in the name of Evelyn, not in the name of Plastic King or its President Agabin. In the second place, these checks were all deposited in the personal account of Evelyn, not in the account of Plastic King. Third, Plastic King vehemently denied receipt of such amount, and notably, the Flavianos failed to adduce any convincing evidence to the contrary.

In fine, the conveyance of the lots subject of the "Transfer of Rights" executed by Atty. Flaviano on his own behalf and as attorney-in-fact of his co-owners in favor Plastic King remains valid and subsisting. Consequently, Plastic King is bound to honor this conveyance by the prompt delivery to Plastic King of the lots in question. Having earlier conveyed ownership of the lots to Plastic King, the Flavianos consequently were precluded from selling the lots anew to AFP-RSBS, which as will be discussed hereafter cannot invoke protection as an innocent purchaser for value.

¹⁷ Id. at 265-267.

AFP-RSBS was not an innocent purchaser in good faith and for value; the cancellation of the derivative titles issued in the name of AFP-RSBS is warranted

An innocent purchaser for value is one who buys the property of another without notice that some other person has a right to or interest in that same property, and who pays a full and fair price at the time of the purchase or before receiving any notice of another person's claim. One who buys the property with the well-founded belief that the person from whom the buyer receives the thing had title to the property and capacity to convey it.⁴⁸

To prove good faith, a buyer of registered and titled land need only show that he or she relied on the face of the title to the property. A buyer need not prove that he or she made further inquiry for one is not obliged to explore beyond the four corners of the title. Such degree of proof of good faith, however, is sufficient only when the following conditions concur: first, the seller is the registered owner of the land; second, the latter is in possession thereof; and third, at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in the seller's capacity to convey title to the property.⁴⁹

The recent case of *Duenas v. MBTC*⁵⁰ expounded on how to determine if a purchaser is in good faith. The Court decreed that for purchasers of registered lands to be considered as purchasers in good faith and for value, they must remain in good faith "until they have dutifully registered the conveyance". As it stands, the good faith of a purchaser must be present not only at time of the purchase or sale, but until the property bought has been duly registered. If prior to the registration of the conveyance, a purchaser of a registered land discovers a claim or interest by a third person, or a defect in the title of the seller, the good faith ceases to be present. The good faith during the purchase must concur with the buyer's good faith at the time of registration.

Here, AFP-RSBS was not an innocent second purchaser for value as it was admittedly notified of the earlier sale to Plastic King even before it sought the registration of the subsequent sale in its own name. While it may be true that the OCTs of the Flavianos as of the time of the second sale on March 4, 1997 did not carry any encumbrance pertaining to the first sale, it is undisputed that by the time AFP-RSBS was already seeking the registration

⁴⁸ *Heirs of Isabelo Cudal v. Spouses Suguitan*, 880 Phil. 347 (2020) [Per J. Reyes, Jr., First Division].

⁴⁹ *Id.*

⁵⁰ *See* G.R. No. 209463, November 29, 2022 [Per J. Hernandez, *En Banc*].

of the second sale on March 17, 1997, the OCTs, as early as March 14, 1997, already bore the notices of *lis pendens* by Plastic King. In fact, the same were even carried over to the subsequent TCT Nos. 77598, 77599, and 77596, issued in the name of AFP-RSBS.

These annotations should have brought AFP-RSBS on notice that a court case was ongoing affecting the ownership and possession of the subject lots such that whoever subsequently acquired interest or rights over these lots does so at his or her own risk and shall be bound by the outcome of the case, whatever it may be.⁵¹ Transferees of the title of the land subjected to the notice of *lis pendens* stand exactly in the shoes of the transferor, hence, must respect any judgment rendered against the transferor.

Applying *Duenas*, AFP-RSBS does not qualify as a buyer-in good faith for value as it was already aware of the prior sale and the pending litigation at the time it sought the registration of the second sale in its favor. The law does not protect a buyer who is in bad faith. In *Rosrosa v. Soria*⁵² we ruled that a buyer who registers the sale even after obtaining knowledge of a previous sale is considered in bad faith. The buyer in bad faith is not conferred any right over the property and it is as if there was no registration at all.

As a consequence, what AFP-RSBS acquired is but an inferior or subordinate right to that of Plastic King as first purchaser. As it turned out, since the outcome of the case filed by Plastic King against the Flavianos and AFP-RSBS is favorable to Plastic King itself, the second sale in favor of AFP-RSBS is deemed inefficacious or inexistent. To repeat, whatever right or rights were acquired by AFP-RSBS over the subject lots are but contingent to the outcome of the case. In other words, when Plastic King wins the case, AFP-RSBS loses the property; conversely, when Plastic King loses the case, AFP-RSBS retains the property. *San Lorenzo Development Corporation v. Court of Appeals*⁵³ reiterated the rule that a notice of *lis pendens* should put prospective buyers on guard and unless one intends to gamble on the results of pending litigation then one should keep his or her hands off the property in litigation. Consequently, AFP-RSBS is bound by the trial court's decision ordering the cancellation of TCT Nos. 77598, 77599, and 77596 and the reinstatement of OCT Nos. P-6208, P-6209, and P-6210.

AFP-RSBS nonetheless invokes the rule on indefeasibility of title, claiming that the titles issued in its name are protected against collateral attacks, and that the trial court lacked jurisdiction to order the cancellation of

⁵¹ *Villameya v. CA*, 346 Phil. 289 (1997) [Per *J. Panganiban*, Third Division].

⁵² *Rosaroso v. Soria*, 711 Phil. 644 (2013) [Per *J. Mendoza*, Third Division].

⁵³ *San Lorenzo Development Corporation v. CA*, 490 Phil. 7 (2005) [Per *J. Tinga*, Second Division].

the TCTs in AFP-RSBS' name due to the failure to implead the Register of Deeds.

As a rule, a Torrens title cannot be altered, modified, or cancelled except in a direct proceeding in accordance with law.⁵⁴ Section 48 of Presidential Decree No. 1529 provides:

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

An attack is considered as collateral or indirect if it is made as an incident in another action, whose purpose is to obtain a different relief.⁵⁵

We emphasize though that buyers in bad faith cannot invoke the rule against collateral attack based on the indefeasibility of title as this defense does not extend to those who obtain titles with notices of flaws, much less, to those who hold an invalid title such as here.⁵⁶ Indeed, one who buys a realty with notice of the earlier conveyance to another person does not acquire any valid title to the same. For under the law, there is no valid sale to speak of simply because one cannot sell what he or she does not own. In other words, a holder in bad faith of a certificate of title is not entitled to the protection of the law as a shield for fraud.⁵⁷ So must it be.

As for the failure of Plastic King to implead the Register of Deeds in the case below, *De Leon v. Chu and Delos Santos*⁵⁸ held that such procedural omission is not fatal where the rights of the parties may be adjudicated without participation of the Register of Deeds, as in here.

The Flavianos are bound by their obligation to deliver the subject titles and lots to Plastic King; they too must return the purchase price paid by AFP-RSBS

Notably, the Flavianos no longer appealed the assailed dispositions of the Court of Appelas, hence, the judgment rendered against them had become final and executory.⁵⁹

⁵⁴ See *Hortizuela v. Tagufa*, 754 Phil. 499 (2015) [Per J. Mendoza, Second Division].

⁵⁵ See *Go v. Echavez*, 765 Phil. 410 (2015) [Par. J. Brion, Second Division].

⁵⁶ *Id.*

⁵⁷ See *Mahilum v. Spouses Hano*, 764 Phil. 334 (2015) [Per J. Del Castillo, Second Division].

⁵⁸ *De Leon v. Chu and Delos Santos*, 768 Phil. 217 (2015) [Per J. Brion, Second Division].

⁵⁹ *Spouses Cenato v. Fiola*, 625 Phil. 514, 528-529 (2010) [Per J. Del Castillo, Second Division]; *Hulst v. PR Builders, Inc.*, 558 Phil. 683, 703 (2007) [Per J. Austria-Martinez, Third Division].

The trial court and the Court of Appeals correctly ordered the Flavianos to comply with their obligation to deliver the titles of the subdivided portions of Lot Y-2-C to Plastic King whose rights as the first buyer and new owner thereof include the right of possession.

As held in *Samartino v. Raon*,⁶⁰ an owner who cannot exercise the attributes of ownership is a crippled owner. In *Heirs of Cullado v. Gutierrez*,⁶¹ the Court enumerated the rights conferred to an owner, which are: 1. *Jus possidendi* or the right to possess; 2. *Jus utendi* or the right to use and enjoy; 3. *Jus fruendi* or the right to the fruits; 4. *Jus accessionis* or right to accessories; 5. *Jus abutendi* or the right to consume the thing by its use; 6. *Jus disponendi* or the right to dispose or alienate; and 7. *Jus vindicandi* or the right to vindicate or recover. As lawful owner of the Lot Y-2-C, Plastic King is entitled to the delivery of the subject lots vis-a-vis its right of possession; and the cancellation of the void titles in the name of AFP-RSBS.

On the other hand, as for the directive to reinstate OCT Nos. P-6208, P-6209, and P-6210 all in the name of the Flavianos, however, the same is deleted. In lieu thereof, for purposes of practicality and economy, and to avoid circuitous procedures, the Register of Deeds of General Santos City is required to directly issue the corresponding transfer certificates of titles on the three subject lots in the name of Plastic King.

ACCORDINGLY, the Petition is **DENIED**. The Decision dated October 21, 2016 and Resolution dated April 10, 2017 in CA-G.R. CV No. 02822-MIN of the Court of Appeals are **AFFIRMED** with **MODIFICATION**. The directive to reinstate OCT Nos. P-6208, P-6209, and P-6210 all in the name of the Flavianos is **DELETED**. In lieu thereof, for purposes of practicality and economy, and to avoid circuitous procedures, the Register of Deeds of General Santos City is required to **DIRECTLY ISSUE** the corresponding transfer certificates of titles on Lot Y-2-C-1, Lot Y-2-C-2, and Lot Y-2-C-3 all in the name of Plastic King Industrial Corporation.

SO ORDERED.


AMY C. LAZARO-JAVIER
Associate Justice
Working Chairperson

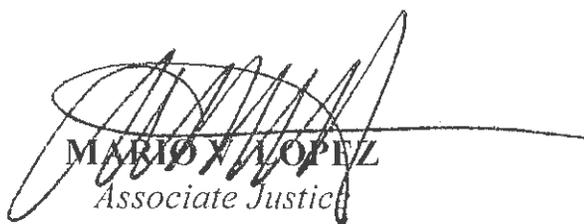
⁶⁰ See *Samartino v. Raon*, 433 Phil. 173 (2002) [Per J. Ynares-Santiago, First Division].

⁶¹ See *Heirs of Cullado v. Gutierrez*, 858 Phil. 580 (2019) [Per J. Caguioa, *En Banc*].

WE CONCUR:



MARVIC M.V.F. LEONEN
Acting Chief Justice



MARIO Y. LOPEZ
Associate Justice



JHOSEP Y. LOPEZ
Associate Justice



ANTONIO T. KHO, JR.
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



MARVIC M.V.F. LEONEN
Acting Chief Justice