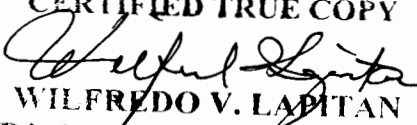




Republic of the Philippines
SUPREME COURT
 Manila

CERTIFIED TRUE COPY

WILFREDO V. LADITAN
 Division Clerk of Court
 Third Division

JUL 11 2018

THIRD DIVISION

SPOUSES JULIETA B. CARLOS
and FERNANDO P. CARLOS,
 Petitioners,

G.R. No. 234533

Present:

- versus -

JUAN CRUZ TOLENTINO,
 Respondent.

VELASCO, JR., J., Chairperson,
 BERSAMIN,
 LEONEN,
 MARTIRES, and
 GESMUNDO, JJ.

Promulgated:

June 27, 2018

X----------X

DECISION

VELASCO, JR., J.:

Nature of the Case

Before this Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the April 5, 2017 Decision¹ and the September 27, 2017 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 106430. The challenged rulings reversed and set aside the October 16, 2015 Decision³ and the December 9, 2015 Order⁴ of the Regional Trial Court (RTC) of Quezon City, Branch 87 which dismissed respondent's complaint for annulment of title against the petitioners.

The Facts

The instant case arose from a complaint for annulment of title with damages filed by respondent Juan Cruz Tolentino (Juan) against his wife, Mercedes Tolentino (Mercedes), his grandson, Kristoff M. Tolentino (Kristoff), herein petitioners Spouses Julieta B. Carlos (Julieta) and

¹ Penned by Associate Justice Magdangal M. De Leon and concurred in by Associate Justices Elihu A. Ybañez and Carmelita Salandanan Manahan; *Annex A* of the Petition.

² *Annex B* of the Petition.

³ Penned by Judge Aurora A. Hernandez-Calledo; *Annex N* of the Petition.

⁴ *Annex O* of the Petition.

Fernando P. Carlos (Spouses Carlos), and the Register of Deeds of Quezon City.

The subject matter of the action is a parcel of land with an area of 1,000 square meters and all the improvements thereon located in Novaliches,⁵ Quezon City, covered by Transfer Certificate of Title (TCT) No. RT-90746 (116229) issued on March 17, 1967 and registered in the name of Juan C. Tolentino, married to Mercedes Tolentino (the subject property).⁶

Without Juan's knowledge and consent, Mercedes and Kristoff, who were then residing in the subject property, allegedly forged a Deed of Donation⁷ dated February 15, 2011, thereby making it appear that Juan and Mercedes donated the subject property to Kristoff. Thus, by virtue of the alleged forged Deed of Donation, Kristoff caused the cancellation of TCT No. RT-90764 (116229), and in lieu thereof, TCT No. 004-2011003320⁸ was issued in his name on March 9, 2011.⁹

In April 2011, Kristoff offered the sale of the subject property to Julieta's brother, Felix Bacal (Felix), who is also the administrator of the lot owned by Julieta which is adjacent to the subject property. When Felix informed Julieta of the availability of the subject property, Spouses Carlos then asked him to negotiate for its purchase with Kristoff. Kristoff and Felix then arranged for the ocular inspection of the subject property. Thereafter, Kristoff surrendered to Felix copies of the title and tax declaration covering the said property.¹⁰

After a series of negotiations, Kristoff and Julieta executed a Memorandum of Agreement¹¹ (MOA) dated April 12, 2011 stating that Kristoff is selling the subject property to Julieta in the amount of Two Million Three Hundred Thousand Pesos (P2,300,000.00), payable in two (2) installments. On May 28, 2011, Julieta made the first payment in the amount of Two Million Pesos (P2,000,000.00)¹² while the second payment in the amount of Three Hundred Thousand Pesos (P300,000.00) was made on June 30, 2011.¹³ On the same day, a Deed of Absolute Sale¹⁴ was executed between Kristoff and Julieta.

⁵ The parties state that the subject property is located in Mindanao Avenue, Quezon City. However, the RTC found that the Tax Declaration covering the subject property states that it is located in Novaliches, Greater Lagro, Quezon City. TCT No. RT-90746 (116229) also states that the subject property is located in Novaliches, Quezon City.

⁶ At page 1 of the RTC Decision.

⁷ Annex I of the Petition.

⁸ Annex C of the Petition.

⁹ CA Decision, p. 2.

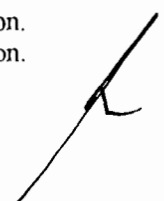
¹⁰ RTC Decision, p. 3.

¹¹ Annex D of the Petition.

¹² As evidenced by the Acknowledgment Receipt dated May 28, 2011; Annex E of the Petition.

¹³ As evidenced by the Acknowledgment Receipt dated June 30, 2011; Annex F of the Petition.

¹⁴ Annex G of the Petition.



Upon learning of the foregoing events, Juan executed an Affidavit of Adverse Claim which was annotated on TCT No. 004-2011003320 on July 15, 2011, to wit:

NOTICE OF ADVERSE CLAIM : EXECUTED UNDER OATH BY JUAN C. TOLENTINO, CLAIMING FOR THE RIGHTS, INTEREST AND PARTICIPATION OVER THE PROPERTY, STATING AMONG OTHERS THAT HE DISCOVERED ON JULY 14, 2011 THAT SAID PARCEL OF LAND HAS BEEN DONATED TO KRISTOFF M. TOLENTINO BY VIRTUE OF A DEED OF DONATION PU[R]PORTEDLY EXECUTED BY JUAN C. TOLENTINO & MERCEDES SERRANO ON FEB. 15, 2011. THAT AS A RESULT OF THE FORGED DEED OF DONATION, HIS TITLE WAS CANCELLED. THAT HE DECLARE THAT HE HAVE NOT SIGNED ANY DEED OF DONATION IN FAVOR OF SAID KRISTOFF M. TOLENTINO. NEITHER DID HE SELL, TRANSFER NOR WAIVE HIS RIGHTS OF OWNERSHIP OVER THE SAID PROPERTY. OTHER CONDITIONS SET FORTH IN DOC. NO. 253, PAGE NO. 52, BOOK NO. V, SERIES OF 2011 OF NOTARY PUBLIC OF QC, MANNY GRAGASIN. DATE INSTRUMENT – JUNE 15, 2011¹⁵

Juan also filed a criminal complaint for Falsification of Public Document before the Office of the City Prosecutor of Quezon City against Kristoff.¹⁶ A Resolution for the filing of Information for Falsification of Public Document against Kristoff was then issued on January 10, 2012. Accordingly, an Information dated February 15, 2012 was filed against him.¹⁷

Meanwhile, Kristoff and Julieta executed another Deed of Absolute Sale¹⁸ dated September 12, 2011 over the subject property and, by virtue thereof, the Register of Deeds of Quezon City cancelled TCT No. 004-2011003320 and issued TCT No. 004-2011013502¹⁹ on December 5, 2011 in favor of Spouses Carlos. The affidavit of adverse claim executed by Juan was duly carried over to the title of Spouses Carlos.

On February 23, 2012, Juan filed a complaint for annulment of title with damages against Mercedes, Kristoff, Spouses Carlos, and the Register of Deeds of Quezon City before the RTC of Quezon City. The case was raffled to Branch 87 and docketed as Civil Case No. Q-12-70832.

¹⁵ *Annex C* of the Petition.

¹⁶ CA Decision, p. 5.

¹⁷ *Id.* at 6.

¹⁸ *Annex J* of the Petition.

¹⁹ *Annex K* of the Petition.

RTC Ruling

In its October 16, 2015 Decision, the RTC found that Juan's signature in the Deed of Donation dated February 15, 2011 was a forgery.²⁰ Despite such finding, however, it dismissed Juan's complaint.

The RTC found that at the time Spouses Carlos fully paid the agreed price in the MOA on June 30, 2011, which culminated in the execution of the Deed of Absolute Sale on even date, Kristoff was the registered owner of the subject property covered by TCT No. 004-2011003320. Further, when the MOA and the Deed of Absolute Sale dated June 30, 2011 were executed, nothing was annotated on the said title to indicate the adverse claim of Juan or any other person. It was only on July 15, 2011 when Juan's adverse claim was annotated on Kristoff's title.²¹

The fact that a second Deed of Absolute Sale dated September 12, 2011 was executed is immaterial since the actual sale of the subject property took place on June 30, 2011 when Spouses Carlos fully paid the purchase price. Thus, relying on the face of Kristoff's title without any knowledge of irregularity in the issuance thereof and having paid a fair and full price of the subject property before they could be charged with knowledge of Juan's adverse claim, the RTC upheld Spouses Carlos' right over the subject property. The dispositive portion of the October 16, 2015 Decision states:

WHEREFORE, viewed in the light of the foregoing, the instant complaint for Annulment of Title and Damages against the defendant spouses Fernando and Julieta Carlos is hereby DISMISSED for failure of the plaintiff to prove his cause of action. This is without prejudice, however to any appropriate remedy the plaintiff may take against Kristoff Tolentino and Mercedes Tolentino.

The defendant spouses' counterclaim is DISMISSED for lack of merit.

SO ORDERED.²²

Juan moved for reconsideration of the said decision but was denied by the RTC in its December 9, 2015 Order. Thus, he interposed an appeal before the CA.

²⁰ RTC Decision, pp. 15-16.

²¹ Id. at 18.

²² Id. at 20.

CA Ruling

On appeal, the CA found that Spouses Carlos were negligent in not taking the necessary steps to determine the status of the subject property prior to their purchase thereof. It stressed that Julieta failed to examine Kristoff's title and other documents before the sale as she merely relied on her brother, Felix.²³ Accordingly, the CA ruled that Juan has a better right over the subject property. The *fallo* of the April 5, 2017 Decision reads:

WHEREFORE, the appeal is **GRANTED**. The appealed Decision of the RTC of Quezon City dated October 16, 2015 is hereby **REVERSED** and **SET ASIDE**. Accordingly, plaintiff-appellant Juan Cruz Tolentino is recognized to have a better right over the subject property. The Register of Deeds of Quezon City is **ORDERED** to reinstate TCT No. RT-90746 (116229) in the name of Juan Cruz Tolentino and to cancel TCT No. 004-2011013502 in the names of Spouses Julieta and Fernando Carlos, and the latter to surrender possession of the subject property to Juan Cruz Tolentino.

SO ORDERED.²⁴

Spouses Carlos then filed a motion for reconsideration but the same was denied by the CA in its September 27, 2017 Resolution.

Hence, the instant petition.

The Issue

Spouses Carlos anchor their plea for the reversal of the assailed Decision on the following grounds:²⁵

The Court of Appeals acted injudiciously, and with grievous abuse of discretion in the appreciation of facts and in disregard of jurisprudence, when it granted respondent's appeal, and thereby arbitrarily and despotically ratiocinated that -

I. Petitioners are not buyers in good faith of the litigated real property, but who are otherwise devoid of notice let alone knowledge of any flaw or infirmity in the title of the person selling the property at the time of purchase.

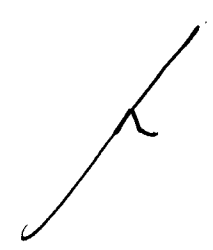
II. Petitioners are not purchasers in good faith, on the basis of the Memorandum of Agreement dated April 12, 2011 and the Deed of Absolute Sale dated June 30, 2011.

III. Respondent Juan Cruz Tolentino was the previous registered owner of the land in dispute, thereby acting on oblivion to the fact that the real property is essentially conjugal in nature.

²³ CA Decision, p. 14.

²⁴ Id. at 17.

²⁵ Petition, p. 7.



IV. In failing to rule and rationalize that at least one-half of the subject real property should belong to petitioners.

V. The litigated property must be awarded and returned in favour of respondent Juan Cruz Tolentino in its entirety.

At bottom, the crux of the controversy is who, between Juan and Spouses Carlos, has the better to right to claim ownership over the subject property.

The Court's Ruling

The present controversy necessitates an inquiry into the facts. While, as a general rule, factual issues are not within the province of this Court, nonetheless, in light of the conflicting factual findings of the two courts below, an examination of the facts obtaining in this case is in order.²⁶

Juan and Mercedes appear to have been married before the effectivity of the Family Code on August 3, 1988. There being no indication that they have adopted a different property regime, the presumption is that their property relations is governed by the regime of conjugal partnership of gains.²⁷ Article 119 of the Civil Code thus provides:

Article 119. The future spouses may in the marriage settlements agree upon absolute or relative community of property, or upon complete separation of property, or upon any other regime. In the absence of marriage settlements, or when the same are void, the system of relative community or conjugal partnership of gains as established in this Code, shall govern the property relations between husband and wife.

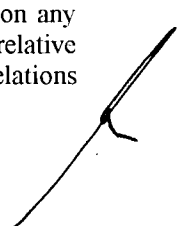
Likewise, the Family Code contains terms governing conjugal partnership of gains that supersede the terms of the conjugal partnership of gains under the Civil Code. Article 105 of the Family Code states:

Article 105. In case the future spouses agree in the marriage settlements that the regime of conjugal partnership of gains shall govern their property relations during marriage, the provisions in this Chapter shall be of supplementary application.

The provisions of this Chapter shall also apply to conjugal partnerships of gains already established between spouses before the effectivity of this Code, without prejudice to vested rights already acquired in accordance with the Civil Code or other laws, as provided in Article 256.

²⁶ *Rufloe v. Burgos*, G.R. No. 143573, January 30, 2009 and *Heirs of Domingo Hernandez, Sr. v. Mingoa, Sr.*, G.R. No. 146548, December 18, 2009.

²⁷ Article 119 of the Civil Code states: The future spouses may in the marriage settlements agree upon absolute or relative community of property, or upon complete separation of property, or upon any other regime. In the absence of marriage settlements, or when the same are void, the system of relative community or conjugal partnership of gains as established in this Code, shall govern the property relations between husband and wife.



Since the subject property was acquired on March 17, 1967²⁸ during the marriage of Juan and Mercedes, it formed part of their conjugal partnership.²⁹ It follows then that Juan and Mercedes are the absolute owners of their undivided one-half interest, respectively, over the subject property.

Meanwhile, as in any other property relations between husband and wife, the conjugal partnership is terminated upon the death of either of the spouses.³⁰ In respondent Juan's Comment filed before the Court, the Verification which he executed on February 9, 2018 states that he is already a widower. Hence, the Court takes due notice of the fact of Mercedes' death which inevitably results in the dissolution of the conjugal partnership.

In retrospect, as absolute owners of the subject property then covered by TCT No. RT-90746 (116229), Juan and Mercedes may validly exercise rights of ownership by executing deeds which transfer title thereto such as, in this case, the Deed of Donation dated February 15, 2011 in favor of their grandson, Kristoff.

With regard to Juan's consent to the afore-stated donation, the RTC, however, found that such was lacking since his signature therein was forged. Notably, the CA did not overturn such finding, and in fact, no longer touched upon the issue of forgery. On the other hand, it must be pointed out that the signature of Mercedes in the Deed of Donation was never contested and is, therefore, deemed admitted.

In *Arrogante v. Deliarte*,³¹ We ruled that a deed of sale of the subject lot therein executed by the Deliarte siblings in favor of their brother, respondent Beethoven Deliarte (Beethoven), was void for being a conveyance of future inheritance. Nonetheless, the provisions in the written agreement and the Deliarte siblings' signature thereon are equivalent to an express waiver of all their rights and interests. Thus, the Court upheld the quieting of title in favor of respondent Beethoven after finding that the deed of sale, albeit void, evidenced the consent and acquiescence of each Deliarte sibling to said transaction.

In the present case, while it has been settled that the congruence of the wills of the spouses is essential for the valid disposition of conjugal property,³² it cannot be ignored that Mercedes' consent to the disposition of her one-half interest in the subject property remained undisputed. It is apparent that Mercedes, during her lifetime, relinquished all her rights thereon in favor of her grandson, Kristoff.

²⁸ TCT No. RT-90746 (116229) was issued on March 17, 1967.

²⁹ Article 160 of the Civil Code states: All property of the marriage is presumed to belong to the conjugal partnership, unless it be proved that it pertains exclusively to the husband or to the wife.

³⁰ Article 126 of the Family Code provides: The conjugal partnership terminates:

(1) Upon the death of either spouse;

X X X X

³¹ G.R. No. 152132, July 24, 2007.

³² *Abalos v. Macatangay, Jr.*, G.R. No. 155043, September 30, 2004.

Furthermore, Mercedes' knowledge of and acquiescence to the subsequent sale of the subject property to Spouses Carlos is evidenced by her signature appearing in the MOA³³ dated April 12, 2011 and the Deed of Absolute Sale³⁴ dated September 12, 2011. We are also mindful of the fact that Spouses Carlos had already paid a valuable consideration in the amount of Two Million Three Hundred Thousand Pesos (P2,300,000.00) for the subject property before Juan's adverse claim was annotated on Kristoff's title. The said purchase and acquisition for valuable consideration deserves a certain degree of legal protection.

Given the foregoing, the Court is disinclined to rule that the Deed of Donation is wholly void *ab initio* and that the Spouses Carlos should be totally stripped of their right over the subject property. In consonance with justice and equity, We deem it proper to uphold the validity of the Deed of Donation dated February 15, 2011 but only to the extent of Mercedes' one-half share in the subject property. And rightly so, because why invalidate Mercedes' disposition of her one-half portion of the conjugal property that will eventually be her share after the termination of the conjugal partnership? It will practically be absurd, especially in the instant case, since the conjugal partnership had already been terminated upon Mercedes' death.

Accordingly, the right of Kristoff, as donee, is limited only to the one-half undivided portion that Mercedes owned. The Deed of Donation insofar as it covered the remaining one-half undivided portion of the subject property is null and void, Juan not having consented to the donation of his undivided half.

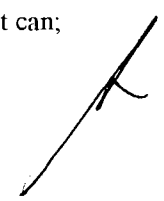
Upon the foregoing perspective, Spouses Carlos' right, as vendees in the subsequent sale of the subject property, is confined only to the one-half undivided portion thereof. The other undivided half still belongs to Juan. As owners *pro indiviso* of a portion of the lot in question, either Spouses Carlos or Juan may ask for the partition of the lot and their property rights shall be limited to the portion which may be allotted to them in the division upon the termination of the co-ownership.³⁵ This disposition is in line with the well-established principle that the binding force of a contract must be recognized as far as it is legally possible to do so—*quando res non valet ut ago, valeat quantum valere potest*.³⁶

³³ Annex D of the Petition.

³⁴ Annex J of the Petition.

³⁵ Article 493 of the Civil Code states: Each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign or mortgage it, and even substitute another person in its enjoyment, except when personal rights are involved. But the effect of the alienation or the mortgage, with respect to the co-owners, shall be limited to the portion which may be allotted to him in the division upon the termination of the co-ownership.

³⁶ When a thing is of no effect as I do it, it shall have effect as far as (or in whatever way) it can; cited in *Metropolitan Bank and Trust Co. v. Pascual*, G.R. No. 163744 February 29, 2008.



Lastly, as a matter of fairness and in line with the principle that no person should unjustly enrich himself at the expense of another,³⁷ Kristoff should be liable to reimburse Spouses Carlos of the amount corresponding to one-half of the purchase price of the subject property.

WHEREFORE, in view of the foregoing, the petition is **PARTIALLY GRANTED**. The donation and subsequent sale of the subject property is declared **NULL** and **VOID** with respect to the undivided 1/2 portion owned by Juan Cruz Tolentino, but **VALID** with respect to the other undivided 1/2 portion belonging to Mercedes Tolentino. Accordingly, petitioners Spouses Carlos and respondent Juan Cruz Tolentino are hereby declared as co-owners of the subject property. The Register of Deeds of Quezon City is ordered to cancel TCT No. 004-2011013502 and to issue a new transfer certificate of title in the names of Julieta B. Carlos, married to Fernando P. Carlos, and Juan Cruz Tolentino on a 50-50 undivided interest in the lot.

We order Kristoff M. Tolentino to pay Spouses Carlos the amount of One Million One Hundred Fifty Thousand Pesos (P1,150,000.00) corresponding to one-half of the amount paid by Spouses Carlos for the subject property, with legal interest at the rate of 6% computed from the finality of this Decision.

SO ORDERED.

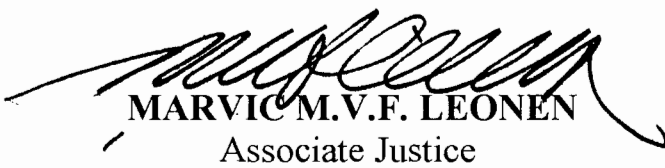


PRESBITERO J. VELASCO, JR.
Associate Justice

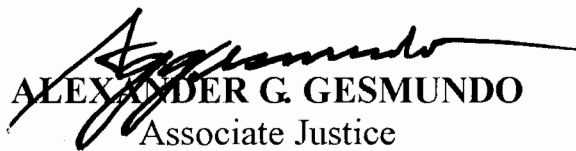
³⁷ CIVIL CODE, Art. 22; *Hulst v. PR Builders, Inc.*, G.R. No. 156364, September 3, 2007, 532 SCRA 74, 96; *Advanced Foundation Construction Systems Corporation v. New World Properties and Ventures, Inc.*, G.R. No. 143154, June 21, 2006, 491 SCRA 557, 578; *Reyes v. Lim, et al.*, G.R. No. 134241, August 11, 2003.

WE CONCUR:


LUCAS P. BERSAMIN
 Associate Justice



MARVIC M.V.F. LEONEN
 Associate Justice


SAMUEL R. MARTIRES
 Associate Justice


ALEXANDER G. GESMUNDO
 Associate Justice

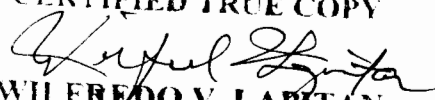
ATTESTATION

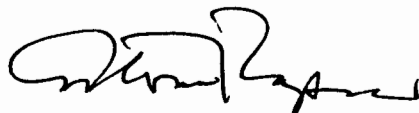
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
 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.

CERTIFIED TRUE COPY

WILFREDO V. LAPITAN
 Division Clerk of Court
 Third Division


ANTONIO T. CARPIO
 Acting Chief Justice

JUL 11 2018