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FIRST DIVISION

[G.R. Nos. L-30831 & L-31176. November 21, 1979]

PHILIPPINE NATIONAL BANK, *petitioner*, *vs.* **THE HONORABLE COURT OF APPEALS (Third Division) and DELFIN PEREZ, substituted by his heirs, respondents; JOAQUIN DE CASTRO and GRACIANA PASIA**, *petitioners*, *vs.* **THE HONORABLE COURT OF APPEALS (Third Division) and DELFIN PEREZ, substituted by his heirs**, *respondents*.

SYLLABUS

1. **CIVIL LAW; DOCTRINE OF ESTOPPEL; BASIS.**—"The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon. The doctrine of estoppel springs from equitable principles and the equities in the case. It is designed to aid the law in the administration of justice where without its aid injustice might result." It has been applied by this Court wherever and whenever special circumstances of a case so demand.

2. **COMMERCIAL LAW; CORPORATION LAW; IF A PRIVATE CORPORATION INTENTIONALLY CLOTHES ITS AGENTS WITH APPARENT POWER TO PERFORM ACTS FOR IT, IT WILL BE ESTOPPED TO DENY SUCH AUTHORITY.**—[W]ell settled is the rule that if a private corporation intentionally or negligently clothes its officers or agents with apparent power to perform acts for it, the corporation will be estopped to deny that such apparent authority is real as to innocent third persons dealing in good faith with such officers or agents.

3. **CIVIL LAW; OBLIGATIONS AND CONTRACTS; NON-FULFILLMENT OF OBLIGATION, JUSTIFIED IN CASE OF WAR OR UNCERTAIN CONDITIONS OF PEACE AND**

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ORDER.— War, or its effects, or other factors which could not have been foreseen or avoided by a party to a contract, such as uncertain conditions of peace and order then prevailing which the Court may take judicial notice of, are deemed sufficient causes that could justify the non-fulfillment of a contract and exempt the party from responsibility.

4. **COMMERCIAL LAW; ACT NO. 3135 (REAL ESTATE MORTGAGE LAW); REDEMPTION PERIOD IN AN EXTRAJUDICIAL FORECLOSURE SALE SHOULD BE RECKONED FROM THE DATE OF REGISTRATION OF THE CERTIFICATE OF SALE.**— "The redemption period, for purposes of determining the time when a final deed of sale may be executed or issued and the ownership of the registered land consolidated in the purchaser at an extrajudicial foreclosure sale under Act 3135, should be reckoned from the date of registration of the certificate of sale in the office of the register of deeds concerned and not from the date of the public auction sale." Consequently, the right of redemption could still be validly exercised within one year from June 27, 1958, the date of registration. From the facts before us, Perez offered to redeem the property as early as March 12, 1948.

APPEARANCES OF COUNSEL

C.E. Medina & Associates for Phil. National Bank.
Jose W. Diokno and Sergio L. Guadiz for other petitioners.
Ilagan & Bolcan for private respondent.

D E C I S I O N

MELENCIO-HERRERA, *J.*:

These two Petitions seek a review on *certiorari* of the same Decision of the Court of Appeals promulgated on June 6, 1969 in CA-G.R. No. 32934-R, entitled "*Delfin Perez vs. Philippine National Bank, et al.*," which reversed the Decision dated March 20, 1963 of the Court of First Instance of Davao, Branch II, in Civil Case No. 3064, with the same title.

There is no dispute as to the following facts:

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The spouses Leandro Solomon and Leocadia Bustamante (Solomon spouses, for short) were the registered owners of Lot No. 230 of the cadastral survey of Davao, with an area of 126,497 square meters, situated in the Municipality (now city) of Davao, and registered under Original Certificate of Title No. 152 of the Registry of Deeds of Davao.[1]

In 1932, the Solomon spouses mortgaged the land in favor of the Banco Nacional Filipino, now the Philippine National Bank (briefly referred to as the Bank), to secure a loan of five hundred pesos (₱500.00). For failure to pay the loan on maturity, the mortgage was foreclosed, the property was sold at public auction, and a Certificate of Sale was executed in favor of the Bank on December 28, 1934.[2] It was not until "June 27, 1958, 4 P.M.," however, that the Certificate of Sale was registered, OCT No. 152 cancelled, and in its stead, TCT No. 8042 issued in the name of the Bank.

The next day, after the execution of the Certificate of Sale, or on December 29, 1934, the Solomon spouses and the Bank, represented by Amado F. Cortes, Manager of the Davao Branch, entered into a contract denominated as "Promesa de Venta" whereby the Bank, as the owner of the property, bound itself to sell to the Solomon spouses for the consideration of ₱802.26, all its rights, title and interest to said property, the said amount to be payable in eight equal annual amortizations commencing on December 29, 1935; and that upon full payment of the amortizations, the Bank would execute a final deed of sale in favor of the Solomon spouses. Possession of the property was likewise turned over to said spouses upon the execution of the contract. Further, it was stipulated that if the Solomon spouses should fail to pay any of the amortizations or to comply with any provision, the contract shall be *automatically rescinded and cancelled* and all payments made by the spouses shall be considered as rentals for the use and occupation of the property,

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[1] CA Decision, p. 40, *Rollo* of L-31176.

[2] *Ibid.*

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and the Bank shall be free to take possession of the land and sell it to a third person.[3]

Payments were regularly made by the Solomon spouses under said contract except for the seventh and eighth amortizations due on December 29, 1941 and on December 29, 1942, respectively, thus leaving an outstanding balance of ₱217.23.

War broke out on December 8, 1941. Leandro Solomon died on January 8, 1943 and Leocadia Bustamante died on March 20, 1943. Delfin Perez, as sole heir of the deceased spouses (he being the son of Leocadia Bustamante by her first husband Jose Perez, and the stepson of Leandro Solomon), succeeded into the possession of the land in question.[4]

On March 12, 1948, or approximately seven (7) years after default, Delfin Perez offered to pay the last two amortizations plus accrued interest, with the request that a Deed of Sale be executed in his favor, which offer was rejected by the Bank Manager, Amado Lagdameo, on the ground that the "Promesa de Venta" was executed by the Bank in favor of the Solomon spouses. Upon suggestion of the Bank Manager, Delfin Perez filed an action in Court for a declaration of heirship. On September 25, 1956, the Court of First Instance of Davao, in Special Case No. 441, declared him as the sole and only heir of the Solomon spouses.[5]

On May 9, 1957, Delfin Perez notified the Bank of the Court Order declaring him as such heir and manifested his desire to pay off the remaining obligation of his deceased parents. On June 13, 1957, upon request of Delfin Perez, the Bank Manager, B. Maceda, issued a statement of account on the loan of the deceased spouses showing that the total amount due the Bank as of June 15, 1957 was ₱535.45, and informed Delfin Perez

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[3] Annex A, Complaint, p. 10, Record on Appeal.

[4] CA Decision, p. 41, *Rollo* of L-31176; see also CFI Decision, pp. 67 and 73, Record on Appeal.

[5] CA Decision, p. 42, *Rollo* of L-31176.

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that "as soon as (he) could cause full payment of the above account, (they) shall cause the release of the mortgage"[6] Delfin Perez offered to pay the balance but the Bank Manager asked him to increase the price.[7] On June 26, 1958, Delfin Perez wrote the Bank asking that he be *allowed to buy* the land in question for ₱600.00. This was followed by another letter, dated July 22, 1958, wherein Perez reiterated his offer, this time for ₱3,000.00, accompanied by a tender of payment of ₱300.00. Perez at the same time requested that the Bank permit him to pay the said sum of ₱3,000.00 in ten (10) years, in ten (10) equal installments with interest at 8% per annum.[8]

On August 8, 1958, the Bank, through its Manager, B. Maceda, wrote Perez a letter informing him of the comment of the head office on his "*offer to purchase*" the former property of the deceased spouses to the effect that although the amount offered covers fully the total claim of the Bank, yet it is too low compared to the market value of the property; and of the suggestion of the head office that Perez should be prevailed upon to improve his offer and reduce the term of payment from ten (10) to five (5) years only. The Manager also asked Perez to give his opinion on the matter.[9]

On August 15, 1958, Perez wrote the Bank that he was raising his "*offer to buy*" from ₱3,000.00 to ₱5,000.00 payable in five (5) years or in five (5) equal yearly installments with 8% interest per annum. The offer of ₱5,000.00 was later increased to ₱7,000.00 and finally to ₱8,000.00. However, all these offers were turned down by the Bank.[10]

On October 6, 1958, Perez had his adverse claim inscribed on the Bank's Certificate of Title.[11]

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[6] pp. 39-40, Record on Appeal.

[7] CFI Decision, p. 74, Record on Appeal.

[8] CA Decision, pp. 42-43, *Rollo* of L-31176; see also CFI Decision, p. 74, Record on Appeal.

[9] CA Decision, p. 43, *Rollo* of L-31176.

[10] CA Decision, pp. 43-44, *Rollo* of L-31176.

[11] CA Decision, p. 45, *Rollo* of L-31176.

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On May 18, 1959, the Bank advised Perez that a third party was offering to buy the property for ₱13,500.00 and asked him if he would equal the offer. Delfin Perez failed to equal the offer. On July 1, 1959, the Bank sold the property to the spouses, Joaquin de Castro and Graciana Pasia, and on July 2, 1959, Transfer Certificate of Title No. T-8583 was issued in the name of the De Castro spouses.[12]

Upon learning that the Bank had sold the property, Perez filed, on July 7, 1959, a Complaint for Specific Performance and Damages against the Bank, which was amended on July 21, 1959, to include the De Castro spouses as defendants (Civil Case No. 3064, CFI, Davao, Branch II, "*Delfin Perez vs. Philippine National Bank, et al.*").[13] The Complaint, as amended, prayed that the Bank be ordered to accept from Perez payment of the outstanding balance in the amount of ₱535.45 in accordance with the document "Promesa de Venta" which allegedly is, in effect, a perfect contract of sale; that the Register of Deeds of Davao be ordered to cancel Transfer Certificate of Title No. 8042, and, in lieu thereof, to issue another in the name of Perez; and that defendants be ordered to pay Perez, jointly and severally, the amount of ₱1,000.00 as actual damages and ₱2,000.00 as attorney's fees.[14]

On July 9, 1959, the Bank wrote Perez informing him of the disapproval of his offer to purchase the property and returning to him, by way of a manager's check, the amount of ₱800.00 which represented the "earnest money" for said offer to buy.[15]

The Bank filed an Answer on July 16, 1959, and an Amended Answer on August 1, 1959, both with counterclaims. The Bank alleged principally that the "Promesa de Venta" had been automatically rescinded and cancelled upon the failure of the Solomon spouses to pay the last two installments; that it had

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[12] *Ibid.*

[13] CFI Decision, p. 75. Record on Appeal.

[14] pp. 30-31, Record on Appeal.

[15] CA Decision, p. 45, *Rollo* of L-31176.

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afforded Perez all the opportunity to reacquire the property but he failed to do so; that as registered owner of the property, it had the perfect right to sell the same; that it sold the land to the De Castro spouses after negotiations with Perez for his repurchase of the property failed.

On August 4, 1959, the De Castro spouses presented their Answer with counterclaim and a cross-claim against the Bank.[16] The spouses alleged that they were purchasers in good faith, for valuable consideration, since Perez's adverse claim was not even inscribed at the back of the duplicate copy of TCT No. T-8042, which was in the possession of the Bank at the time the property was sold. By way of counterclaim, they prayed that Perez be ordered to vacate the land; to account for the produce since July 1, 1959, and to pay reasonable rentals for the use and occupation of the land at ₱400.00 per month. On their cross-claim, they prayed that the Bank be ordered to refund the sum of ₱13,500.00 plus expenses and attorney's fees in the event that the Bank is declared without title to the property in question.

After due hearing, the Court of First Instance of Davao rendered a Decision, dated March 20, 1963, dismissing Perez's Complaint and resolving the counterclaim of the De Castro spouses by ordering Perez to vacate the land in litigation and to deliver possession thereof to the De Castro spouses.[17]

Perez appealed to the Court of Appeals (CA-G.R. No. 32934-R), which in a Decision* promulgated on June 6, 1969, reversed the trial Court's Decision; declared null and void the sale of the property in question by the Bank in favor of the De Castro spouses stating that they were not buyers in good faith since their title, issued only on July 7, 1959, carried the annotation of adverse claim; ordered the Bank to return to the De Castro

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[16] pp. 18, 40 & 47, Record on Appeal.

[17] p. 82, Record on Appeal.

* Penned by Yatco, J., with Rodriguez, *J.*, concurring and Alvendia, *J.*, concurring in the result.

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spouses the price the latter paid for the land, without any interest, "the latter being in possession of the property;" and allowed Perez to redeem or purchase the said property, upon payment of the last two installments due thereon, with interest at the rate stipulated in the "Promesa de Venta."[18]

The Bank moved for reconsideration but this was denied by the Court of Appeals in its Resolution of July 22, 1969.[19] The De Castro spouses also moved for reconsideration but their Motion was likewise denied by the Court of Appeals in its Resolution of September 18, 1969.[20]

Hence, these Petitions for Review on *Certiorari* separately filed by the Bank and the De Castro spouses against the Court of Appeals and Delfin Perez.

The De Castro spouses manifested in their Petition[21] that pursuant to their agreement with the Bank's counsel, they were adopting the same grounds relied upon by the Bank in its Petition in L-30831 due to the unity and inseparability of their causes and defenses. The De Castro spouses reiterated in their Brief (p. 2) that they were adopting the Brief filed by the Bank, although they added two additional assignments of error (*infra*).

On February 3, 1977, this Court received a Manifestation from Perez's counsel that Perez had died. On March 16, 1979, the Heirs of Perez also manifested that he died on July 1,1976 and prayed that they be substituted in his stead.[22] That Motion is hereby granted and Perez's heirs hereby deemed substituted for him namely, Leona *Vda. de* Perez, Lourdes P. Copas, Milagros P. Barrera, Trinidad P. Alberto, Sofio, Mercedes, Carlito, Ricardo and Laurente, all surnamed Perez (pp. 144, *Rollo* of L-30831).

The errors assigned by both sets of petitioners read:

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[18] p. 53, *Rollo* of L-31176.

[19] pp. 67 & 74, *Rollo* of L-30831.

[20] p. 64. *Rollo* of L-31176.

[21] pp. 10-11. *Rollo* of L-31176.

[22] p. 144, *Rollo* of L-30831.

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I

"RESPONDENT COURT ERRED IN APPLYING ARTICLE 1191 OF THE NEW CIVIL CODE TO THE CASE AT BAR.

II

"RESPONDENT COURT ERRED IN NOT FINDING OR DECLARING THAT THE 'PROMESA DE VENTA' WAS AUTOMATICALLY RESCINDED BY THE FAILURE OF THE VENDEES THEREIN TO COMPLY WITH THE TERMS AND CONDITIONS THEREOF.

III

"RESPONDENT COURT ERRED IN NOT UPHOLDING PARAGRAPH 8 OF THE 'PROMESA DE VENTA.'

IV

"RESPONDENT COURT ERRED IN HOLDING PETITIONER IN ESTOPPEL.

V

"RESPONDENT COURT ERRED IN HOLDING THAT THE BASIC ISSUE IN THE PRESENT CASE IS WHETHER DELFIN PEREZ MAY STILL REDEEM THE PROPERTY SUBJECT OF THE 'PROMESA DE VENTA.'

VI

"RESPONDENT COURT ERRED IN APPLYING THE RULE REQUIRING REGISTRATION OF CERTIFICATE OF SALE TO START RUNNING OF REDEMPTION PERIOD.

VII

"RESPONDENT COURT ERRED IN ALLOWING RESPONDENT DELFIN PEREZ THE RIGHT OF REDEMPTION OR OF PURCHASE.

VIII

"RESPONDENT COURT ERRED IN DECLARING NULL AND VOID THE SALE OF THE PROPERTY IN QUESTION BY PETITIONER IN FAVOR OF SPOUSES DE CASTRO AND PASIA.

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IX

"RESPONDENT COURT ERRED IN ORDERING THE RETURN OF THE PRICE PAID BY THE SPOUSES DE CASTRO AND PASIA FOR THE LAND IN QUESTION.

X

"RESPONDENT COURT ERRED IN REVERSING THE DECISION OF THE TRIAL COURT."[23]

The two additional Assignments of Error made by the De Castro spouses read:

FIRST ADDITIONAL ASSIGNMENT OF ERROR

"RESPONDENT COURT ERRED IN FINDING THAT SPOUSES DE CASTRO AND PASIA HAD BEEN IN POSSESSION OF THE PROPERTY.

SECOND ADDITIONAL ASSIGNMENT OF ERROR

"ASSUMING, WITHOUT ADMITTING THAT THE SALE OF THE PROPERTY IN QUESTION BY THE PHILIPPINE NATIONAL BANK IN FAVOR OF THE SPOUSES DE CASTRO AND PASIA WAS NULL AND VOID AND, THEREFORE, THE PRICE PAID FOR THE PROPERTY SHOULD BE RETURNED, RESPONDENT COURT ERRED IN ORDERING THE RETURN OF THE PRICE WITHOUT ANY INTEREST."[24]

On equitable principles, particularly on the ground of estoppel, we must rule against petitioner Bank. "The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon. The doctrine of estoppel springs from equitable principles and the equities in the case. It is designed to aid the law in the administration of justice where without its aid injustice might

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[23] pp. 2-4, Brief for the petitioner Bank.

[24] pp. 52-53, Brief for petitioners, the De Castro spouses.

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result."[25] It has been applied by this Court wherever and whenever special circumstances of a case so demand.[26]

Applied to the case at bar, these special circumstances may be stated thus: Firstly, the clear intendment of the Bank was to allow the Solomon spouses to reacquire ownership of the property. Thus, the day after the Certificate of Sale was issued in favor of the Bank, the latter executed the "Promesa de Venta" in favor of the Solomon spouses giving the latter eight years within which to reacquire their land. During those eight years, the spouses were allowed to remain in continued possession of the subject property. Secondly, notwithstanding the sale in its favor in 1934, the Bank did not register the same until June 27, 1958, or 24 years later. And from the death of his last surviving parent in 1943, the Bank never disturbed Perez's possession of the property. Thirdly, when on March 12, 1948, Perez offered to pay the last two amortizations on the land, plus accrued interest, with the request that a Deed of Sale be executed in his favor, his offer was rejected by the Bank Manager, Amado Lagdameo, not on the ground that the "Promesa de Venta" had been automatically rescinded and the right to redeem was lost, as now alleged by petitioners, but on the ground that the "Promesa de Venta" was executed by the Bank in favor of the Solomon spouses. It was, in fact, suggested by the Bank Manager that Perez file an action in Court for declaration of heirship, which the latter did, and on September 25, 1956, the Court of First Instance of Davao in Special Case No. 441, declared him as the sole and only heir of the Solomon spouses. Perez notified the Bank on May 9, 1957 of that Court Order and again manifested his desire to pay off the remaining obligation of his deceased parents. Upon Perez' request, the Bank Manager, this time, B. Maceda, issued a statement of account on the loan showing that the total amount due as of June 15, 1957 was ₱535.45, and informed Perez that "as soon as (he) could cause full payment of the above account, (they) shall cause

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[25] 28 Am Jur 2d, Estoppel, §28.

[26] See *Castrillo vs. Court of Appeals*, 10 SCRA 549, 553-554 (1964).

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the release of the mortgage." Perez relied on this commitment, offered to pay the outstanding balance but the Bank Manager asked him to increase the "price" offered. Perez made subsequent tenders until his offer reached the amount of ₱8,000.00 but the Bank still refused to allow him to redeem the same. In other words, during all the ten years of negotiation the Bank led Perez to believe that he would be allowed to redeem the property, only to renege on that commitment when it sold the property for ₱13,500.00 to the De Castro spouses.

Perez justifiably and reasonably relied upon the assurance of the Bank's Manager that he would be allowed to pay the remaining obligation of his deceased parents and he acted on that basis. Even fair dealing alone would have required the Bank to abide by its representations, but it did not. Clearly, the equities of the case are with Perez.

The Bank's argument that it is not bound by the acts of its Branch Manager in Davao, is not well taken for well settled is the rule that if a private corporation intentionally or negligently clothes its officers or agents with apparent power to perform acts for it, the corporation will be estopped to deny that such apparent authority is real as to innocent third persons dealing in good faith with such officers or agents.[27]

The Bank's reliance and insistence on the automatic rescission clause contained in the "Promesa de Venta" should not be controlling. In the first place, by allowing the Solomon spouses and after them, their son Perez, to be in continued possession of the property and by not registering the sale until years later, the Bank itself was not adhering strictly to its terms. Secondly, our rulings upholding the validity of automatic rescission clauses contained in contracts to sell industrial and commercial real estate on installments upon failure to pay the stipulated installments, and allowing the retention or forfeiture as rentals of the installments previously paid, should not be made applicable to the present case because the "Promesa de Venta" was not

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[27] *Francisco vs. GSIS*, 7 SCRA 577 (1963).

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essentially a contract to sell real estate on installments but was more of a contract for the redemption of the mortgaged property of the Solomon spouses foreclosed by petitioner Bank.[28] Thirdly, the record shows that the Solomon spouses religiously paid their annual installments and it was only due to the outbreak of the war and their untimely deaths in 1941 and 1943, respectively, that they failed to make payments of the last two amortizations which became due in December, 1941 and December, 1942. The nonfulfillment of the obligation was not of their own making, and they can be exempted from responsibility therefor under Article 1174 of the Civil Code.[29] War, or its effects, or other factors which could not have been foreseen or avoided by a party to a contract, such as uncertain conditions of peace and order then prevailing which the Court may take judicial notice of, are deemed sufficient causes that could justify the non-fulfillment of a contract and exempt the party from responsibility.[30] Fourthly, the breach may be considered slight. The original loan secured by the subject property was ₱500.00; the redemption price agreed upon in the "Promesa de Venta" was ₱802.26; while the outstanding balance in December, 1941 was ₱217.23 only. The obligation may be said to have been substantially performed. The original loan was almost paid up by the Solomon spouses and could have been paid but for the war and their supervening deaths during the Japanese occupation.

Worthy of note also is the fact that the Bank registered the sheriff's Certificate of Sale of the foreclosed property, which was issued on December 28, 1934, only on "June 27, 1958, 4

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[28] See Resolution on the Second Motion for Reconsideration in *Luzon Brokerage Co., Inc. vs. Maritime Building Co., Inc.*, 86 SCRA 305, per Teehankee, *J.*

[29] "ART. 1174. Except in cases expressly specified by the law, or when it is otherwise declared by stipulation, or when the nature of the obligation requires the assumption of risk, no person shall be responsible for those events which could not be foreseen, or which, though foreseen, were inevitable."(1105a).

[30] *Castro vs. Longa*, 89 Phil. 581 (1951).

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P.M." OCT No. 152 in the name of the Solomon spouses was also cancelled only on said date and TCT No. 8042 issued in the name of the Bank. "The redemption period, for purposes of determining the time when a final deed of sale may be executed or issued and the ownership of the registered land consolidated in the purchaser at an extrajudicial foreclosure sale under Act 3135, should be reckoned from the date of registration of the certificate of sale in the office of the register of deeds concerned and not from the date of the public auction sale."[31] Consequently, the right of redemption could still be validly exercised within one year from June 27, 1958, the date of registration. From the facts before us, Perez offered to redeem the property as early as March 12, 1948.

One last point. From December 28, 1934, the date when the Bank acquired the subject property in an extrajudicial foreclosure sale, up to July 1, 1959, the date when it sold the same to the De Castro spouses, petitioner Bank held the property for more than twenty-four (24) years, in violation of Section 39 of Act No. 2612, the law of its creation, which provides:

"SEC. 39. The National Bank is hereby authorized to purchase and own such real estate as may be necessary for the purpose of carrying on its business. It is also authorized to hold such real estate as it may find necessary to acquire in the collection of debts due to the said bank or to its branches; but real estate acquired in the collection of debts shall be sold by the said bank within three years after the date of its acquisition."

and the provision of the subsequent PNB Charter, RA 1300, which took effect on June 16, 1955 (as amended), whereby the period of disposal of real estate acquired in the collection of debts is within 5 years after the date of its acquisition.

The subsequent sale of the property to the De Castro spouses cannot prevail over the adverse claim of Perez, which was

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[31] *Reyes vs. Noblejas*, 21 SCRA 1027, 1030 (1967) cited in *Rosario vs. Tayug Rural Bank*, 22 SCRA 1220 (1968). See also *Garcia vs. Ocampo*, 105 Phil. 1102 (1959); *Agbulos vs. Alberto*, 5 SCRA 790 (1962); *Salazar vs. Flor de Lis Meneses*, 8 SCRA 495 (1963).

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inscribed on the Bank's Certificate of Title on October 6, 1958. That should have put said spouses on notice and they can claim no better legal right over and above that of Perez. The Transfer Certificate of Title issued in the spouses' names on July 7, 1959 (Exhs. V, V-1-a) also carried the said annotation of adverse claim. Consequently, they are not entitled to any interest on the price they paid for the property.

WHEREFORE, we hereby affirm the judgment of the Court of Appeals with the following modifications:

a) The Philippine National Bank is ordered to accept from Delfin Perez, or the heirs who have herein been substituted for him, the sum of ₱535.45, the total amount due the Bank as of June 15, 1957, and, after receipt thereof, to execute the corresponding Deed of Sale in favor of Perez;

b) The Register of Deeds of Davao is ordered to cancel Transfer Certificate of Title Nos. 8042 and T-8583 in the name of the Philippine National Bank and the De Castro spouses, respectively, and to issue a new one in the name of Delfin Perez; his heirs, who have been substituted for him, may pursue the necessary legal steps for the transfer of the property in their names.

c) The Philippine National Bank is further ordered to return to the De Castro spouses the price of ₱13,500.00, which they paid for the property.

With costs against petitioners.

SO ORDERED.

Teehankee (Chairman), Makasiar, Fernandez, Guerrero, and *De Castro, JJ.*, concur.