



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

KLAUS PETER NEUNZIG,\*  
Petitioner,

G.R. No. 260983  
[Formerly UDK No. 17529]

Present:

- versus -

CAGUIOA, J., Chairperson,  
INTING,  
GAERLAN,\*\*  
DIMAAMPAO, and  
SINGH,\*\*\* JJ.

HON. COURT OF APPEALS,  
TWENTY FIRST DIVISION,  
MINDANAO STATION AND  
ROSSANA BALCOM-  
DORING,

Respondents.

Promulgated:

FEB 10 2025

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DECISION

INTING, J.:

Before the Court is a Petition for *Certiorari*<sup>1</sup> under Rule 65 of the Rules of Court assailing the Decision<sup>2</sup> dated February 24, 2021, and Resolution<sup>3</sup> dated August 9, 2021, of the Court of Appeals (CA) in CA-

\* Petitioner's name was spelled as "Klaus Peter Nuenzig" in the Petition for *Certiorari*. In petitioner's Passport, his name appears as "Klaus Peter Neunzig." See rollo, p. 22.

\*\* On official business.

\*\*\* On leave.

<sup>1</sup> Rollo, pp. 3–21.

<sup>2</sup> *Id.* at 26–34. Penned by Associate Justice Richard D. Mordeno and concurred in by Associate Justices Edgardo A. Camello and Evalyn M. Arellano-Morales of the Twenty-First Division, Court of Appeals, Cagayan de Oro City.

<sup>3</sup> *Id.* at 67–68. Penned by Associate Justice Richard D. Mordeno and concurred in by Associate Justices Edgardo A. Camello and Evalyn M. Arellano-Morales of the Twenty-First Division, Court

G.R. SP No. 09266-MIN. In the assailed Decision, the CA denied the Petition for Review<sup>4</sup> of petitioner Klaus Peter Neunzig (Neunzig), while in the Resolution, the CA denied his Motion for Reconsideration.<sup>5</sup>

*The Antecedents*

The case stemmed from a Complaint<sup>6</sup> for Unlawful Detainer (Complaint) filed by Rossana Balcom-Doring (Balcom-Doring) on April 22, 2015, against Neunzig and John Doe before Branch 4, Municipal Trial Court in Cities (MTCC), Davao City in Civil Case No. 23,606-E-D-14. Balcom-Doring alleged that: (1) she is the registered owner of a house and lot (subject property) located in Matina, Davao City with an area of 100 square meters and covered by Transfer Certificate of Title (TCT) No. 146-2013011470<sup>7</sup> issued by the Register of Deeds of Davao City; (2) Neunzig, a German citizen, was residing at the subject property together with a person unknown to Balcom-Doring and therein named as “John Doe;” (3) she leased the subject property to Neunzig for a monthly rental of PHP 10,000.00; (4) Neunzig failed to pay rentals beginning on August 7, 2014; (5) on October 8, 2014, she sent a demand letter to Neunzig for the payment of the rentals; and (6) despite the demand letter and repeated oral demands, Neunzig refused to pay the rentals due.

In his Answer with Affirmative Defense and Counterclaim<sup>8</sup> (Answer), Neunzig denied any liability to Balcom-Doring for rentals over the subject property. He essentially averred that Balcom-Doring had no cause to eject him from the subject property because he was its true buyer and owner.

As narrated by Neunzig, he arrived in the Philippines sometime in 2013. Balcom-Doring, who was married to a German citizen and fluent in the German language, befriended him. Balcom-Doring assisted him in registering with the Philippine Retirement Authority (PRA) and also offered to help him look for a larger residence to transfer to as his apartment at that time was quite small. Balcom-Doring explained to him that foreigners cannot own real properties in the Philippines; however, he may acquire a real property if it is in the name of a Filipino citizen whom he can trust.<sup>9</sup>

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of Appeals, Cagayan de Oro City.

<sup>4</sup> *Id.* at 69–89.

<sup>5</sup> *Id.* at 35–39.

<sup>6</sup> *Id.* at 138–141.

<sup>7</sup> *Id.* at 170–171.

<sup>8</sup> *Id.* at 142–148.

<sup>9</sup> *Id.* at 143, Answer.

Eventually, Neunzig located the subject property, which was previously owned by a certain Romir M. Miranda (Miranda). Balcom-Doring was able to persuade Neunzig to buy the property from Miranda but to have it registered under her name. Thus, on May 24, 2013, Neunzig paid to Miranda the amount of PHP 20,000.00 as reservation fee for the property to be deducted from the property's selling price then pegged at 3.5 Million Pesos.<sup>10</sup> A few days later, or on May 30, 2013, Neunzig accessed his bank account with Deutsche Kreditbank AG (DKB) and caused the transfer of 65,065.00 euros (equivalent to around 3.9 Million Pesos)<sup>11</sup> from his DKB account to Balcom-Doring.<sup>12</sup> The translation of the bank statement<sup>13</sup> (DKB Bank Statement) from DKB indicates that the fund transfer from Neunzig was for the “[p]urchase of a house in Davao/City Philippines in favour of Mr. Neunzig.”<sup>14</sup>

About a week later, or on June 6, 2013, Miranda and Balcom-Doring executed the Deed of Absolute Sale<sup>15</sup> over the subject property, which states that Miranda, as seller, sold to Balcom-Doring, as buyer, the subject property for the price of PHP 2,000,000.00. Supposedly, Balcom-Doring used the money from Neunzig to pay for the subject property.<sup>16</sup> Shortly thereafter, Neunzig moved into and occupied the subject property.<sup>17</sup>

Later, Neunzig inquired with Balcom-Doring if he could be allowed to withdraw the sum of USD 10,000.00 that he had previously deposited with the PRA. Balcom-Doring told him that PRA may allow him to withdraw the money if he will use it to acquire a condominium unit or to pay for the rental fees for a long-term lease contract. She then suggested the execution of a long-term lease over the subject property provided that she is paid PHP 23,000.00 for her services.<sup>18</sup>

Thus, on June 27, 2014, the parties executed a Contract of Lease<sup>19</sup> (First Lease Contract), which states that Balcom-Doring, as owner, agreed

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<sup>10</sup> *Id.* at 116, Acknowledgment Receipt dated May 24, 2013.

<sup>11</sup> Equivalent to about 3.9 Million Pesos in 2013 at the rate of PHP 60.82 for each euro based on the conversion rate from the Bangko Sentral ng Pilipinas. Available at <https://www.bsp.gov.ph/statistics/external/pesocross.xlsx> [last accessed on November 22, 2024]

<sup>12</sup> *Rollo*, pp. 143–144, Answer.

<sup>13</sup> *Id.* at 117–119.

<sup>14</sup> *Id.* at 118.

<sup>15</sup> *Id.* at 120–122.

<sup>16</sup> *Id.* at 144, Answer.

<sup>17</sup> *Id.* at 104, RTC Decision.

<sup>18</sup> *Id.* at 144, Answer.

<sup>19</sup> *Id.* at 40–43. The First Lease Contract was notarized by Atty. Jose Vicente C. Ventosa III on June 27, 2014.

to lease the subject property to Neunzig for a period of 25 years in exchange for rent in the total sum of PHP 2,250,000.00, payable upon PRA's approval of the lease contract.<sup>20</sup> The First Lease Contract was thereafter submitted to the PRA, which then ordered the release of USD 10,000.00 to Balcom-Doring.<sup>21</sup>

On August 10, 2014, Neunzig and Balcom-Doring signed a Memorandum of Agreement<sup>22</sup> (MOA), which states, among others, that: (1) Neunzig was interested in owning a real property in the Philippines from the moment that the Constitution allows the same; (2) Balcom-Doring will lease the subject property to Neunzig for a period of 25 years; (3) she will execute a promissory note payable to Neunzig in the amount of PHP 1,000,000.00, to be secured by a real estate mortgage; (4) Balcom-Doring cannot sell the subject property except through a Special Power of Attorney executed in her favor by Neunzig; and (5) the taxes and expenses due on the subject property shall be for Neunzig's account.

On August 19, 2014, Neunzig and Balcom-Doring met again. This time, they executed another Lease Contract<sup>23</sup> (Second Lease Contract), stating that Balcom-Doring, as owner, leased the subject property to Neunzig for a period of 25 years beginning on August 7, 2014 in exchange for a rental fee of PHP 1,000,000.00, payable as soon as he occupies the subject property. Balcom-Doring also executed a Promissory Note,<sup>24</sup> stating that she received the amount of PHP 1,000,000.00 from Neunzig and that she will repay the same in five years with interest at 2% per year. As security for the loan, the parties executed a Real Estate Mortgage.<sup>25</sup>

Later, in September 2014, Neunzig was approached by an Assessor from Davao City concerning the real property taxes due on the subject property. The Assessor prompted Neunzig to surrender all the documents related to the transfer of the subject property. Neunzig repeatedly requested the documents from Balcom-Doring, but the latter kept on proffering excuses. Thus, he was constrained to seek the assistance of counsel to compel Balcom-Doring to surrender the owner's duplicate of TCT No. 146-2013011470. To his surprise, he instead received a letter from Balcom-Doring's counsel, demanding that he pay the rentals due on the subject property in the total amount of PHP 2,250,000.00.<sup>26</sup>

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<sup>20</sup> *Id.* at 41.

<sup>21</sup> *Id.* at 65, PRA Clearance dated July 3, 2014.

<sup>22</sup> *Id.* at 59–61. The MOA was notarized by Atty. Jose Vicente S. Ventosa III on August 19, 2014.

<sup>23</sup> *Id.* at 44–46.

<sup>24</sup> *Id.* at 64. The Promissory Note was notarized by Atty. Jose Vicente S. Ventosa III.

<sup>25</sup> *Id.* at 62–63. The Real Estate Mortgage was notarized by Atty. Jose Vicente S. Ventosa III on August 19, 2014.

<sup>26</sup> *Id.* at 144–145, Answer.

The MTCC then directed the parties to submit their respective position papers. In his Position Paper,<sup>27</sup> Neunzig averred the arguments that he set forth in his Answer. In her Position Paper,<sup>28</sup> Balcom-Doring reiterated that she leased the subject property to Neunzig, but the latter failed to pay the rentals due despite written and oral demands. As to the issue on ownership of the subject property, Balcom-Doring averred that it had no merit because foreigners, such as Neunzig, are constitutionally prohibited from owning real property in the Philippines.

In connection therewith, Balcom-Doring attached to her Position Paper the Resolutions<sup>29</sup> dated February 20, 2015, and June 4, 2015, issued by the Office of the City Prosecutor (OCP) of Davao City.<sup>30</sup> It turned out that Neunzig instituted a criminal complaint for Estafa and Falsification against Balcom-Doring, wherein he asserted that Balcom-Doring fraudulently induced him to part with his money in exchange for the subject property that she then registered in her name, and also falsified the MOA, Promissory Note, Real Estate Mortgage, and Second Lease Contract.<sup>31</sup> The OCP dismissed the criminal complaint upon the finding that no fraud was committed as Neunzig was aware of the constitutional prohibition against alien ownership of lands in the Philippines.<sup>32</sup> It likewise dismissed the falsification charge upon the finding that the parties entered into several transactions over the subject property to circumvent the Constitution; hence, neither of them may be aided by the law.<sup>33</sup>

### *The Ruling of the MTCC*

On March 15, 2016, the MTCC rendered a Decision<sup>34</sup> dismissing the case for lack of cause of action, to wit:

WHEREFORE, in view of the above premises, the instant case is hereby ordered dismissed in the absence of cause of action for unlawful detainer. The counterclaims of defendant are likewise dismissed for lack of merit.

SO ORDERED.<sup>35</sup>

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<sup>27</sup> *Id.* at 195–205.

<sup>28</sup> *Id.* at 158–168.

<sup>29</sup> *Id.* at 185–188 and 189–190.

<sup>30</sup> *Id.* at 97, MTCC Decision.

<sup>31</sup> *Id.* at 185, OCP Resolution dated February 20, 2015.

<sup>32</sup> *Id.* at 187–188, OCP Resolution dated February 20, 2015.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 91–100. Penned by Presiding Judge Jill Rose S. Jaugan-Lo.

<sup>35</sup> *Id.* at 100.



The MTCC held that in an unlawful detainer case, there must be failure to pay rent or non-compliance with the conditions of the lease coupled with a demand to pay or comply and to vacate.<sup>36</sup> The MTCC concluded that the foregoing requirements were not met as Balcom-Doring failed to prove (1) Neunzig's receipt of a letter demanding his compliance with the terms of the Second Lease Contract and (2) non-payment of rentals.

The MTCC stated that based on the Second Lease Contract, Neunzig was obligated to pay to Balcom-Doring a rental fee of PHP 1,000,000.00 as soon as he occupies the subject property.<sup>37</sup> Balcom-Doring herself averred that Neunzig was in possession of the property; hence, the MTCC concluded that the rental fee had already been paid by Neunzig as Balcom-Doring would not have allowed him to move in without requiring prior payment of rentals.<sup>38</sup>

The MTCC also stressed that in the Complaint, Balcom-Doring demanded a monthly rent of PHP 10,000.00, while in her letters to Neunzig, she demanded the payment of rentals in the total sum of PHP 2,250,000.00. However, neither of these amounts are found in the Second Lease Contract, as the latter clearly states that the rental fee is PHP 1,000,000.00, not PHP 10,000.00 per month or PHP 2,250,000.00. Hence, the MTCC concluded that Balcom-Doring made no prior valid demand upon Neunzig to pay and vacate the premises in accordance with the Second Lease Contract.<sup>39</sup>

In addition, the MTCC doubted Balcom-Doring's ownership of the subject property.<sup>40</sup> It held that while Balcom-Doring appeared in TCT No. 146-2013011470 as the registered owner of the subject property, in truth, she was merely a trustee of Neunzig. The MTCC explained that based on the Memorandum of Agreement<sup>41</sup> and the OCP Resolutions, Neunzig supplied the funds for the acquisition of the subject property from Miranda, and that he and Balcom-Doring merely agreed to make it appear that Balcom-Doring was the buyer and owner thereof.<sup>42</sup>

Balcom-Doring appealed the MTCC Decision to Branch 54, Regional Trial Court (RTC), Davao City.

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<sup>36</sup> *Id.* at 99.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 96.

<sup>39</sup> *Id.* at 98.

<sup>40</sup> *Id.* at 97.

<sup>41</sup> *Id.* at 127–128.

<sup>42</sup> *Id.* at 97.

*The Ruling of the RTC*

On July 18, 2018, the RTC rendered a Decision<sup>43</sup> granting the appeal and reversing the MTCC Decision, viz.:

WHEREFORE, the appeal of the plaintiff-appellant [Balcom-Doring] is GRANTED and the decision of the MTCC is hereby REVERSED and set aside. The Court pursuant to Section 7 (c) of Rule 40 of the Rules of Court, orders the defendant-appellee Klaus Peter Neunzig and one John Doe to:

1. Vacate the subject premises; and
2. Pay the plaintiff-appellant the amount of TEN THOUSAND PESOS (P10,000.00) per month as reasonable rentals on the subject premises beginning August 7, 2014 until they finally vacate the premises.

SO ORDERED.<sup>44</sup>

The RTC clarified that Neunzig possessed the subject property not by a lease contract with Balcom-Doring but with the latter's tolerance. It explained that the Contract of Lease was executed only on August 19, 2014, yet Neunzig was already occupying the subject property on June 6, 2013, or shortly after the execution of the Deed of Absolute Sale. It thus concluded that Neunzig was bound by an implied promise to vacate the subject property upon Balcom-Doring's demand.<sup>45</sup>

The RTC then ruled that Balcom-Doring's evidence satisfactorily established that she made prior oral demands upon Neunzig to pay rentals and to vacate the subject property which was sufficient compliance with the law. It thus determined that Balcom-Doring had a cause of action against Neunzig for unlawful detainer.<sup>46</sup>

As regards the issue of ownership, the RTC found that the MTCC did not rule on the matter supposedly because its findings pertained only to the right of possession of the subject property. Hence, the RTC did not make any finding on ownership of the subject property.<sup>47</sup>

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<sup>43</sup> *Id.* at 101–105. Penned by Presiding Judge Melinda Alconcel-Dayanghirang.

<sup>44</sup> *Id.* at 105.

<sup>45</sup> *Id.* at 104.

<sup>46</sup> *Id.* at 103–104.

<sup>47</sup> *Id.* at 105.

Neunzig filed a Motion for Reconsideration,<sup>48</sup> which the RTC denied in the Order<sup>49</sup> dated February 28, 2019.

Aggrieved, Neunzig filed the Petition for Review<sup>50</sup> with the CA.

*The Ruling of the CA*

In the assailed Decision,<sup>51</sup> the CA denied the appeal and affirmed the RTC rulings. It ruled that Balcom-Doring's allegations in the complaint clearly make a case for unlawful detainer. It emphasized that Neunzig admitted the execution of the Second Lease Contract; hence, he was contractually obliged to comply with its terms and pay the appropriate rental fees to Balcom-Doring. The CA faulted the MTCC in concluding that Neunzig had already paid the rental fee due under the Second Lease Contract simply because he was already in possession of the subject property. It emphasized that Neunzig had the burden to prove payment of the rental fee, which he failed to do.<sup>52</sup>

Anent the ownership of the subject property, the CA noted that Balcom-Doring appeared as the registered owner in TCT No. 146-2013011470, which cannot be collaterally attacked in ejectment proceedings. It nonetheless determined that based on the documents, particularly, the First and Second Contracts of Lease (collectively, Lease Contracts), Balcom-Doring was the owner of the subject property. It added that even in the Memorandum of Agreement, Neunzig acknowledged that he was a mere trustee of Balcom-Doring.<sup>53</sup>

The CA stressed that Neunzig was aware of the constitutional prohibition against foreign ownership of lands in the Philippines; hence, he knew that his agreement with Balcom-Doring was illegal. The CA thus concluded that no relief may be granted to Neunzig as he did not come to court with clean hands.<sup>54</sup>

Neunzig moved for the reconsideration of the CA Decision, but the CA denied it in the assailed Resolution.<sup>55</sup>

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<sup>48</sup> *Id.* at 35–39.

<sup>49</sup> *Id.* at 106–107.

<sup>50</sup> *Id.* at 69–89.

<sup>51</sup> *Id.* at 26–34.

<sup>52</sup> *Id.* at 31–32.

<sup>53</sup> *Id.* at 32–33.

<sup>54</sup> *Id.* at 33.

<sup>55</sup> *Id.* at 67–68.





Undeterred, Neunzig filed the present Petition for *Certiorari* under Rule 65 of the Rules of Court.

*Arguments of Petitioner*

Neunzig asserts the appropriateness of the present Petition upon the argument that the CA committed grave abuse of discretion amounting to lack or excess of jurisdiction when it affirmed the RTC Decision. He further avers that there is no appeal or any other plain, speedy and adequate remedy that is available to him.<sup>56</sup>

On the merits, Neunzig argues that he was able to provide sufficient proof of payment of the rental fee due to Balcom-Doring. He points out that based on the Clearance<sup>57</sup> from the PRA, the latter ordered the release of USD 10,000 to Balcom-Doring as rentals for the subject property.<sup>58</sup>

Neunzig adds that there was no prior valid demand upon him to pay the proper rentals due and vacate the subject property. He reiterates the MTCC's conclusion that based on the Complaint and the demand letters, Balcom-Doring did not make a valid demand because the rental fees alleged therein do not match the rental fee due under the Second Lease Contract.<sup>59</sup>

*Arguments of Respondent*

In her Comment,<sup>60</sup> Balcom-Doring prays for the dismissal of the Petition for being an inappropriate remedy from the CA rulings. She points out that a Rule 65 petition for *certiorari* is proper only when there is no appeal or other plain, speedy, and adequate remedy. Hence, Neunzig's appropriate remedy is an appeal by *certiorari* under Rule 45 of the Rules Court, which he failed to do within the reglementary period.<sup>61</sup>

Balcom-Doring further argues that the CA did not act with grave abuse of discretion. She asserts that the CA correctly determined that Neunzig failed to provide adequate proof that he paid the rental fee due

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<sup>56</sup> *Id.* at 11–12.

<sup>57</sup> *Id.* at 65.

<sup>58</sup> *Id.* at 17.

<sup>59</sup> *Id.* at 17–19.

<sup>60</sup> *Id.* at 242–248, Comment (On Petition for *Certiorari* under Rule 65) dated December 5, 2022.

<sup>61</sup> *Id.* at 247.

under the Second Lease Contract. She also echoes the CA's finding that Neunzig was aware of the constitutional prohibition against foreign ownership of lands in the Philippines, yet he still allowed Balcom-Doring to buy the property in his behalf. Hence, he cannot be granted any relief by the Court.<sup>62</sup>

### *Issues*

The issues before the Court are: (1) whether the present Petition for *Certiorari* is a proper remedy from the assailed CA Decision and Resolution; and (2) whether the CA acted with grave abuse of discretion when it affirmed the RTC Decision and directed Neunzig to vacate the subject property and pay monthly rentals to Balcom-Doring.

### *The Ruling of the Court*

The Petition is granted.

#### *I. The Rules of Procedure may be relaxed in the interest of public policy*

It is beyond cavil that pursuant to Rule 45 of the Rules of Court, "the CA's decisions, final orders or resolutions, *regardless of the nature of the action or proceedings involved*, may be *appealed* to this Court through a petition for review, which is just a continuation of the appellate process involving the original case."<sup>63</sup> The availability of an appeal by *certiorari* under Rule 45 of the Rules of Court *proscribes* a petition for *certiorari* under Rule 65,<sup>64</sup> as the latter clearly states that *certiorari* lies only where there is no appeal or plain, speedy and adequate remedy in the ordinary course of law.<sup>65</sup> Otherwise said, *certiorari* will *not* prosper even if the ground therefor is grave abuse of discretion when the remedy of appeal is available.<sup>66</sup> Thus, the Court has repeatedly held that after the lapse of the reglementary period to file a petition for review on *certiorari*, a Rule 65 petition for *certiorari* cannot be a substitute for a lost remedy of appeal.<sup>67</sup>

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<sup>62</sup> *Id.*

<sup>63</sup> *Buntag v. Paña*, 520 Phil. 175, 178 (2006). *See also Chua v. Santos*, 483 Phil. 392, 400–401 (2004).

<sup>64</sup> *People v. Sandiganbayan (First Division)*, 846 Phil. 718, 734 (2019).

<sup>65</sup> *Nippon Paint Employees Union-Olalia v. Court of Appeals*, 485 Phil. 675, 681 (2004).

<sup>66</sup> *Asistio v. People*, 758 Phil. 485, 497 (2015).

<sup>67</sup> *Philippine Spring Water Resources, Inc. v. Court of Appeals*, 736 Phil. 305, 315 (2014).

Still, there are well-recognized exceptions to the foregoing rule. The Court allows the filing of a Rule 65 petition for *certiorari* even if appeal is an available remedy: (1) *when public welfare and the advancement of public policy dictate*; (2) when the broader interests of justice so requires; (3) when the writs issued are null and void; or (4) when the questioned order amounts to an oppressive exercise of judicial authority.<sup>68</sup> Verily, the goal of the Rules of Court is to secure a just, speedy and inexpensive disposition of every action.<sup>69</sup> The rules must lead to a proper and just determination of litigation without tying the hands of the law;<sup>70</sup> hence, procedural rules should be relaxed when a case is *impressed with merit* and a strict application of the rules will *override justice* instead of promoting it.<sup>71</sup>

The Court finds that the present case falls within the first *exception*—*public welfare* and the advancement of *public policy* dictates a relaxation of the rules of procedure.

Relevantly, in *Sunbeam Convenience Foods, Inc. v. Court of Appeals*,<sup>72</sup> the Court affirmed a CA decision that gave due course to a Rule 65 petition for *certiorari* filed by the Republic even though the latter had previously requested extensions of time to file a record on appeal. The Republic prayed for a writ of *certiorari* against an RTC order dismissing a reversion case. In upholding the CA's decision to give due course to the *certiorari* petition, the Court explained that the reversion case raised important issues on the *disposition of patrimonial lands belonging to the State*, a matter of *public concern* protected by no less than the Constitution; hence, the relaxation of procedural rules was proper:

An important factual issue raised in the complaint was the classification of the lands as forest lands. This material allegation stated in the Republic's complaint was never denied specifically by the defendants (petitioners herein) SUNBEAM and CORAL BEACH.

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Generally, the rules of procedure must be observed so that the efficient administration of justice is ensured. However, *the rules of procedure should be viewed as mere tools designed to facilitate the attainment of justice. They must lead to the proper and just*

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<sup>68</sup> *Alfiler v. Spouses Cayabyab*, G.R. No. 217111, March 13, 2023.

<sup>69</sup> *Heirs of Teodoro Cadeliña v. Cadiz*, 800 Phil. 668, 674 (2016), citing *Pahila-Garrido v. Tortogo*, 671 Phil. 320 (2011).

<sup>70</sup> *Sunbeam Convenience Foods, Inc. v. Court of Appeals*, 260 Phil. 470, 476 (1990).

<sup>71</sup> *Heirs of Teodoro Cadeliña v. Cadiz*, *supra*, at 674–675, citing *Pahila-Garrido v. Tortogo*, *supra*. See also *Martillano v. Court of Appeals*, 477 Phil. 226, 234–235 (2004).

<sup>72</sup> *Supra*.

*determination of litigation, without tying the hands of the law or making it indifferent to realities.*

Certiorari is one such remedy. Considered extraordinary, it is made available only when there is no appeal, nor any plain, speedy or adequate remedy in the ordinary course of the law. The long line of decisions denying the petition for certiorari, either before appeal was availed of or specially in instances where the appeal period has lapsed, far outnumbers the instances when certiorari was given due course. The few significant *exceptions* were: *when public welfare and the advancement of public policy dictate*; or when the broader interests of justice so require, or when the writs issued are null, or when the questioned order amounts to an oppressive exercise of judicial authority.

*We find nothing disagreeable with the action of the Court of Appeals to give due course to the petition considering that the issue affected a matter of public concern which is the disposition of the lands of our patrimony. No less than the Constitution protects this policy.*<sup>73</sup> (Emphasis supplied; citations omitted)

*Sunbeam* is analogous to the present case.

As further discussed below, the CA acted with grave abuse of discretion in failing to consider the material provisions of the Constitution and the laws which should have prompted it to take a closer look at the validity of Balcom-Doring's title and the agreements between the parties. Indeed, the records before the Court readily demonstrate that the transactions between the parties involve the disposition of lands in the Philippines, which is a matter of public concern and national importance protected by no less than Article XII, Sections 3<sup>74</sup> and 7<sup>75</sup> Constitution.<sup>76</sup> Stated differently, the parties in the case entered into an agreement in contravention of the Constitutional prohibition on foreign ownership of lands.

<sup>73</sup> *Id.* at 475–477.

<sup>74</sup> SECTION 3. Lands of the public domain are classified into agricultural, forest or timber, mineral lands, and national parks. Agricultural lands of the public domain may be further classified by law according to the uses which they may be devoted. Alienable lands of the public domain shall be limited to agricultural lands. Private corporations or associations may not hold such alienable lands of the public domain except by lease, for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and not to exceed one thousand hectares in area. *Citizens of the Philippines may lease not more than five hundred hectares, or acquire not more than twelve hectares thereof by purchase, homestead, or grant.*

Taking into account the requirements of conservation, ecology, and development, and subject to the requirements of agrarian reform, the Congress shall determine, by law, the size of lands of the public domain which may be acquired, developed, held, or leased and the conditions therefor.

....  
<sup>75</sup> SECTION 7. Save in cases of hereditary succession, *no private lands shall be transferred or conveyed except to individuals, corporations, or associations qualified to acquire or hold lands of the public domain.* (Emphasis supplied)

<sup>76</sup> See *Encarnacion v. Johnson*, 836 Phil. 76, 96–98 (2018). See also *Sunbeam Convenience Foods, Inc. v. Court of Appeals*, *supra* note 70, at 477.

Accordingly, as in *Sunbeam*, the Court resolves to relax the rules of procedure and to decide the case on the merits.

II. *The CA acted with grave abuse of discretion as its rulings are contrary to the Constitution, the relevant laws, and jurisprudence*

Grave abuse of discretion refers to a capricious and whimsical exercise of judgment on the part of a court, tribunal, or public officer that is equivalent to an excess or lack of jurisdiction.<sup>77</sup> For a writ of *certiorari* to issue, mere abuse of discretion is insufficient; instead, the abuse must be so grave and patent “as to amount to an *evasion of positive duty* or a virtual refusal to perform a duty enjoined by law, or to act at all in contemplation of law as where the power is exercised in an arbitrary and despotic manner by reason of passion or hostility.”<sup>78</sup> Grave abuse of discretion exists in cases where there are palpable errors of jurisdiction or a *violation of the Constitution, law, or jurisprudence*.<sup>79</sup> It also refers to cases in which there has been a *gross misapprehension of facts or evidence*.<sup>80</sup>

In the case at bar, the Court finds that the CA acted with grave abuse of discretion when it: (1) evaded the performance of its duty under the relevant laws to provisionally rule on the validity of the Torrens title issued in Balcom-Doring’s name and limited its rulings on the issue of possession of the subject property; and (2) disregarded the relevant laws, jurisprudence, and glaring evidence concerning the validity of Balcom-Doring’s Torrens title and the pertinent agreements between the parties.

A. The documents submitted by Neunzig may be appreciated in resolving the case

Preliminarily, the Court notes that in its Decision, the MTCC refused to admit several of the documents submitted by the parties.<sup>81</sup> It stated that the photocopies attached to the parties’ pleadings, position

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<sup>77</sup> *Tejano, Jr. v. Ombudsman*, 501 Phil. 243, 251 (2005).

<sup>78</sup> *Id.* (Emphasis supplied)

<sup>79</sup> *Imperial v. People*, 906 Phil. 424, 432 (2021).

<sup>80</sup> *Tan, Jr. v. Matsuura*, 701 Phil. 236, 260 (2013); *United Coconut Planters Bank v. Looyuko*, 560 Phil. 581, 592 (2007); *PCGG v. Hon. Desierto*, 445 Phil. 154, 157 (2003).

<sup>81</sup> *Rollo*, p. 95.

papers, and other submissions, cannot be considered on the basis of the Best Evidence Rule, unless the parties have stipulated on the documents.<sup>82</sup> As noted by the RTC, only the following documents were considered by the MTCC: (1) Second Lease Contract; (2) MOA; (3) OCP Resolutions; and (4) the demand letters, which were all attached to Balcom-Doring's Complaint.<sup>83</sup>

Notwithstanding the above, the Court finds that the other documents submitted by Neunzig, including the Acknowledgment Receipt, DKB Bank Statement, Deed of Absolute Sale, Promissory Note, Real Estate Mortgage, and First Lease Contract (collectively, Related Documents), although mere photocopies, may be considered in the resolution of the present case.

In the first place, several of the documents submitted by Neunzig *in support of his defense*, including the First Lease Contract, Promissory Note, and Real Estate Mortgage, bear *Balcom-Doring's signature, who appears to be a party to the said agreements*. In relation thereto, Rule 8, Sections 7 and 8 of the 1997 Rules of Court state the rule that a party must observe in denying an actionable document attached to a pleading from the adverse party:

Section 7. *Action or defense based on document.* — Whenever an action or defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading as an exhibit, which shall be deemed to be a part of the pleading.

Section 8. *How to contest such documents.* — When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, *the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath specifically denies them, and sets forth what he claims to be the facts*, but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused. (Emphasis supplied)

Notably, the Court has held that the foregoing provisions of the 1997 Rules of Court concerning actionable documents must be observed even in cases governed by the Rule on Summary Procedure,<sup>84</sup> the

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<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at 104.

<sup>84</sup> See *Rosales v. Court of Appeals*, 277 Phil. 345, 350–351 (1991).

governing rule over unlawful detainer cases at the time of filing of Balcom-Doring's Complaint.

"To qualify as an actionable document pursuant to Rule 8, Section 7 of the Rules, the specific right or obligation which is the basis of the action or defense must emanate therefrom or be evident therein."<sup>85</sup>

Here, the First Lease Contract, Promissory Note, and Real Estate Mortgage are actionable documents because Neunzig's defense against Balcom-Doring's action for unlawful detainer is evident in those documents. Verily, Neunzig essentially argued that Balcom-Doring has no cause to eject him from the subject property because in truth, he supplied the funds for its purchase and is the true buyer and owner thereof. The parties' agreement over the subject property was embodied in the MOA, which, in turn, referred to a 25-year lease between the parties and Balcom-Doring's execution of the Promissory Note and Real Estate Mortgage, to wit:

2. SECOND PARTY [Balcom-Doring] will execute a Contract of Lease in favor of FIRST PARTY [Neunzig] for a period of TWENTY FIVE (25) YEARS.
3. SECOND PARTY [Balcom-Doring] will execute a Promissory Note payable to FIRST PARTY [Neunzig] in the amount of ONE MILLION PESOS ([PHP] 1,000,000.00)
4. The Promissory Note will be secured by a Real Estate Mortgage in favor of the FIRST PARTY [Neunzig].<sup>86</sup>

It thus appears that the Promissory Note, which was secured through the Real Estate Mortgage, as well as the First Lease Contract, are all *intimately related* to the MOA, the main contract between the parties concerning the acquisition of the subject property. They *confirm* what is stated in the MOA.

In accordance with Rule 8, Section 8 of the 1997 Rules of Court, Balcom-Doring should have specifically denied the Promissory Note, Real Estate Mortgage, and First Lease Contract under oath and set forth what she claims to be the facts. However, the records before the Court do not support the same. On the contrary, the Position Paper<sup>87</sup> that Balcom-Doring filed with the MTCC is utterly bereft of any allegation specifically

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<sup>85</sup> *Young Builders Corporation v. Benson Industries, Inc.*, 854 Phil. 24, 38 (2019).

<sup>86</sup> *Rollo*, pp. 127–128.

<sup>87</sup> *Id.* at 158–167.

denying and disputing the foregoing documents. Hence, she is deemed to have admitted them which may be considered by the Court in resolving the case at hand.

Even more, Balcom-Doring's conduct indicates that she effectively *admitted* the existence of the Related Documents. In fact, in her Comment, she did not *dispute* the attachment of the Related Documents to the Petition for *Certiorari* for being excluded evidence. In addition, the MOA, from which several of the Related Documents are derived from, was presented by Balcom-Doring herself and was even attached to her Complaint. She also submitted to the MTCC the OCP Resolutions,<sup>88</sup> *which clearly refers to the Related Documents as bases for its ruling.*<sup>89</sup> Verily, the OCP dismissed the criminal complaint against Balcom-Doring based on the Related Documents, which prompted it to conclude that the parties knowingly entered into void agreements to circumvent the constitutional prohibition against aliens owning lands in the country.

By submitting the MOA and OCP Resolutions which themselves refer to the Related Documents, Balcom-Doring is deemed to have admitted the said documents and is *estopped* from questioning their *existence*.<sup>90</sup> Surely, Balcom-Doring cannot *invoke* the MOA and the OCP Resolutions to support the conclusion that no relief may be afforded to Neunzig for knowingly entering into a void agreement to circumvent the Constitution, yet at the same time, *deny* the Related Documents that prove the very same transaction referred to in the MOA and the OCP Resolutions. She cannot contest the documents evaluated by the OCP, while at the same time affirm the correctness of its findings.<sup>91</sup> No party may be allowed to take a position that is contrary to or inconsistent with its pleadings and other submissions before the courts.<sup>92</sup> To hold otherwise is to encourage duplicity and unfair dealings among litigants.<sup>93</sup>

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<sup>88</sup> *Id.* at 169.

<sup>89</sup> In the OCP Resolution dated February 20, 2015, the OCP stated that the following documents were attached as annexes to the Complaint-Affidavit of Neunzig: (1) Acknowledgment Receipt; (2) Deed of Absolute Sale; (3) lease contract submitted to the PRA or the First Lease Contract; (4) Memorandum of Agreement; (5) Real Estate Mortgage; (6) Promissory Note; and (7) Second Lease Contract, among others. (*Id.* at 185–186)

<sup>90</sup> *See Dimaguila v. Sps. Monteiro*, 725 Phil. 337, 356 (2014).

<sup>91</sup> *Mohammad v. COMELEC*, 377 Phil. 1098, 1109 (1999).

<sup>92</sup> *Ssangyong Corp. v. Unimarine Shipping Lines, Inc.*, 512 Phil. 171, 184 (2005).

<sup>93</sup> *Lucenta v. CFI of Bukidnon*, 245 Phil. 172, 178–179 (1988), *citing Depositario v. Hervias*, 206 Phil. 651 (1983).



- B. The CA shirked its duty under the law to provisionally rule on the validity of TCT No. 146-2013011470 and the pertinent contracts between the parties

In rendering the Decision, the CA stated that a Torrens certificate of title cannot be collaterally attacked in an action for unlawful detainer. It stressed that in ejectment suits, only possession *de facto* is in issue; hence, Neunzig was not allowed to assail the validity of TCT No. 146-2013011470 issued in Balcom-Doring's name.<sup>94</sup>

The Court disagrees.

The CA acted with grave abuse of discretion when it refused to provisionally decide the issue on the subject property's ownership to resolve the issue of possession. Its conduct is tantamount to an evasion of its duty under the laws and jurisprudence.

Indeed, Section 33, paragraph 2 of Batas Pambansa Blg. 129 (BP 129), as amended by Republic Act No. 7691, unequivocally states:

Sec. 33. *Jurisdiction of Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts in Civil Cases.* — Metropolitan Trial Courts, Municipal Trial Courts, and Municipal Circuit Trial Courts shall exercise:

....

(2) Exclusive original jurisdiction over cases of forcible entry and unlawful detainer: *Provided, That when, in such cases, the defendant raises the questions of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved only to determine the issue of possession.* . . (Emphasis supplied)

Based on the foregoing provision of BP 129, the Court has held that in forcible entry and unlawful detainer cases, when the defendant raises the question of ownership in its pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the first level court has the *undoubted competence* to *provisionally* resolve the issue of ownership for the sole purpose of determining the issue of possession and

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<sup>94</sup> Rollo, p. 33.

to ascertain who has the better right to possess the property in question.<sup>95</sup> Verily, in an ejectment suit, a defendant may raise the defense of the invalidity of a contract that is being invoked by the plaintiff as basis for its right of possession. In such a case, the courts may ascertain the nullity of the agreement precisely because void contracts do not produce legal effects and cannot be the source of any right.<sup>96</sup>

Several cases illustrate the application of the foregoing rule.

In *Romero v. Singson*,<sup>97</sup> the defendant assailed the validity of a Torrens title to defeat the plaintiff's action for ejectment upon the argument that it was fraudulently obtained based on a forged deed of sale. The Court held that the issue of ownership should have been provisionally resolved in the defendant's favor, notwithstanding the Torrens title in the plaintiff's name, as the circumstances revealed that the deed of sale was forged and therefore, void.

Similarly, in *Dizon v. Beltran*,<sup>98</sup> the Court ruled that the issue of ownership and the validity of a Deed of Sale *cannot be disregarded* in an unlawful detainer case despite a Torrens title in the plaintiff's name, as there was preponderant evidence suggesting that forgery was committed. Again, in *Alfiler v. Spouses Cayabyab*,<sup>99</sup> the Court held that the first level court should have discussed the validity of a deed of absolute sale, even provisionally, given that the plaintiffs therein anchored their assertion of ownership and possession of a property based on the said deed.

Contrary to the CA's position, a provisional ruling on the validity of the Torrens certificate of title will not amount to a collateral attack on title. "The issue of whether the attack on a Torrens title is collateral or direct is *immaterial* in forcible entry and unlawful detainer cases because the resolution of the issue of ownership is allowed by the Rules of Court on a provisional basis only."<sup>100</sup> Such provisional determination of ownership in ejectment suits cannot be considered as a "real attack" on a Torrens title.<sup>101</sup> The certificate of title is never imperiled in an ordinary ejectment suit as any ruling on ownership by the ejectment court will not be final

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<sup>95</sup> *Baluyo v. Sps. De la Cruz*, 771 Phil. 209, 218 (2015); *Tecson v. Gutierrez*, 493 Phil. 132, 138 (2005).

<sup>96</sup> *Fullido v. Grilli*, 781 Phil. 840, 853 (2016).

<sup>97</sup> 765 Phil. 515 (2005).

<sup>98</sup> 803 Phil. 608 (2017).

<sup>99</sup> *Supra* note 68.

<sup>100</sup> *The Heirs of Alfredo Cullado v. Gutierrez*, 858 Phil. 580, 595 (2019).

<sup>101</sup> *De Mesa v. Pulutan*, 929 Phil. 656, 668 (2022).

and cannot bar the parties or even third persons from filing an action for the determination of the issue of ownership.<sup>102</sup>

In the case, Balcom-Doring instituted the Complaint for unlawful detainer against Neunzig based on the Second Lease Contract, which identified Balcom-Doring as the “*registered and absolute owner*”<sup>103</sup> of the subject property under TCT No. 146-2013011470.<sup>104</sup> In defense, Neunzig disputed Balcom-Doring’s cause to eject him from the subject property upon the assertion that he supplied the funds to purchase the property from Miranda and is therefore, the true buyer and owner, only that he agreed with Balcom-Doring to have the property registered in her name because aliens cannot own lands in the Philippines. In support of his defense, Neunzig submitted the MOA and the Related Documents.

The foregoing shows that Neunzig squarely raised an issue on the validity of Balcom-Doring’s title over the subject property, such that the issue of possession cannot be resolved without provisionally ruling on the issue of ownership. Indeed, if Neunzig’s submissions turned out to be true, then Balcom-Doring would have no right to possess the subject property, the issuance of TCT No. 146-2013011470 notwithstanding, as the latter was acquired through an illegal and void contract with Neunzig to circumvent the constitutional prohibition against foreign ownership of lands in the Philippines.

It was therefore grievous error, amounting to grave abuse of discretion, for the CA to refuse to provisionally rule on the validity of TCT No. 146-2013011470 and the related transactions leading to its issuance under Balcom-Doring’s name. Had the CA properly resolved the issue, then it would have ascertained that mere registration of TCT No. 146-2013011470 cannot grant any right to Balcom-Doring to possess or even lease the subject property as the circumstances show that she actively and knowingly participated in an illegal ploy to circumvent the Constitution.

C. The CA’s rulings disregarded the Constitution, the law, and jurisprudence

The CA cited the Lease Contracts and the MOA to conclude that Balcom-Doring is the owner of the subject property. At the same time, it

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<sup>102</sup> *The Heirs of Alfredo Cullado v. Gutierrez*, *supra* note 100, at 599.

<sup>103</sup> *Rollo*, p. 44, Second Lease Contract.

<sup>104</sup> *Id.* at 159, Position Paper of Balcom-Doring.



ruled that Neunzig knowingly participated in an act to circumvent the constitutional prohibition against foreign nationals like him to acquire lands in the Philippines. It then resolved to deny the appeal and affirm the RTC Decision, which granted Balcom-Doring's Complaint for unlawful detainer.

The CA acted with grave abuse of discretion in rendering the assailed Decision and Resolution which are manifestly contrary to the Constitution, the law, and jurisprudence.

The Court emphasizes that the agreement between the parties for Balcom-Doring to purchase the subject property on behalf of Neunzig is virtually undisputed and admitted by the parties. In her Comment, Balcom-Doring even invokes the CA Decision as basis for the dismissal of the present Petition and acknowledges the *correctness* of its findings, to wit:

Furthermore, as *correctly* ruled by the Court of Appeals, the petitioner [Neunzig] had openly admitted that he participated in an act to circumvent the law on prohibitions on foreign nationals acquiring real estate in the Philippines *to which he allowed the private respondent [Balcom-Doring] to purchase a real property in his behalf*. Hence, he is now estopped in seeking relief from this Court following the principle that he who comes to court must come with clean hands.<sup>105</sup> (Emphasis supplied)

Even more, the records show that Miranda acknowledged receipt of the reservation fee for the subject property *from* Neunzig, and thus, confirming that the latter was the one who intended to buy the property.<sup>106</sup> In a matter of days, Neunzig transferred money to Balcom-Doring's bank account for the purchase of a house in Davao City,<sup>107</sup> which then led to the execution of the Deed of Absolute Sale over the subject property on June 6, 2013. Shortly after the Deed's execution, Neunzig occupied the subject property. The agreement between the parties culminated in the execution of the MOA on August 10, 2014, which relevantly states:

WHEREAS, the SECOND PARTY [Balcom-Doring] is the registered and absolute owner of a house and Lot situated at Blk. 6, Lot

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<sup>105</sup> *Id.* at 247, Comment.

<sup>106</sup> The Acknowledgment Receipt states:

This is to acknowledge receipt of Twenty Thousand Pesos only ([PHP] 20,000.00) from Mr. Klaus Peter Neunzig as reservation for the property situated in Blk.6 Lot 25 La Vista Monte Phase1, Matina, Davao City with TCT # 146-2012014827. This reservation shall be deducted from the total amount of the property amounting to Three Million Five Hundred Thousand Pesos only ([PHP] 3,500,000.00). (*Id.* at 116)

<sup>107</sup> *Id.* at 118.

25, La Vista Monte, Phase 1, Matina Pangi, Davao City covered by TCT No. 146-2013011470,

WHEREAS, the FIRST PARTY [Neunzig] is merely the trustee of the same in favor of the SECOND PARTY [Balcom-Doring]; and is interested to legally own the property at the time Philippine Constitution Laws will allow foreigners to own real property, subject to the following terms and conditions, to wit:

1. *SECOND PARTY [Balcom-Doring] cannot sell the said property except through a Special Power of Attorney to be executed in favor of the FIRST PARTY [Neunzig] to sell the same.*
2. SECOND PARTY [Balcom-Doring] will execute a Contract of Lease in favor of FIRST PARTY [Neunzig] for a period of TWENTY FIVE (25) YEARS.
3. SECOND PARTY [Balcom-Doring] will execute a Promissory Note payable to FIRST PARTY [Neunzig] in the amount of ONE MILLION PESOS ([PHP] 1,000,000.00).
4. The Promissory Note will be secured by a Real Estate Mortgage in favor of the FIRST PARTY [Neunzig].
6. *SECOND PARTY [Balcom-Doring] will cooperate with FIRST PARTY [Neunzig] to execute any other documents when the time Philippine Constitution or Laws will allow foreigners to own real property to be able to transfer ownership of the property to the name of the FIRST PARTY.*
7. *If the property will be sold or foreclosed, all the proceeds and rights to the property will be in favor to the FIRST PARTY [Neunzig].*
8. *All property, transfer, realty taxes and expense shall be for the account of the FIRST PARTY [Neunzig].*<sup>108</sup> (Emphasis supplied)

It is evident from the parties' conduct that while Balcom-Doring appeared as the registered owner of the subject property, she does not exercise dominical rights over it, whether of enjoyment, possession, or disposition. It is unequivocal from the MOA that Balcom-Doring has no power to sell the property except with Neunzig's consent and authority. All the taxes due on the property are for Neunzig's expense, while all the proceeds of a forced sale shall accrue to his benefit.

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<sup>108</sup> *Id.* at 127-128.

Moreover, as found by the RTC, even *before* the parties executed the Lease Contracts, Balcom-Doring had already surrendered possession of the subject property to Neunzig as early as June 6, 2013, or immediately after the execution of the Deed of Absolute Sale over the property.<sup>109</sup> To make it appear that Neunzig was legally occupying the premises as a mere *lessee*, the parties executed the Second Lease Contract on August 19, 2014. However, the consideration for the lease is the *same amount* of the principal loan of PHP 1,000,000.00 that Balcom-Doring promised to pay to Neunzig under the Promissory Note, which made it seem like they set-off their alleged debts to each other, thereby allowing Neunzig to occupy the subject property *without* paying any rentals to Balcom-Doring.

Plainly, although Balcom-Doring is the registered owner of the subject property, it is Neunzig who bears *both* the *obligation* to pay for the taxes and expenses due on the property, and the *power* to alienate, possess, and derive fruits from it, which are all attributes of ownership.<sup>110</sup> No *bona fide* owner would agree to such blanket restrictions on her rights over a property registered in her name. “Indeed, an owner who cannot exercise the seven ‘*juses*’ or attributes of ownership—the right to possess, to use and enjoy, to abuse or consume, to accessories, to dispose or alienate, to recover or vindicate and to the fruits—is a *crippled owner*.”<sup>111</sup>

The only logical conclusion is that Balcom-Doring agreed to act as a *dummy* for Neunzig by allowing her name to be used as the supposed buyer and owner of the subject property yet utilizing Neunzig’s money to pay for the property and allowing him to exercise acts of dominion over it. Neunzig’s Answer<sup>112</sup> and Balcom-Doring’s Position Paper<sup>113</sup> reveal that both of them knew that aliens, such as Neunzig, are prohibited from owning lands in the Philippines. They are also charged with knowledge of the Philippine Constitution and our laws regarding such prohibition.<sup>114</sup>

The Court finds that the Lease Contracts, Promissory Note, and Real Estate Mortgage executed by the parties are absolutely simulated contracts designed to camouflage the parties’ circumvention of Constitutional prohibition of foreign ownership of lands in the Philippines. Consequently, these contracts are void pursuant to Article 1346<sup>115</sup> of the

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<sup>109</sup> *Id.* at 104.

<sup>110</sup> The seven attributes of ownership are (1) the right to possess, (2) to use and enjoy, (3) to abuse or consume, (4) to accessories, (5) to dispose or alienate, (6) to recover or vindicate and (7) to the fruits. [*Samartino v. Raon*, 433 Phil. 173, 189 (2002)]

<sup>111</sup> *Id.*

<sup>112</sup> *Rollo*, pp. 142–148.

<sup>113</sup> *Id.* at 158–168.

<sup>114</sup> *Frenzel v. Catito*, 453 Phil. 885, 905 (2003).

<sup>115</sup> ART. 1346. An absolutely simulated or fictitious contract is void. A relative simulation, when it

Civil Code. The MOA between Neunzig and Balcom-Doring concerning the subject property is likewise *null and void* under Article 1409, paragraph 1<sup>116</sup> of the Civil Code for being contrary to Article XII, Sections 2 and 7 of the Constitution, which prohibits aliens from owning lands in the Philippines.<sup>117</sup> Their agreement is also *void ab initio* for being violative of Section 1<sup>118</sup> of Commonwealth Act No. 108<sup>119</sup> or the Anti-Dummy Law, as amended by Republic Act No. 134<sup>120</sup> and Presidential Decree No. 715,<sup>121</sup> given that Balcom-Doring knowingly allowed the use of her name to circumvent the constitutional requirement on citizenship for lands. Interestingly, all these contracts entered by the parties pertinent to the case were notarized by Atty. Jose Vicente C. Ventosa III.

Indeed, a sale of real property to an unqualified individual through a *dummy*, such as the sale of the subject property from Miranda to Balcom-Doring, is void *ab initio* for being abhorrent and repugnant to the Philippine Constitution and public policy.<sup>122</sup> A parcel of land in the Philippines cannot be owned by an alien, whether *directly* or *indirectly*, through a dummy.<sup>123</sup>

The circumstances show that Miranda had notice of Neunzig's intention to buy the subject property, as he even acknowledged receipt of the reservation fee from Neunzig and agreed to deduct the same from the

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does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

<sup>116</sup> ART. 1409. The following contracts are inexistent and void from the beginning:

(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;

<sup>117</sup> See *Frenzel v. Catito*, *supra* note 114.

<sup>118</sup> Sec. 1. *In all cases in which any constitutional or legal provision requires Philippine or any other specific citizenship as a requisite for the exercise or enjoyment of a right, franchise or privilege, any citizen of the Philippines or any other specific country who allows his name or citizenship to be used for the purpose of evading such provision, and any alien or foreigner profiting thereby, shall be punished by imprisonment for not less than five nor more than fifteen years, and by a fine of not less than the value of the right, franchise or privilege, which is enjoyed or acquired in violation of the provisions hereof but in no case less than five thousand pesos.*

The fact that the citizen of the Philippines or of any specific country charged with a violation of this Act had, at the time of the acquisition of his holdings in the corporations or associations referred to in section two of this Act, no real or personal property, credit or other assets the value of which shall at least be equivalent to said holdings, shall be evidence of a violation of this Act. (Emphasis supplied)

<sup>119</sup> Entitled "An Act to Punish Acts of Evasion of the Laws on the Nationalization of Certain Rights, Franchises or Privileges," approved on October 30, 1936.

<sup>120</sup> Entitled "An Act to Amend Sections One, Two and Two-A of Commonwealth Act Numbered One Hundred And Eight, Entitled 'An Act To Punish Acts Of Evasion Of The Laws On The Nationalization Of Certain Rights, Franchises Or Privileges,' As Amended, and to Insert Between Sections Three and Four Thereof a New Section to be Known as Section Three-A," approved on June 14, 1947.

<sup>121</sup> Entitled "Amending Commonwealth Act No. 108, as Amended, Otherwise Known as 'The Anti-Dummy Law,'" approved on May 28, 1975.

<sup>122</sup> See *Manigque-Stone v. Cattleya Land, Inc.*, 794 Phil. 340, 356 (2016).

<sup>123</sup> *Id.* at 354–355.

property's selling price. Hence, the sale of the subject property to Balcom-Doring, in Neunzig's behalf and as his dummy, through the Deed of Absolute Sale, is *void*. A void contract has no legal effect and cannot be the source of any contractual obligation or right.<sup>124</sup> It therefore follows that Balcom-Doring cannot acquire any right or title over the subject property. The registration of the property in her name is immaterial as a certificate of title merely confirms or records title already existing and vested.<sup>125</sup>

A contract, which is the *direct result* of a previous illegal contract, is also void and inexistent.<sup>126</sup> As shown above, the parties executed the Lease Contracts to conceal the illegal conveyance of the subject property to Neunzig and to make it appear that he was occupying the premises as Balcom-Doring's lessee. As mere *cover up* transactions, the Lease Contracts were the *direct result* of the previous illegal contract for Neunzig to buy the subject property through Balcom-Doring; hence, the Lease Contracts are likewise void and inexistent.<sup>127</sup>

Further, the Lease Contracts are *void* because they sprang from and are dependent on the validity of the Deed of Absolute Sale.<sup>128</sup> Certainly, with a void Deed of Absolute Sale, Balcom-Doring obtained *no right* to lease the subject property. Any lease contract that she executes over the subject property, without any right to do so, is *void for lack of an object certain*, which is an essential element of a contract under Article 1318<sup>129</sup> of the Civil Code.<sup>130</sup>

In the absence of any right over the subject property as owner or lessor, Balcom-Doring would have *no cause of action* to institute the unlawful detainer case against Neunzig. By *knowingly* entering into the transactions in issue, both Neunzig and Balcom-Doring are deemed to have committed a violation of the Constitution and the relevant laws.<sup>131</sup>

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<sup>124</sup> *Fullido v. Grilli*, *supra* note 96, at 852.

<sup>125</sup> *Romero v. Singson*, 765 Phil. 515, 532–533 (2015).

<sup>126</sup> CIVIL CODE, art. 1422.

<sup>127</sup> *See Gonzalo v. Tarnate, Jr.*, 724 Phil. 198, 206 (2014).

<sup>128</sup> *See id.* *See also Spouses Guiang v. Court of Appeals*, 353 Phil. 578 (1998) and *Nool v. Court of Appeals*, 342 Phil. 106 (1997).

<sup>129</sup> ART. 1318. There is no contract unless the following requisites concur:

(1) Consent of the contracting parties;

(2) Object certain which is the subject matter of the contract;

(3) Cause of the obligation which is established.

<sup>130</sup> *Estate of Marcos v. Republic*, G.R. Nos. 212330 & 212612, November 14, 2023; *Ballesteros v. Abion*, 517 Phil. 253, 262 (2006).

<sup>131</sup> *See Ang v. The Estate of Sy So*, 792 Phil. 264, 276 (2016).



Being *in pari delicto*, the courts should not afford protection to either party,<sup>132</sup> in accordance with Article 1411<sup>133</sup> of the Civil Code.

Verily, the Court has ruled that the *parties* to an illegal sale of land to an alien *cannot* seek relief from the courts,<sup>134</sup> and it is *only* the Republic, through the Office of the Solicitor General (OSG), who could assail the void conveyance and who is entitled to have the land escheated or forfeited in favor of the State,<sup>135</sup> subject to certain exceptions recognized in jurisprudence.<sup>136</sup> Indeed, one of the functions of the OSG under Book IV, Title III, Chapter 12, Section 35 (5)<sup>137</sup> of the 1987 Administrative Code is to institute actions for the reversion to the Government of lands held in violation of the Constitution. Rule 91, Section 5<sup>138</sup> of the Rules of Court also confirms the authority of the OSG to institute escheat proceedings over properties that were alienated in violation of the Constitution or of any statute.

Accordingly, it was manifest error and grave abuse of discretion for the CA to affirm the RTC Decision that granted Balcom-Doring's Complaint for unlawful detainer. By doing so, the RTC and CA acted in

<sup>132</sup> *Id.*; *Godinez v. Fong Pak Luen*, 205 Phil. 176 (1983).

<sup>133</sup> ART. 1411. When the nullity proceeds from the illegality of the cause or object of the contract, and the act constitutes a criminal offense, both parties being *in pari delicto*, they shall have no action against each other, and both shall be prosecuted. Moreover, the provisions of the Penal Code relative to the disposal of effects or instruments of a crime shall be applicable to the things or the price of the contract.

This rule shall be applicable when only one of the parties is guilty; but the innocent one may claim what he has given, and shall not be bound to comply with his promise.

<sup>134</sup> *Ang v. The Estate of Sy So*, *supra* note 131; *Lee v. Republic*, 418 Phil. 793, 801 (2001).

<sup>135</sup> *Ang v. The Estate of Sy So*, *id.*; *Lee v. Republic*, *id.*

<sup>136</sup> In several cases, the Court has decreed that actions for escheat or forfeiture may no longer prosper when the alien has already become a naturalized Filipino citizen [*Godinez v. Fong Pak Luen*, 205 Phil. 176 (1983); *Vasquez v. Li Seng Giap*, 96 Phil. 447 (1955)] or when the land has already been transferred to qualified Filipinos [*Republic v. Register of Deeds of Roxas City*, 580 Phil. 405 (2008); *Lee v. Republic*, 418 Phil. 793 (2001); *De Castro v. Teng Queen Tan*, 214 Phil. 68 (1984)]

In such instances, the objective of the constitutional provision to keep our lands in Filipino hands has been achieved. [*Republic v. Register of Deeds of Roxas City*, 580 Phil. 405 (2008)]

<sup>137</sup> Book IV, Title III, Chapter 12, Section 35 (5) of the Revised Administrative Code, states:

SECTION 35. Powers and Functions. — The Office of the Solicitor General shall represent the Government of the Philippines, its agencies and instrumentalities and its officials and agents in any litigation, proceeding, investigation or matter requiring the services of a lawyer. When authorized by the President or head of the office concerned, it shall also represent government-owned or controlled corporations. The Office of the Solicitor General shall constitute the law office of the Government and, as such, shall discharge duties requiring the services of a lawyer. It shall have the following specific powers and functions:

....

(5) Represent the Government in all land registration and related proceedings. Institute actions for the reversion to the Government of lands of the public domain and improvements thereon as well as lands held in violation of the Constitution.

<sup>138</sup> SECTION 5. Other actions for escheat. — Until otherwise provided by law, actions for reversion or escheat of properties alienated in violation of the Constitution or of any statute shall be governed by this rule, except that the action shall be instituted in the province where the land lies in whole or in part.

violation of the Constitution as well as the laws and jurisprudence previously discussed. They breathed life into the illegal and void transactions between the parties and granted rights to Balcom-Doring over the subject property which she did not possess. It is therefore proper to grant the present Petition for *Certiorari*, set aside the CA Decision and Resolution, and reinstate the MTCC Decision that dismissed the Complaint and Neunzig's counterclaims.

The Court is aware that with the dismissal of the Complaint for unlawful detainer, Neunzig will remain in possession of the subject property. Still, the Court cannot disregard the clear directive of Article 1411 of the Civil Code to not grant any relief to parties who stand in *pari delicto* and to leave them where the law finds them.<sup>139</sup>

Neither may it be said that the present case falls under the exception to the operation of the *in pari delicto* doctrine, i.e., when its application would violate well-established public policy.<sup>140</sup> The policy behind Article XII, Section 7 of the Constitution is to conserve our national patrimony.<sup>141</sup> Aliens are therefore *not* completely excluded from the *use* of lands for residential purposes,<sup>142</sup> for what is constitutionally prohibited is foreign *ownership* of public and private lands in the country.<sup>143</sup> Here, the dismissal of Balcom-Doring's Complaint for unlawful detainer will not result in prejudice to our national patrimony as Neunzig does not hold title over the land, which ostensibly remains registered in the name of Balcom-Doring, a Filipino, *although* it is subject to the appropriate action for *escheat* or *forfeiture* by the State.

On a final note, the Court clarifies that the foregoing disquisition on the ownership of the subject property and the validity of TCT No. 146-2013011470 are merely *provisional* considering that the case before the Court originated from the unlawful detainer proceedings. Nonetheless, given the circumstances, the Court finds it proper to refer the present Decision to the Solicitor General for investigation and appropriate action, in accordance with its authority to institute actions for the escheat or forfeiture of lands that are held in violation of the Constitution.<sup>144</sup>

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<sup>139</sup> *Constantino v. Heirs of Pedro Constantino, Jr.*, 718 Phil. 575, 584–585 (2013); *Top-Weld Manufacturing, Inc. v. ECED, S.A.*, 222 Phil. 424 (1985); *De Cabauatan v. Hoo*, 88 Phil. 103 (1951).

<sup>140</sup> *Pajuyo v. Court of Appeals*, 474 Phil. 557, 584 (2004); *Silagan v. Intermediate Appellate Court*, 274 Phil. 182 (1991).

<sup>141</sup> *Fullido v. Grilli*, *supra* note 96; *Krivenko v. Register of Deeds*, 79 Phil. 461 (1947).

<sup>142</sup> *Llantino v. Co Liong Chong*, 266 Phil. 645 (1990).

<sup>143</sup> *Heirs of Satramdas V. Sadhwani and Kishnibai S. Sadwani v. Sps. Sadhwani*, 859 Phil. 385, 403 (2019).

<sup>144</sup> *See Ang v. The Estate of Sy So*, *supra* note 131.


Further, under Article 1411 of the Civil Code, “[w]hen the nullity proceeds from the illegality of the cause or object of the contract, and the act constitutes a *criminal offense*, both parties being *in pari delicto*, they shall have no action against each other, and *both shall be prosecuted*.” As previously discussed, the transactions between Neunzig and Balcom-Doring appear to be violative of Section 1 of the Anti-Dummy Law, as amended. In view thereof, the present Decision must also be referred to the Department of Justice for whatever action, within its jurisdiction, it may deem appropriate to bring against Neunzig and Balcom-Doring.<sup>145</sup>

**WHEREFORE**, the Petition for *Certiorari* is **GRANTED**. The Decision dated February 24, 2021, and Resolution dated August 9, 2021, of the Court of Appeals in CA-G.R. SP No. 09266-MIN are **SET ASIDE**. The Decision dated March 15, 2016, of Branch 4, Municipal Trial Court in Cities, Davao City in Civil Case No. 23,606-E-D-14, which dismissed the case for lack of cause of action, is **REINSTATED**. The Complaint and counterclaims in Civil Case No. 23,606-E-D-14 are **DISMISSED**.

Atty. Jose Vicente C. Ventosa III is **DIRECTED** to: show cause why he should not be held administratively liable for violating the 2004 Rules on Notarial Practice and the Code of Professional Responsibility and Accountability for notarizing the contracts entered by Klaus Peter Neunzig and Rossana Balcom-Doring in the case.

Let copies of this Decision be furnished to (1) the Office of the Solicitor General, for its information and appropriate action on the transactions and property subject of this case, including the circumstances surrounding the issuance of Transfer Certificate of Title No. 146-2013011470 by the Register of Deeds of Davao City; and (2) the Department of Justice, for whatever action, within its jurisdiction, it may deem appropriate to bring against Klaus Peter Neunzig, Rossana Balcom-Doring, and Atty. Jose Vicente C. Ventosa III.

**SO ORDERED.**



**HENRI JEAN PAUL B. INTING**  
*Associate Justice*

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<sup>145</sup> See *Lustestica v. Bernabe*, 643 Phil. 1, 14 (2010).

WE CONCUR:



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*

On official business  
**SAMUEL H. GAERLAN**  
*Associate Justice*

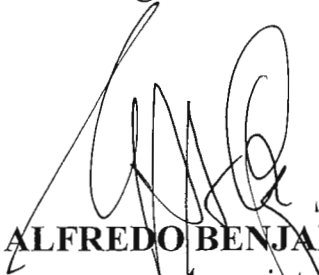


**JAPAR B. DIMAAMPAO**  
*Associate Justice*


On leave  
**MARIA FILOMENA D. SINGH**  
*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.




**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*  
*Chairperson, Third Division*



**CERTIFICATION**

Pursuant to Article VIII, Section 13 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.

  
**MARVIC M.V.F. LEONEN**  
*Acting Chief Justice*  
Per Special Order No. 3160 dated February 6, 2025

