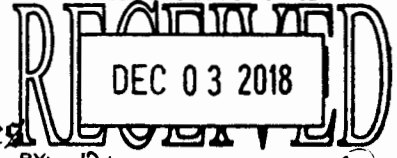


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Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
PUBLIC INFORMATION OFFICE



BY: Dennis
TIME: 11:10

FIRST DIVISION

**LIFESTYLE REDEFINED
REALTY CORPORATION AND
EVELYN S. BARTE,**

G.R. No. 217716

Petitioners,

- versus -

HEIRS OF DENNIS A. UVAS,
Respondents.

X-----X

**RIZAL COMMERCIAL BANKING
CORPORATION,**

G.R. No. 217857

Petitioner,

Present:

LEONARDO-DE CASTRO, C.J.,
Chairperson,

**BERSAMIN,
DEL CASTILLO,
JARDELEZA, and
TIJAM, JJ.**

- versus -

**HEIRS OF DENNIS A. UVAS,
LIFESTYLE REDEFINED
REALTY CORPORATION AND
EVELYN BARTE,**

Promulgated:

Respondents.

SEP 17 2018

X-----X


DECISION

TIJAM, J.:

These are consolidated Petitions for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, assailing the Decision² dated January 12, 2015 of the Court of Appeals (CA) in CA-G.R. CV No. 101972, which denied petitioners Lifestyle Redefined Realty Corporation (Lifestyle Corporation) and Evelyn S. Barte (Evelyn), and Rizal Banking Corporation's (RCBC) appeal, and affirmed the Decision³ dated October 20, 2013 of the Regional Trial Court (RTC) of City of Manila, Branch 17, in Civil Case No. 06-115798.

Antecedent Facts

U-Bex Integrated Resources, Inc. (U-Bex), controlled by Spouses Dennis (Dennis) and Nimfa Uvas (Nimfa) (Spouses Uvas), obtained various amounts of loans from RCBC in the amounts of ₱1 Million and ₱2 Million. To secure the said loans, Spouses Uvas executed a Real Estate Mortgage dated October 25, 1993 over a parcel of land covered by Transfer Certificate of Title (TCT) No. 190706 pertaining to a property located at 1928 Leon Guinto Street, Malate, which also consists of a building and apartment units (subject property).⁴

It appears that on November 24, 2003, an auction sale was conducted where the subject property was sold to RCBC as the highest bidder. On September 26, 2005, RCBC consolidated its title on the subject property. TCT No. 269709 was issued in its name.⁵

Subsequently, the subject property was sold to Lifestyle Corporation and Evelyn⁶. Lifestyle Corporation and/or Evelyn was a lessee of Spouses Uvas in the subject property during the time of the loan up to the time RCBC sold the same to her.⁷

¹ *Rollo* (G.R. No. 217716), pp. 51-62; *rollo* (G.R. No. 217857), pp. 14-36.

² Penned by Associate Justice Celia C. Librea-Leagogo, concurred in by Associate Justices Amy C. Lazaro-Javier and Zenaida T. Galapate-Laguilles; *rollo* (G.R. No. 217716), pp. 9-39.

³ Rendered by Presiding Judge Felicitas O. Laron-Cacanindin; *rollo* (G.R. No. 217857), pp. 94-107.

⁴ *Rollo* (G.R. No. 217716), p. 11.

⁵ *Id.* at 13.

⁶ *Id.* at 14.

⁷ *Rollo* (G.R. No. 217857), pp. 101-102.

Proceedings before the RTC

On September 6, 2006, Heirs of Dennis Uvas (respondent Heirs) filed a Complaint⁸ for annulment of foreclosure sale, certificate of sale, and cancellation of TCT No. 269709 with damages against RCBC, Jennifer Dela Cruz-Buendia, Ex-Officio Sheriff of the RTC of Manila, Benjamin Del Rosario, Jr. as Sheriff of Branch 9, RTC Manila, and the Registry of Deeds of Manila. The case was docketed as Civil Case No. 06-115798.

Respondent Heirs questioned the foreclosure stating that they were never informed of the foreclosure, and that they were surprised that RCBC was already the registered owner of the subject property. They claimed that the foreclosure sale is void for lack of publication and notice to them. They pointed out that the date of auction indicated in the Notice of Extrajudicial Sale was October 8, 2003. Hence, the implementing officers of the court should not have allowed the auction sale to be conducted on November 24, 2003 without republication of the notice of sale. They claimed that RCBC was in bad faith since it sent the notices of auction sale to their former address at 9345 Dongon Street, San Antonio Village, Makati City despite knowledge that they are actually residing at 1928 Leon Guinto Street, Malate, Manila.⁹

RCBC, in its Answer, defended the validity of the foreclosure sale. The bank alleged that ever since Dennis died in April of 1995, all communications were made to Dennis' wife, Nimfa, regarding the loans obtained by U-Bex. It claimed that after August 1998, U-Bex started defaulting, and that per Letter dated June 25, 1999, it reminded U-Bex/Nimfa that their account has been past due and as of June 21, 1999, they owed the bank ₱3,137,494.00. Despite efforts to forge a repayment scheme for the loan, and after Ubex/Nimfa's failure to pay upon demand, RCBC filed a petition for extrajudicial foreclosure with the Office of the Clerk of Court of the RTC Manila. RCBC admitted that the notice of the foreclosure stated that it would be conducted on October 8, 2003, but it was postponed to November 24, 2003, upon the request of Nimfa, who represented that they were in the process of finding a buyer of the subject property. RCBC alleged that Nimfa's request for postponement of the auction was made "without the need for republication." RCBC agreed to the postponement without republication of notice of sale on the condition that Ubex/Nimfa would not later on question the sale for such reason. On the scheduled date of auction, there were no other buyers, hence RCBC was declared as the winning bidder. RCBC then proceeded to consolidate the title to the property.¹⁰

⁸ Id. at 81-87.

⁹ Id. at 47-48.

¹⁰ Id. at 48-49.

RCBC purportedly intended to auction the subject property on August 3, 2006. However, before the said auction, Nimfa, and her daughter Clarice Uvas (Clarice) introduced Evelyn to RCBC. Evelyn was a prospective buyer of the property. RCBC then proceeded to negotiate with Evelyn, and after Evelyn completed her payments, they executed a Deed of Absolute Sale covering the subject property.¹¹

RCBC alleged that respondent Heirs merely filed the complaint against it because they want to be paid their referral fee, and that they are estopped from questioning the foreclosure since it was their mother who requested for the resetting of the auction sale.¹²

In a Supplemental Complaint¹³ dated April 20, 2007, respondent Heirs alleged that after the filing of their initial complaint in 2006, and the annotation of *lis pendens* in TCT No. 269709 in the name of RCBC, the latter sold the property to Lifestyle Corporation and Evelyn, thus resulting in the issuance of TCT No. 276003 in favor of the latter. They claimed that such sale is void for it was derived from a void title. They alleged that Lifestyle Corporation and Evelyn and RCBC conspired against them and are in bad faith.¹⁴

Lifestyle Corporation and Evelyn, in their defense, claimed that they planned to use the subject property for constructing condominium units. They alleged that they had no prior knowledge of the purported defects in RCBC's ownership. Nimfa and Clarice knew their plan of constructing a condominium building after the former introduced Evelyn to RCBC. In consideration of the same, Evelyn and Lifestyle Corporation agreed to give respondent Heirs a unit in the condominium building. They alleged that they are merely caught in the crossfire between respondent Heirs and RCBC, after the respondent Heirs failed to collect referral fee from RCBC. Thus, they claimed ₱100,000.00 from respondent Heirs as way of actual damages, ₱1,000,000.00 as moral damages and ₱200,000.00 as attorneys fees. On the other hand, Lifestyle Corporation and Evelyn prayed that RCBC be compelled to comply and answer for its express warranty, as stated in the Deed of Absolute sale.¹⁵

RCBC, in its Answer to Lifestyle Corporation and Evelyn's Cross-claim, alleged that it had no knowledge of the filing of the complaint when it executed the Deed of Absolute Sale on September 18, 2006, or when the Deed was notarized on October 2, 2006, as it merely received summons pertaining to Civil Case No. 06-115798 on October 3, 2006. RCBC further

¹¹ Id. at 49-50.

¹² Id. at 50.

¹³ Id. at 88-92.

¹⁴ Id. at 51.

¹⁵ Id. at 51-52.

alleged that it did not have knowledge of the annotation of the *lis pendens* until it was informed by co-defendants Lifestyle Corporation and Evelyn. It claimed that the transfer of the subject property to Lifestyle Corporation and Evelyn was made in good faith.¹⁶

On October 20, 2013, the RTC rendered a Decision,¹⁷ the dispositive portion of the Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of [respondent Heirs] and against [RCBC], [Lifestyle Corporation and Evelyn]:

1. Declaring as null and void the foreclosure and auction sale of the subject property covered by [TCT] No. 190706 held on November 24, 2003 as well as the corresponding Certificate of Sale dated December 23, 2003;
2. Declaring the Deed of Absolute Sale entered into between [RCBC] and [Lifestyle Redefined Corporation/Evelyn] as null and void;
3. Ordering the Register of Deeds of the City of Manila to cancel the annotations of the Sheriff's Certificate of Sale dated December 23, 2004 on [TCT] No. 190706 as null and void and without any legal effect;
4. Ordering the Register of Deeds of the City of Manila to cancel [TCT] No. 276003 as a consequence of the nullity of the Deed of Absolute Sale entered into by the parties and restore the validity of the original [TCT] No. 190706 in the name of [Dennis], married to [Nimfa] as well as the [TCT] No. 269709 in the name of [RCBC] as the foreclosure sale conducted on November 24, 2003 is a complete nullity;
5. Ordering the [RCBC] to restructure the [respondent Heirs'] loan obligation retroactively as though the foreclosure had not taken place in the interest of justice and equity in order to give another chance for the [respondent Heirs] to satisfy their loan obligation **without prejudice** to the conduct of extra-judicial foreclosure of the proceedings in compliance with the rules in case of failure of [respondent Heirs] to satisfy their loan obligations;
6. Ordering the [RCBC] to return to [Lifestyle Corporation and Evelyn] the amount of TWENTY MILLION FIVE HUNDRED THOUSAND PESOS (Php20,500,000.00) with interest of 12% *per annum* from time of filing of the instant Complaint on September 6, 2006;

¹⁶ Id. at 52.

¹⁷ Id. at 94-107.

7. Ordering the [RCBC] to pay attorney's fees in the amount of FIFTY THOUSAND PESOS (P50,000.00);
8. Costs against [RCBC] and [Lifestyle Corporation/Evelyn].

SO ORDERED.¹⁸

Proceedings before the CA

Dissatisfied, Lifestyle Corporation and Evelyn, and RCBC filed their respective Appellant's Briefs.

After the filing of the parties' respective pleadings, the CA rendered the assailed Decision¹⁹ on January 12, 2015, the dispositive portion of the Decision reads:

WHEREFORE, premises considered, the appeals are **DENIED**. The Decision dated 20 October 2013 of the [RTC], National Capital Judicial Region, Branch 17, Manila in *Civil Case No. 06-115798* is **AFFIRMED**.

SO ORDERED.²⁰

Hence, the instant petitions.

Arguments of the Parties

Lifestyle Corporation and Evelyn claim that they are buyers in good faith considering that the sale between them and RCBC was already perfected on August 24, 2006, way before the inscription of *lis pendens* in TCT No. 269709, on September 6, 2006.²¹ Meanwhile, RCBC insists that the lower courts erred in ordering it to restructure the loan, considering that this was not expressly prayed for by the respondent Heirs in their complaint before the trial court.²²

Verily, in these consolidated petitions, this Court is called upon to determine the correctness of the CA's ruling which effectively restored the situation of the parties prior to the controversy. In order to properly resolve the same, this Court should necessarily make a determination of whether Lifestyle Corporation and Evelyn acted in good faith when they purchased the subject property from RCBC. If this Court rules in the affirmative, the order restoring the parties to their *status quo ante* would have no legal basis.

¹⁸ Id. at 105-106.

¹⁹ *Rollo* (G.R. No. 217716), pp. 9-39.

²⁰ Id. at 35.

²¹ Id. at 58.

²² *Rollo* (G.R. No. 217857), pp. 27-28.

If this Court finds the buyers in bad faith, then the CA's ruling stands.

Ruling of the Court

The petition has merit.

At the outset, this Court is cognizant of the rule that republication of the notice of sale in the manner prescribed by Act No. 3135 is necessary for the validity of a postponed extrajudicial foreclosure sale.²³ A foreclosure sale which deviates from the statutory requirements constitutes a jurisdictional defect invalidating the sale.²⁴ The Court is mindful of the purpose of publication of the notice of auction sale, which is to give the foreclosure sale a reasonably wide publicity such that those interested might attend the public sale. Otherwise, the sale might be converted into a private one.²⁵

However, jurisprudence is also replete with cases which relaxes the aforesaid rule in case of a purchaser in a foreclosure sale who is in good faith and bought the property for value.²⁶ As aforesaid, it is thus relevant for this Court to make a determination on the purported good faith of Petitioners Lifestyle Corporation and Evelyn in purchasing the subject property.

Lifestyle Corporation and Evelyn had a right to rely on the clean title of the subject property at the time of the sale

The CA in this case opined that the annotation of *lis pendens* on RCBC's title on September 6, 2006, prior to the notarization of the sale between Lifestyle Corporation and Evelyn, and RCBC on October 2, 2006, is sufficient notice of the respondent Heirs' claim over the subject property.

Examination of the factual circumstances of the case in its entirety leads this Court to a different conclusion.

As a rule, an ordinary buyer may rely on the certificate of title issued in the name of the seller, and need not investigate beyond what the title of the subject property states.²⁷ In order to be considered a buyer in good faith, a person must buy the property without notice of a right or interest of

²³ *Ouano v. Court of Appeals*, 446 Phil. 690, 703 (2003) citing *Tambunting v. Court of Appeals*, 249 Phil. 16 (1988).

²⁴ *Ouano v. Court of Appeals*, supra at 703.

²⁵ *Development Bank of the Phils. v. Court of Appeals*, 451 Phil. 563, 575 (2003).

²⁶ See *Bank of Commerce v. Sps. San Pablo, Jr.*, 550 Phil. 805 (2007); *Vda. De Toledo v. Toledo*, 462 Phil. 738, 749-749 (2003).

²⁷ See *Heirs of Gregorio Lopez v. Development Bank of the Phils.*, 747 Phil. 427, 439 (2014).

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another party, and pay the purchase price at the time of sale or before notice of a claim on the property.²⁸ “The protection of innocent purchasers in good faith for value grounds on the social interest embedded in the legal concept granting indefeasibility of titles. Between the third party and the owner, the latter would be more familiar with the history and status of the titled property.”²⁹

The honesty of intention that constitutes good faith implies freedom from knowledge of circumstances that ought to put a prudent person on inquiry.³⁰ Good faith consists in the belief of the possessors that the persons from whom they received the thing are its rightful owners who could convey their title.³¹ “Good faith, while always presumed in the absence of proof to the contrary, requires this well-founded belief.”³²

In this case, the annotation of *lis pendens*, per se, does not automatically equate to the conclusion that Lifestyle Corporation and Evelyn intentionally bought the property with knowledge, or to defeat respondent Heirs' claims on the subject property. In the first place, the title of the subject property, at the time of the negotiations and payment of the sale was in the name of RCBC. At that time, the title of the subject property did not contain any indication that respondent Heirs have a claim thereon, or that the foreclosure sale from which RCBC bought the subject property was void. Plainly, it can be said that Lifestyle Corporation and Evelyn were not expected to make further investigations on the property. The rule is settled that “one who deals with property registered under the Torrens System is charged with notice only of such burdens and claims as are annotated on the title.”³³ “The law protects to a greater degree a purchaser who buys from the registered owner himself.”³⁴

We also note that at the time of the annotation of *lis pendens*, the sale was already consummated. It must be emphasized that Lifestyle Corporation and/or Evelyn was already finished paying for the subject property as early as August 24, 2006. This was not controverted by respondent Heirs. Hence, Lifestyle Corporation and Evelyn already acquired ownership of the subject property as of that time. The law provides that the ownership of the thing sold is acquired by the vendee from the moment it is delivered to him in any of the ways specified in Article 1497 to 1501.³⁵ Delivery may either be actual or constructive. The different modes

²⁸ *Uy v. Fule et al.*, 737 Phil. 290, 293 (2014).

²⁹ *Leong, et al. v. See*, 749 Phil. 314, 325 (2014).

³⁰ *Sigaya v. Mayuga*, 504 Phil. 591, 613 (2005).

³¹ *Spouses Salera v. Spouses Rodaje*, 557 Phil. 207, 214 (2007).

³² *Sps. Villamil, et al. v. Villarosa*, 602 Phil. 932, 941 (2009).

³³ *Raul Saberon, et al. v. Ventanilla, Jr., et al.*, 733 Phil. 275, 296-297 (2014).

³⁴ *Heirs of Nicolas Cabigas v. Limbaco, et al.*, 570 Phil. 274, 291 (2011) citing *Abad v. Sps. Guimba*, 503 Phil. 321, 331 (2005).

³⁵ Art. 1497. The thing sold shall be understood as delivered, when it is placed in the control and possession of the vendee.

of transfer of ownership upon consummation of a contract of sale was explained by this Court in *San Lorenzo Dev't. Corp. v. Court Of Appeals*,³⁶ as follows:

Actual delivery consists in placing the thing sold in the control and possession of the vendee. Legal or constructive delivery, on the other hand, may be had through any of the following ways: the execution of a public instrument evidencing the sale; symbolical tradition such as the delivery of the keys of the place where the movable sold is being kept; *traditio longa manu* or by mere consent or agreement if the movable sold cannot yet be transferred to the possession of the buyer at the time of the sale; *traditio brevi manu* if the buyer already had possession of the object even before the sale; and *traditio constitutum possessorium*, where the seller remains in possession of the property in a different capacity.³⁷

In this case, considering that Lifestyle Corporation and Evelyn were already in possession of the subject property, being former lessees of respondent Heirs' mother, her full payment of the property consummated the transfer of ownership in her favor on August 24, 2006. Evidently, such consummation of the sale between RCBC and Lifestyle Corporation and Evelyn was way before the annotation of the *lis pendens*, on September 6, 2006.

Further, Lifestyle Corporation and Evelyn, at the time of the sale, had no reason to believe that respondent Heirs would eventually dispute the auction sale. It bears to emphasize that respondent Heirs' mother, Nimfa, brokered the sale between Lifestyle Corporation and Evelyn, and RCBC. Carl James Uvas (Carl James), in his testimony before the trial court, stated that his mother negotiated for Evelyn to buy the subject property. The trial court summarized Carl James' testimony as follows:

With the manifestation of [respondent Heirs'] counsel to present rebuttal evidence, [Carl James] took the witness stand aided with his Judicial Affidavit and stated that x x x he knew that the Leon Guinto property was mortgaged to RCBC as told to him by his parents; that, he has no knowledge that his mother was having a hard time paying off the

Art. 1498. When the sale is made through a public instrument, the execution thereof shall be equivalent to the delivery of the thing which is the object of the contract, if from the deed the contrary does not appear or cannot clearly be inferred.

With regard to movable property, its delivery may also be made by the delivery of the keys of the place or depository where it is stored or kept.


Art. 1499. The delivery of movable property may likewise be made by the mere consent or agreement of the contracting parties, if the thing sold cannot be transferred to the possession of the vendee at the time of the sale, or if the latter already had it in his possession for any other reason.

Art. 1500. There may also be tradition *constitutum possessorium*.

Art. 1501. With respect to incorporeal property, the provisions of the first paragraph of article 1498 shall govern. In any other case wherein said provisions are not applicable, the placing of the titles of ownership in the possession of the vendee or the use by the vendee of his rights, with the vendor's consent, shall be understood as a delivery.

³⁶ 490 Phil. 7 (2005).

³⁷ Id. at 21-22.



loan from RCBC; that his understanding of the transaction of his mother and [Evelyn] was that, there is still an opportunity for them to get a certain amount from the sale; that, he knew that his mother is endorsing [Evelyn] as the one who will purchase the property from RCBC considering that she is already renting the place at that time; that he also knew that as consideration of said endorsement, [Evelyn] will give them condominium unit. x x x.³⁸

Verily, considering that the purchase would not have materialized had it not been for the prodding of respondent Heirs' mother, it is safe to conclude that at the time of the sale, Lifestyle Corporation and Evelyn were in honest belief that it was entering into a *bona fide* transaction, free from any adverse interests, especially from respondent Heirs or their predecessors in interest.

With the aforesaid finding of good faith on the part of Lifestyle Corporation and Evelyn, this Court sees no reason to discuss the propriety of the lower court's order for restructuring.

In any case, this Court fails to see the legality nor practicality in restoring the parties to the *status quo* prior to the controversy, in allowing respondent Heirs to satisfy their loan obligations “*in the interest of justice and equity.*” Extant from the records is respondent Heirs and their predecessors' failure or refusal to satisfy their loan obligation to RCBC. Indeed, Lifestyle Corporation and Evelyn came into the picture as buyer of the subject property, with Nimfa as middleman. Carl James himself, in his testimony, declared that the goal was for them to have a commission on the sale, either in cash, or through a unit in the condominium building which will be constructed by Lifestyle Corporation and Evelyn. No proof or testimony was presented to support respondent Heirs' alleged intent to satisfy their debt since their default in 1998, and despite their and RCBC's negotiations to forge a repayment scheme. Neither was it shown that respondent Heirs questioned the sale immediately after the auction in 2003, or after registration of the sale under RCBC's name in 2004.

Also, this Court is not prepared to apply the principles of equity to justify the lower courts' order giving respondent Heirs “another chance” to pay their obligations as though no foreclosure has been made. This Court cannot turn a blind eye to the fact that the entire controversy would not have arisen had respondent Heirs' predecessors not requested for postponement of the originally scheduled auction sale of the subject property. We note that their letter-request to the sheriff, with RCBC's conformity, to postpone the sale from October 8, 2003 to November 24, 2003 was “without need of republication,” and that RCBC relied on such request based on the condition that respondent heirs would not later on question the sale for lack of

³⁸ *Rollo* (G.R. No. 217716), pp. 20-21.

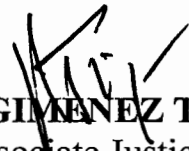
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republishing of the notice of the sale.³⁹ Further, it was respondent Heirs' predecessor, their mother Nimfa, who introduced the buyer to RCBC believing that she would be given commission from the subsequent sale of the subject property to Lifestyle Corporation and Evelyn. Verily, this Court cannot mindlessly apply the rule on publication of notice of foreclosure sale without considering the unique factual circumstances of the case. It is certainly at the height of inequity to allow the debtor to benefit from a controversy which he himself started, and unjustly deprive the creditor use of his money for a considerable length of time.


In sum, considering Lifestyle Corporation and Evelyn's good faith in purchasing the subject property, there appears no reason to set aside the transfers of the subject property. The foreclosure, as well as the subsequent sale of the property to Lifestyle Corporation and Evelyn must be upheld. Further, considering the validity of the sale of the subject property, the foreclosure of the property results in the satisfaction of respondent Heirs' loan liabilities.⁴⁰ Hence, this Court sees no necessity to rule on RCBC's issue on restructuring of the loan.

WHEREFORE, the petitions are hereby **GRANTED**. The Decision dated January 12, 2015 of the Court of Appeals in CA-G.R. CV No. 101972 is hereby **REVERSED and SET ASIDE**.

SO ORDERED.


NOEL GIMENEZ TIJAM
Associate Justice

WE CONCUR:



TERESITA J. LEONARDO-DE CASTRO
Chief Justice
Chairperson

³⁹ Id. at 13.

⁴⁰ See *Ramos, et al. v. Philippine National Bank, et al.*, 678 Phil. 727, 751 (2011).



LUCAS P. BERSAMIN
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice


FRANCIS H. JARDELEZA
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.


TERESITA J. LEONARDO-DE CASTRO
Chief Justice