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WHEREFORE, the Petition is *DENIED* and the assailed Decision *AFFIRMED*. Costs against petitioner.

SO ORDERED.

Puno (Chairman), *Sandoval-Gutierrez, Corona*, and *Carpio Morales, JJ.*, concur.

THIRD DIVISION

[G.R. No. 142403. March 26, 2003.]

ALEJANDRO GABRIEL and ALFREDO GABRIEL, *petitioners, vs.* **SPOUSES PABLO MABANTA AND ESCOLASTICA COLOBONG, DEVELOPMENT BANK OF THE PHILIPPINES (Isabela Branch) and ZENAIDA TAN-REYES,** *respondents.*

SYNOPSIS

Spouses Pablo Mabanta, the registered owners of the subject lots, sold said lots to petitioner Alejandro Gabriel and subsequently to respondent Zenaida Reyes who had the previous titles covering said lots cancelled and in lieu thereof, another one issued in her name. Alejandro filed a complaint for specific performance, reconveyance and damages. The trial court sustained Alejandro's right over the lot. The CA, however, reversed the decision and ruled in favor of Reyes on the ground that a person dealing with registered land may simply rely on the correctness of the title, in the absence of anything to engender suspicion.

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the court in which such suit or proceeding is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration, shall stay the action or proceeding until an arbitration has been had in accordance with the terms of the agreement: Provided, That the applicant for the stay is not in default in proceeding with such arbitration."

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The Supreme Court set aside the CA decision and reinstated the trial court's decision. The Court ruled: that while the findings of fact of the CA are generally conclusive on the Supreme Court, an exception to the rule is when the findings of the CA are contrary to those of the trial court; that in case of double sale of immovable, mere registration of title is not enough, good faith must concur with registration; and that certain pieces of evidence in this case, put together, prove that Reyes did not act in good faith when she bought the lot and had the sale registered.

SYLLABUS

1. **REMEDIAL LAW; EVIDENCE; FACTUAL FINDINGS OF THE COURT OF APPEALS ARE BINDING ON THE SUPREME COURT; EXCEPTION.** – Settled is the principle that this Court is not a trier of facts. In the exercise of its power of review, the findings of fact of the Court of Appeals are conclusive and binding and consequently, it is not our function to analyze or weigh evidence all over again. This rule, however, is not an iron-clad rule. In *Floro vs. Llenado*, we enumerated the various exceptions and one which finds application to the present case is *when the findings of the Court of Appeals are contrary to those of the trial court.*

2. **CIVIL LAW; SALES; DOUBLE SALE OF IMMOVABLES; TO BE ENTITLED TO PRIORITY, SECOND BUYER MUST REGISTER SECOND SALE IN GOOD FAITH.** – We have consistently held that *"in cases of double sale of immovables, what finds relevance and materiality is not whether or not the second buyer was a buyer in good faith but whether or not said second buyer registers such second sale in good faith, that is, without knowledge of any defect in the title of the property sold."* Mere registration of title is not enough, good faith must concur with the registration. To be entitled to priority, the second purchaser must not only establish prior recording of his deed, but must have acted in good faith, without knowledge of the existence of another alienation by the vendor to the other.

3. **ID.; ID.; ID.; ID.; CASE AT BAR.** – In the case at bar, certain pieces of evidence, put together, would prove that respondent Reyes is not a buyer in good faith. The records show that on August 18, 1985, spouses Mabanta offered to her for sale the

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disputed lot. They told her it was mortgaged with respondent DBP and that she had to pay the loan if she wanted to buy it. She readily agreed to such a condition. The following day, her father Benito Tan, accompanied by barangay official Tridanio, went to petitioner Alejandro's house offering to return to him the ₱5,000.00 he had paid to spouses Mabanta. Tan did not suggest to return the 500-square meter lot petitioner delivered to Susana Soriano. For this reason, petitioner refused Tan's offer and even prohibited him from going to respondent DBP. . . We are thus convinced that respondent Reyes had knowledge that petitioner previously bought the disputed lot from respondent spouses Mabanta. . . Moreover, it bears noting that on *September 16, 1985,* both petitioners filed with the trial court their complaint involving the lot in question against respondents. After a month, or on *October 17, 1985*, respondent Reyes had the "Deed of Absolute Sale" registered with the Registry of Property. Evidently, she wanted to be the first one to effect its registration to the prejudice of petitioners who, although in possession, have not registered the same. This is another indicum of bad faith.

APPEARANCES OF COUNSEL

Public Attorney's Office for petitioner.
Rodrigo A. Rigos for Z. Tan.

D E C I S I O N

SANDOVAL-GUTIERREZ, *J.*:

Born of the need to protect our land registration system from being converted into an instrument of fraud, this Court has consistently adhered to the principle that "a mere registration of title in case of double sale is not enough, good faith must concur with the registration."

In this petition for review on *certiorari*, Alejandro Gabriel and Alfredo Gabriel assailed the Decision[1] dated March 30, 1999

[1] *Rollo*, at 118–134, penned by Justice Ruben T. Reyes and concurred in by Justice Salome A. Montoya (retired) and Justice Eloy R. Bello, Jr.

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of the Court of Appeals in CA-G.R. CV No. 33941 modifying the Decision [2] dated April 12, 1991 of the Regional Trial Court, Branch 21, Santiago, Isabela in Civil Case No. 0399 for specific performance, reconveyance and damages with application for preliminary injunction.

The facts are as follows:

Spouses Pablo and Escolastica Mabanta were the registered owners of two lots located in Patul and Capaltitan, Santiago, Isabela, with an area of 512 and 15,000 square meters, covered by Transfer Certificates of Title (TCT) Nos. 72705 and 72707, respectively. On October 25, 1975, they mortgaged both lots with the Development Bank of the Philippines (DBP) as collateral for a loan of ₱14,000.00.[3]

Five years thereafter or on September 1, 1980, spouses Mabanta sold the lots to Susana Soriano by way of a "Deed of Sale of Parcels of Land With Assumption of Mortgage."[4] Included in the Deed is an agreement that they could repurchase the lots within a period of two (2) years.

Spouses Mabanta failed to repurchase the lots. But sometime in 1984, they were able to convince Alejandro Gabriel to purchase the lots from Susana Soriano. As consideration, Alejandro delivered to Susana a 500-square meter residential lot with an actual value of ₱40,000.00 and paid spouses Mabanta the sum of ₱5,000.00. On May 15, 1984, spouses Mabanta executed a "Deed of Sale with Assumption of Mortgage"[5] in favor of Alejandro. For her part, Susana executed a document entitled "Cancellation of Contract"[6] whereby she transferred to Alejandro all her rights over the two lots.

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[2] *Rollo* at 59–78, penned by Judge Fe Albano Madrid.

[3] Records at 46.

[4] Exhibit "B", Folder of Exhibits.

[5] Records at 6.

[6] Exhibit "D", Folder of Exhibits.

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Alejandro and his son Alfredo cultivated the lots. They also caused the restructuring of spouses Mabanta's loan with the DBP.[7] However, when they were ready to pay the entire loan, they found that spouses Benito and Pura Tan had paid it and that the mortgage was already cancelled.[8]

On August 18, 1985, Benito Tan and Alejandro Tridanio, a *barangay* official, approached Alejandro to refund to him the ₱5,000.00 he paid to spouses Mabanta. Alejandro refused because Tan was unwilling to return the former's 500-square meter lot delivered to Susana as purchase price for the lots. Thereafter, spouses Tan tried to eject Alejandro from the lot covered by TCT No. 72707.

On September 17, 1985, Alejandro and Alfredo filed with the Regional Trial Court, Branch 21, Santiago, Isabela a complaint (involving the lot covered by TCT No. 72707) for specific performance, reconveyance and damages with an application for a preliminary injunction against spouses Mabanta, spouses Tan, the DBP and *barangay* officials Dominador Maylem and Alejandro Tridanio. In due time, these defendants filed their respective answers.

During the proceedings, it turned out that it was spouses Tan's daughter, Zenaida Tan-Reyes who bought one of the lots (covered by TCT No. 72707) from spouses Mabanta on August 21, 1985. Not having been impleaded as a party-defendant, she filed an answer-in-intervention alleging that she is the registered owner of the lot covered by TCT No. 72707; that she purchased it from spouses Mabanta "in good faith and for value"; that she paid their loan with the DBP in the amounts of ₱17,580.88 and ₱16,845.17 per Official Receipts Nos. 1749539 and 1749540, respectively; that the mortgage with the DBP was cancelled and spouses Mabanta executed a "Deed of Absolute Sale"[9] in

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[7] TSN, August 26, 1987, at 57. See also Exhibits "E"; "E-1"; E-2" and "F", *Id.*

[8] Exhibit "3", *Id.*

[9] *Rollo* at 47.

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her favor; and that TCT No. T-72707 was cancelled and in lieu thereof, TCT No. T-160391 was issued in her name.

On April 12, 1991, the trial court rendered its Decision sustaining the right of Alejandro and Alfredo Gabriel over the lot covered by TCT No. 72707 (now TCT No. T-160391), thus:

"WHEREFORE, in the light of the foregoing considerations judgment is hereby rendered:

1. DECLARING Exhibit "A", the deed of sale with assumption of mortgage executed by the spouses Pablo Mabanta and Escolastica Colobong (in favor of Alejandro and Alfredo Gabriel) valid and subsisting.

2. ORDERING the plaintiff Alejandro Gabriel to pay to the spouses Pablo Mabanta and Escolastica Colobong the sums of ₱5,000.00 plus ₱34,426.05 (representing the loan with the DBP which plaintiff assumed) within 30 days from receipt hereof.

3. *DECLARING the deed of sale executed by the spouses Pablo Mabanta and Escolastica Colobong in favor of Zenaida Tan-Reyes as null and void.*

4. ORDERING the intervenor Zenaida Tan-Reyes to reconvey the land covered by T.C.T. No. T-160391 in favor of Alejandro Gabriel.

"*SO ORDERED.*"

In declaring null and void the "Deed of Absolute Sale" (or second sale) of the lot covered by TCT No. 72707 between spouses Mabanta and Zenaida Tan-Reyes, the trial court ratiocinated as follows:

"But Zenaida (Tan) Reyes professes that she is a buyer in good faith and for value. In her testimony she said that the spouses Mabanta offered to sell the land to her on August 19, 1985. She was informed that the land was mortgaged in the DBP. She readily agreed to buy the land on that same day. She did not inquire further into the status of the land. She did not go and see the land first. What she did was to immediately go to the DBP the following day and paid the mortgage

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obligation in the amount of ₱16,845.17 and ₱17,580.88 (Exhibits "1" and "2"). The following day August 21, a deed of sale in her favor was prepared and on October 17, 1985 she secured a certificate of title (Exhibit "5"). Under the above circumstances, it cannot be said that she is a purchaser in good faith. She should have first made a thorough investigation of the status of the land. Had she inquired, she should have been informed that the land was previously sold to at least two persons Susana Soriano and Alejandro Gabriel. She should also have first visited the land she was buying. Had she done so she should have discovered that the land was being cultivated by the Gabriels who would have informed her that they already bought the land from the Mabantas. *The reason why she did not do this is because she already was appraised of the status of the land by her father Benito Tan. For reasons known only to her, she decided to buy the land just the same.*

xxx *xxx* *xxx*

"Zenaida Tan therefore is not a purchaser in good faith and she cannot seek refuge behind her certificate of title. True, Article 1544 of the Civil Code provides that should immovable property be sold to different vendees, the ownership shall belong to the person who in good faith first recorded it in the registry of property. Unfortunately, the registration made by Zenaida (Tan) Reyes of her deed of sale was not in good faith. For this reason in accordance with the same Article 1544, the land shall pertain to the person who in good faith was first in possession. There is no question that it is the Gabriels who are in possession of the land."

Unsatisfied, spouses Mabanta and Zenaida Tan-Reyes interposed an appeal to the Court of Appeals.

On March 30, 1999, the Court of Appeals rendered a Decision modifying the trial court's Decision, declaring as valid the second sale of the lot covered by TCT No. 72707 between spouses Mabanta and Zenaida Tan-Reyes on the ground that a person dealing with registered land may simply rely on the correctness of the certificate of title and, in the absence of anything to engender suspicion, he is under no obligation to look beyond it. The dispositive portion of the Appellate Court's Decision reads:

"Wherefore the appealed judgment is AFFIRMED with the following modification:

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1. DECLARING Exhibit "A", the deed of sale with assumption of mortgage executed by the defendants-appellants spouses Pablo Mabanta and Escolastica Colobong over lots covered by TCT Nos. T-72705 and T-72707 valid and subsisting;
2. ORDERING spouses Pablo Mabanta and Escolastica Colobong to surrender TCT No. 72705 to plaintiff-appellee Alejandro Gabriel;
3. *DECLARING the deed of sale executed over lot with TCT No. 72707 (now T-160391) by spouses Pablo Mabanta and Escolastica Colobong in favor of intervenor-appellant Zenaida Tan Reyes as valid*;
4. ORDERING plaintiffs-appellees and any all persons claiming rights under them to vacate Lot 3651-A now covered by TCT No. T-160391 and to deliver to intervenor-appellant Zenaida Tan-Reyes the possession thereof;
5. Dismissing the case against defendants-appellants Benito Tan and Purita Masa;
6. No pronouncement as to costs.

"*SO ORDERED.*"

In the instant petition for review on *certiorari*, petitioners Alejandro and Alfredo Gabriel raise this lone issue:

WHETHER OR NOT THE COURT OF APPEALS ERRED IN DECLARING THE SECOND SALE OF THE DISPUTED LOT EXECUTED BY SPOUSES MABANTA IN FAVOR OF ZENAIDA TAN-REYES VALID UNDER ARTICLE 1544 OF THE CIVIL CODE.

Petitioners contend that respondent Reyes is not a purchaser in good faith since she bought the disputed lot with the knowledge that petitioner Alejandro is claiming it in a previous sale.

In her comment on the petition, respondent Reyes maintains that the Court of Appeals' factual finding that she is a purchaser in good faith and for value is final and conclusive. Meeting the issue head on, she claims that there is no evidence that prior to August 21, 1985, when she purchased the lot from respondent spouses Mabanta, she had knowledge of any previous lien or encumbrance on the property.

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For its part, respondent DBP avers that it acted in utmost good faith in releasing the mortgaged lots to respondent spouses Mabanta who had the loan restructured and paid the same. Also, it did not transact business with spouses Tan.

With respect to respondent spouses Mabanta, this Court's Resolution dated June 14, 2000 requiring them to file comment on the present petition was returned unserved. Thus, in its Resolution dated January 22, 2001, this Court resolved to consider the Resolution of June 14, 2000 "deemed served" upon them.[10]

The petition is impressed with merit.

The issue for our resolution is whether or not respondent Zenaida Tan-Reyes acted in good faith when she purchased the subject lot and had the sale registered.

Settled is the principle that this Court is not a trier of facts. In the exercise of its power of review, the findings of fact of the Court of Appeals are conclusive and binding and consequently, it is not our function to analyze or weigh evidence all over again.[11] This rule, however, is not an iron-clad rule.[12] In *Floro vs. Llenado*,[13] we enumerated the various exceptions and one which finds application to the present case is *when the findings of the Court of Appeals are contrary to those of the trial court.*

We start first with the applicable law.

Article 1544 of the Civil Code provides:

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[10] *Id.* at 190.

[11] *Alipoon vs. Court of Appeals,* G.R. No. 127523, March 22, 1999, 305 SCRA 118.

[12] *Borlongan vs. Madrideo*, G.R. No. 120267, January 25, 2000, 323 SCRA 248.

[13] G.R. No. 75723, June 2, 1995, 244 SCRA 713, citing *Remalante vs. Tibe,* G.R. No. L-59514, February 25, 1988, 158 SCRA 138; *Banaag vs. Bartolome*, G.R. No. 76245, December 20, 1991, 204 SCRA 924; *Tongson vs. Court of Appeals*, G.R. No. 77104, November 6, 1992, 215 SCRA 426; *Geronimo vs. Court of Appeals*, G.R. No. 105540, July 3, 1993, 224 SCRA 494.

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"ART. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first possession thereof in good faith, if it should be movable property.

"Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

"Should there be no inscription, the ownership shall pertain to the person who in good faith was first in possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith."

Otherwise stated, where it is an immovable property that is the subject of a double sale, ownership shall be transferred *(1) to the person acquiring it who in good faith first recorded it in the Registry of Property*; (*2*) in default thereof, to the person who in good faith was first in possession; and (*3*) in default thereof, to the person who presents the oldest title, provided there is good faith.[14] *The requirement of the law then is two-fold: acquisition in good faith and registration in good faith.*[15] The rationale behind this is well-expounded in *Uraca vs. Court of Appeals*,[16] where this Court held:

"Under the foregoing, the prior registration of the disputed property by the second buyer does not by itself confer ownership or a better right over the property. *Article 1544 requires that such registration must be coupled with good faith.* Jurisprudence teaches us that "(t)he governing principle is *primus tempore, potior jure* (first in time, stronger in right). Knowledge gained by the first buyer of the second sale cannot defeat the first buyer's right except where the second buyer registers in good faith the second sale ahead of the first, as provided by the Civil Code. Such knowledge of the first buyer does

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[14] *Balatbat vs. Court of Appeals*, G.R. No. 109410, August 28, 1996, 261 SCRA 128, 141; *Radiowealth Finance Co. vs. Palileo*, G.R. No. 83432, May 20, 1991, 197 SCRA 245, 246.

[15] *Martinez vs. Court of Appeals*, G.R. No. 123547, May 21, 2001, 358 SCRA 38.

[16] G.R. No. 115158, September 5, 1997, 278 SCRA 702.

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not bar her from availing of her rights under the law, among them, to register *first* her purchase as against the second buyer. But *in converso*, knowledge gained by the second buyer of the first sale defeats his right even if he is first to register the second sale, since such knowledge taints his prior registration with bad faith. *This is the price exacted by Article 1544 of the Civil Code for the second buyer being able to displace the first buyer, that before the second buyer can obtain priority over the first, he must show that he acted in good faith throughout (i.e. in ignorance of the first sale and of the first buyer's right) — from the time of acquisition until the title is transferred to him by registration or failing registration, by delivery of possession.*" (Italics supplied)

In the case at bar, certain pieces of evidence, put together, would prove that respondent Reyes is not a buyer in good faith. The records show that on August 18, 1985, spouses Mabanta offered to her for sale the disputed lot. They told her it was mortgaged with respondent DBP and that she had to pay the loan if she wanted to buy it.[17] She readily agreed to such a condition. The following day, her father Benito Tan, accompanied by *barangay* official Tridanio, went to petitioner Alejandro's house offering to return to him the ₱5,000.00 he had paid to spouses Mabanta. Tan did not suggest to return the 500-square meter lot petitioner delivered to Susana Soriano.[18] For this reason, petitioner refused Tan's offer and even prohibited him from going to respondent DBP. We quote the following testimony of petitioner who, despite his blindness as shown by the records, testified to assert his right, thus:

"ATTY. CHANGALE:

Q What can you say to that statement?
A That is their mistake, sir.

Q Why do you say that is their mistake?
A Because her husband and Tridanio went at home *offering to return the money but I did not accept, sir.*

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[17] TSN, July 6, 1989, at 17–18.

[18] TSN, December 14, 1990, at 27–30.

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Q Who is this Benito Tan you are referring to?
A The husband of Pura Masa, sir.

Q What is the relationship with the intervenor Zenaida Tan?
A The daughter, sir.

Q When did Benito Tan together with Councilman Tridanio came?
A Before they went to the Development Bank of the Philippines they came at home and I prohibit them, sir.

Q How did you prohibit them?
A No, I said please I am just waiting for the Bank to inspect then I will pay my obligation.

xxx xxx xxx

Q You stated earlier that you will just pay the payments. What are those payments you are referring to?
A The payment I have given to Colobong and to the Bank, sir. They do not want to return the payment I have given to Susana Soriano and that is the beginning of our quarrel."[19]

We are thus convinced that respondent Reyes had knowledge that petitioner previously bought the disputed lot from respondent spouses Mabanta. Why should her father approach petitioner and offer to return to him the money he paid spouses Mabanta? Obviously, aware of the previous sale to petitioner, respondent Reyes informed her father about it. At this juncture, it is reasonable to conclude that what prompted him to go to petitioner's house was his desire to facilitate his daughter's acquisition of the lot, *i.e.*, to prevent petitioner Alejandro from contesting it. He did not foresee then that petitioner would insist he has a prior right over the lot.

Now respondent Reyes claims that she is a purchaser in good faith. This is preposterous. Good faith is something internal. Actually, it is a question of intention. In ascertaining one's intention, this Court must rely on the evidence of one's *conduct*

[19] *Id.* at 28–29.

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and *outward acts*. From her actuations as specified above, respondent Reyes cannot be considered to be in good faith when she bought the lot.

Moreover, it bears noting that *on September 16, 1985*, both petitioners filed with the trial court their complaint involving the lot in question against respondents. After a month, or on *October 17, 1985*, respondent Reyes had the "Deed of Absolute Sale" registered with the Registry of Property. Evidently, she wanted to be the first one to effect its registration to the prejudice of petitioners who, although in possession, have not registered the same. This is another indicum of bad faith.

We have consistently held that "*in cases of double sale of immovables, what finds relevance and materiality is not whether or not the second buyer was a buyer in good faith but whether or not said second buyer registers such second sale in good faith, that is, without knowledge of any defect in the title of the property sold.*"[20] In *Salvoro vs. Tanega*,[21] we had the occasion to rule that:

"If a vendee in a double sale registers the sale after he has acquired knowledge that there was a previous sale of the same property to a third party or that another person claims said property in a previous sale, the registration will constitute a registration in bad faith and will not confer upon him any right."

Mere registration of title is not enough, good faith must concur with the registration. To be entitled to priority; the second purchaser must not only establish prior recording of his deed, but must have acted in good faith, without knowledge of the existence of another alienation by the vendor to the other.[22] In the old case of *Leung Yee vs. F. L. Strong Machinery, Co. and Williamson,* this Court ruled:

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[20] *Bayoca vs. Nogales*, G.R. No. 138201, September 12, 2000, 340 SCRA 154, 166; *Coronel vs. Court of Appeals*, G.R. No. 103577, October 7, 1996, 263 SCRA 15, 38.

[21] G.R. No. L-32988, December 29, 1978, 87 SCRA 349.

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"*One who purchases a real estate with knowledge of a defect of title in his vendor cannot claim that he has acquired title thereto in good faith as against the true owner of the land or of an interest therein*; and the same rule must be applied to one who has knowledge of facts which should have put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor. *A purchaser cannot close his eyes to facts which should put a reasonable man upon his guard, and then claim that he acted in good faith under the belief that there was no defect in the title of the vendor. His mere refusal to believe that such a defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in his vendor's title will not make him an innocent purchaser for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defect as would have led to its discovery had he acted with that measure of precaution which may reasonably be required of a prudent man in a like situation.*xxx"[23]

In fine, we hold that respondent Zenaida Tan-Reyes did not act in good faith when she bought the lot and had the sale registered.

WHEREFORE, the assailed Decision of the Court of Appeals is *REVERSED* and SET ASIDE. The Decision of the trial court is hereby *REINSTATED*.

SO ORDERED.

Puno (Chairman), *Panganiban, Corona,* and *Carpio Morales, JJ.*, concur.

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[22] *Martinez vs. Court of Appeals, supra; Bautista vs. Court of Appeals*, G.R. No. 106042, February 28, 1994, 230 SCRA 446.

[23] 37 Phil. 644 (1918).