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FIRST DIVISION

[G.R. No. 206847. June 15, 2022]

THE HEIRS OF ZENAIDA B. GONZALES, represented by ARNEL B. GONZALES, *Petitioners*, *v.* **SPOUSES DOMINADOR AND ESTEFANIA BASAS AND ROMEO MUNDA,** *Respondents*.

D E C I S I O N

HERNANDO, *J.*:

The instant petition for review on *certiorari*[1] filed by the Heirs of Zenaida B. Gonzales, represented by Arnel B. Gonzales (petitioners), seeks to set aside the: (a) November 5, 2012 Decision[2] of the Court of Appeals (CA) in CA-G.R. CV No. 93712, which reversed the October 6, 2008 Decision[3] of the Regional Trial Court (RTC), Branch 32 of Manila City, in Civil Case No. 98-88713; and (b) April 18, 2013 Resolution[4] denying petitioners' motion for reconsideration thereof.[5]

The Factual Antecedents

The late Zenaida B. Gonzales (Zenaida) purchased from respondents spouses Dominador and Estefania Basas (collectively, spouses Basas), a parcel of land including the house thereon, situated at No. 427 Espinola St., Block 6, Magsaysay Village, Tondo, Manila, with an area of 152.98 square meters and covered by Transfer Certificate of Title No. (TCT) 187898[6] (subject

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1 *Rollo*, pp. 10-32.

2 Id. at 36-49. Penned by Associate Justice Agnes Reyes-Carpio and concurred in by Associate Justices Rosalinda Asuncion-Vicente and Priscilla J. Baltazar-Padilla (now a retired Member of this Court).

3 CA *rollo*, pp. 22-45. Penned by Presiding Judge Thelma Bunyi-Medina.

4 *Rollo*, pp. 54-55; See also CA *rollo*, pp. 201-202.

5 Id. at 26.

6 Records, pp. 37-39 and 369-371.

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property).[7] An annotation in the title indicates that the consent of the National Housing Authority (NHA) is necessary for the disposal of the same.[8]

Zenaida and the spouses Basas executed the following documents to reflect their mutual agreement on the sale and purchase of the subject property:

I. Contract to Sell dated May 10, 1996[9] (Contract to Sell) which reflects the total price of the subject property at ₱800,000.00. The pertinent provisions of which read:

WITNESSETH:

WHEREAS, the VENDOR is the absolute owner of a parcel of land situated in the District of Tondo, consisting of 152.98 square meters and covered by TCT No. 187898 of the Registry of Deeds for Manila.

WHEREAS, the VENDOR is willing to sell the said parcel of land in favor of the VENDEE who is interested in buying the same under the following terms and conditions:

1. That the selling price will be ₱800,000.00;

2. That the VENDEE shall pay a partial payment of ₱650,000.00 upon execution of this document.

3. That the balance of ₱150,000.00 shall be paid by the VENDEE after the following obligations were accomplished by the VENDOR, to wit:

a. To secure a permit to sell the subject property from the NHA;

b. To register the cancellation of mortgage for the loan obligation of the VENDOR in the amount of ₱350,000.00 with the PNB, and annotation

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7 *Rollo*, pp. 11 and 37-38.

8 Records, pp. 369-371; TCT No. 187898 bears the following annotation: "[. . . .] Except by hereditary succession, the lot herein sold shall not be alienated, transferred or encumbered from the date of the issuance of the Certificate of Title and/or without prior written consent from the National Housing Authority. [x x x x]"; An examination of its subsequent title, TCT No. 237326 issued in the name of Romeo Munda married to Maria Encarnacion B. Munda, indicates the same with an additional note "[x x x x] The foregoing annotation has been copied from T.C.T. No. 187898/T-1206" (See records, pp. 344-345).

9 Id. at 5-6.

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of the same at the back of the title after the payment of the capital gains tax which may be advanced by the VENDEE to be deducted from the balance of ₱150,000.00.

4. That the VENDOR will execute an absolute deed of sale in favor of the VENDEE upon execution of this contract and furnished *(sic)* the VENDEE a duplicate copy of the same.

5. That the VENDOR shall deliver the original copy of the absolute deed of sale and owner's copy of the title upon full payment of the balance of ₱150,000.00 minus the advance for the payment of the capital gains tax. [x x x x][10]

II. Deed of Absolute Sale (DOAS) dated May 13, 1996[11] which indicates the consideration of the subject property at ₱300,000.00, the relevant contents of it provide:

I, DOMINADOR BASAS, of legal age, Filipino, married to Estefania Basas and residing at 427 Espinola St., Blk. 6, Magsaysay Village, Tondo, Manila, for and in consideration of the amount of THREE HUNDRED THOUSAND PESOS (₱300,000.00), Philippine currency, receipt of which is hereby acknowledged to my full satisfaction from ZENAIDA GONZALES, of legal age, Filipino, widow and residing at No. 1720 Nicolas Zamora St., Tondo, Manila, do hereby sell, transfer and convey absolutely and perpetually unto the said ZENAIDA GONZALES, her heirs, successors and assigns that certain parcel of land covered by TCT No. 187898 of the Registry of Deeds for Manila, and which is more particularly described as follows:

> A PARCEL OF LAND (known on plan Bcn-3040, being a consolidation of Lots 13 & 14, Sub-Block 5, Block A, Super Block 2, Area V of the subdn. Plan Psd-04-00-480 . . . .), situated in the District of Tondo, City of Manila [x x x x] containing an area of ONE HUNDRED FIFTY TWO (152.98) SQUARE METERS AND NINETY EIGHT SQUARE DECIMETERS. x x x

Together with the house erected thereon, of which property I am the lawful owner free from any lien and encumbrance whatsoever.

[x x x x]

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[10] *Rollo*, p. 12; See also records, p. 5.

[11] Records, p. 7

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III. Agreement to Purchase and to Sell[12] allegedly dated August 14, 1996 (Agreement), which states that the total price of the subject property is at ₱1,050,000.00. Its terms and conditions read:

> WHEREAS the SELLER has offered to sell and the BUYER has agreed to buy the above described real property, subject to the following price, terms and conditions:
>
> 1. That the purchase price shall be ONE MILLION FIFTY THOUSAND PESOS (₱1,050,000.00);
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> 2. That upon the signing of this Agreement, BUYER shall make an advance payment of SIX HUNDRED FIFTY THOUSAND PESOS (₱650,000.00);
>
> 3. That the amount of ONE HUNDRED FIFTY THOUSAND PESOS (₱150,000.00) shall be paid by the BUYER to the SELLER after the following obligations shall have been accomplished by the BUYER:
>
> 3.1 Secure a permit to sell the subject property from the National Housing Authority; and
>
> 3.2 Register the cancellation of mortgage for the loan obligation of the VENDOR in the amount of ₱350,000.00 with the PNB, and annotation of the same at the back of the title after the payment of the capital gains tax which may be advanced by the VENDEE to be deducted from the balance of ₱150,000.00.
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> 4. That the balance of TWO HUNDRED FIFTY THOUSAND PESOS (₱250,000.00) shall be paid by the BUYER to the SELLER after the latter had completely vacated the premises on the property subject of this agreement within three (3) months from the date of this agreement.
>
> 5. That it is understood that the SELLER reserves the right to repossess the ownership of the property subject of this agreement and refund the amount so far paid by the BUYER, provided that he exercises such right before the final payment of ₱250,000.00 shall have been tendered to him by the BUYER;[13]

However, petitioners claimed that the Agreement was undated and unnotarized when Zenaida signed it, and the date "August 14,

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[12] Id. at 8-9.

[13] *Rollo,* p. 13; See also records, pp. 8-9.

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1996" was stamped therein without her consent.[14] They further asserted that the Agreement was executed by the parties because the spouses Basas were apprehensive that Zenaida might not pay the remaining balance.[15]

According to petitioners, once the foregoing documents were executed, the spouses Basas requested Zenaida to allow them to stay in the subject property until such time that they can transfer to another place, at an agreed monthly rental rate of ₱3,500.00. However, they have not paid any rental to Zenaida since May 10, 1996.[16]

Petitioners further alleged that the spouses Basas promised to procure the written consent of the NHA for the sale of the subject property. In the meantime, pursuant to their mutual agreement on the sale and purchase of the same, Zenaida paid the Basas couple an aggregate amount of more than ₱800,000.00, as evidenced by receipts.[17] Once the spouses Basas received the said amount, they promised to deliver the title of the subject property to Zenaida as soon as they secured the NHA's consent. Meanwhile, the spouses Basas borrowed the certificate of title of the property which at that time was already in the possession of Zenaida after she paid them the amount of ₱650,000.00, so they can work on the cancellation of the mortgage on the subject property.[18]

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[14] Id. at 38.

[15] CA *rollo*, p. 29.

[16] *Rollo*, p. 38.

[17] Records, pp. 10-11; Zenaida made a total payment of Eight Hundred Eleven Thousand Five Hundred Pesos (₱811,500.00) to Dominador Basas broken down as follows: (i) Cash Voucher dated May 7, 1996 in the amount of One Thousand Five Hundred Pesos (₱1,500.00); (ii) Cash Voucher dated June 3, 1996 in the amount of One Hundred Fifty Thousand Pesos (₱150,000.00); (iii) Cash Voucher dated May 10, 1996 in the amount of Six Hundred Fifty Thousand Pesos (₱650,000.00); and (iv) Cash Voucher dated August 13, 1996 in the amount of Ten Thousand Pesos (₱10,000.00).

[18] *Rollo*, p. 38.

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Petitioners point out that Zenaida has not paid the balance of the selling price because the spouses Basas have not yet obtained NHA's written consent to the sale.[19]

On January 4, 1997, Zenaida sent a written demand to the spouses Basas, which partly reads:

This refers to the house and lot which I purchased from you, which upon your request is still being occupied by you supposedly only up to Nov. 1996.

You and your daughter Marilyn admitted to me that Elizabeth, your other daughter have (*sic*) the title to the said property.

Please consider this as a formal demand for you:

1. To vacate the house and lot I purchased from you within ten (10) days from receipt of this letter.

2. To immediately give to (*sic*) the title to the said property so I can effect the transfer thereof in my name; and

3. Get the written consent of the NHA to the sale of the property.

I have to state that if this demand is not complied with within ten days from receipt thereof, I shall be constrained, much to my regret to take the necessary legal action against you.[20]

Despite Zenaida's verbal and written[21] demands for the spouses Basas to comply with their foregoing obligation, the latter failed to do so.[22] In view of this, Zenaida brought the matter to the *barangay*,[23] but the parties failed to settle. In addition, Zenaida filed an affidavit of adverse claim[24] dated October 29, 1997 on the subject property.[25]

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19 Id.

20 Records, p. 12.

21 Id.

22 *Rollo*, pp. 21 and 38.

23 Records, p. 13, Certification to File Action dated October 8, 1997 issued by the Office of the Lupong Tagapamayapa, City of Manila, Barangay 106, Zone 8, District I, Tondo, Manila in Barangay Case No. 97-28.

24 Id. at 14.

25 *Rollo*, p. 39.

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Eventually, Zenaida discovered that the spouses Basas subsequently sold the subject property to respondent Romeo Munda (Munda) who immediately occupied the property.[26]

Petitioners asserted that the second sale of the subject property by the Basas to Munda was done maliciously and in bad faith. They averred that the same was done with deliberate disregard of Zenaida's right over the subject property.[27] As a result, Zenaida caused the annotation of her affidavit of adverse claim[28] on the title of the subject property on October 29, 1997.[29]

In addition, petitioners claimed that Munda was a buyer in bad faith because he was aware of the first sale of the subject property to Zenaida.[30] When Zenaida learned of the second sale by the Spouses Basas to Munda, she and her son, Andres Rico Gonzales, went to the subject property and found out that the same was already being occupied by Munda. While thereat, they were informed by Munda's wife that she and her husband already purchased the property, and she further told Zenaida that the latter's contract was only a contract to sell while their contract was an absolute deed of sale.[31]

Petitioners further argued that the sale between the spouses Basas and Munda showed that the selling price of the subject property in the amount of ₱100,000.00 was grossly inadequate since the property is worth more than ₱1,000,000.00. Petitioners pointed out that the second sale to Munda was spurious, and that respondents spouses Basas and Munda (collectively, respondents) conspired to defraud the government by avoiding payment of the required taxes in connection with the sale of the subject property.[32] To further support their claim that Munda was a buyer in

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[26] Id.

[27] Id.

[28] Records, p. 14.

[29] *Rollo*, p. 15.

[30] Id. at 39.

[31] CA *rollo*, pp. 28 and 30.

[32] *Rollo*, p. 39.

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bad faith, they pointed out that the August 25, 1997 receipt[33] issued by Munda to the spouses Basas in the amount of ₱1,400,000.00 was merely antedated to give the impression that payment was made at the time of the execution of the contract of sale between the spouses Basas and Munda, but that in actuality, the receipt was issued only on July 16, 1998, as per the date indicated in its signatory. Thus, by the latter date, Munda was already charged with the knowledge of the registered adverse claim on the subject property.[34]

In view of the foregoing, Zenaida filed a complaint[35] on May 25, 1998 for nullity of sale, specific performance, and damages against respondents. Zenaida died on April 30, 2012,[36] and was eventually substituted by her heirs, petitioners herein.

On the other hand, the spouses Basas argued that Zenaida did not purchase the subject property. They pointed out that the August 14, 1996 Agreement superseded the two previously signed documents. They asserted that there was a novation of the contracts, and the latter document reflected the final and true intentions of the parties.[37]

The spouses Basas further posited that it was the agreement of the parties that until the balance of the purchase price as reflected in the Agreement is fully paid, they will continue to occupy the subject property. They continued to hold the TCT because Zenaida had not fully paid the purchase price of the subject property, and there was no consummated sale yet.[38] They did not deem it necessary to inform Munda of the existence of the Agreement because there was no consummated sale between them and Zenaida.[39]

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33 Records, p. 372.

34 *Rollo*, pp. 16 and 28-29.

35 Records, pp. 1-4.

36 CA *rollo*, pp. 201-202.

37 *Rollo*, p. 39.

38 Id. at 40.

39 Id.

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Meanwhile, Munda argued that he purchased the subject property in good faith and for value. He was not aware of any previous transactions between the spouses Basas and Zenaida.[40] At the time he bought the subject property on August 25, 1997, its title was clean and there was no encumbrance or adverse claim annotated on it. The adverse claim of Zenaida was filed and dated only on October 29, 1997.[41] Aside from the notarized August 25, 1997 Deed of Absolute Sale[42] that he and the spouses Basas executed, they also issued an unnotarized and undated Deed of Absolute Sale,[43] which reflected the true agreed selling price of the subject property in the amount of ₱1,400,000.00.[44] The subject property was eventually registered under his name on March 2, 1998 under TCT 237326.[45]

Ruling of the Regional Trial Court

In its October 6, 2008 Decision, the RTC ruled in favor of petitioners, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff [Zenaida] and against the [defendant-spouses] as follows[:]

1. Declaring the plaintiff as the rightful owner of the disputed property.

2. Ordering the defendants-spouses Dominador and Estefania Basas to comply with their obligation as specified in plaintiff's demand letter[46] dated January 4, 1997 (Exhibit "E"). Upon compliance therewith by the said defendants, the plaintiff is directed to pay defendants-spouses Basas the unpaid balance of the purchase price of the subject property.

3. Declaring the Deed of Sale dated August 25, 1997 executed between defendants-spouses Basas and defendant Munda as null and void and the title issued to (*sic*) latter by virtue thereof.

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40 Id.

41 Id.

42 Records, pp. 29-31.

43 *Rollo*, pp. 78-80.

44 TSN, March 14, 2006, Direct Examination of Munda, pp. 26-27; see also TSN, June 8, 2007, Cross-examination of Munda, pp. 18-19.

45 Records, p. 344.

46 Id. at 12.

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4. Ordering the Register of Deeds Manila to cancel Transfer Certificate of Title No. 237326 in the name of Romeo Munda married to Maria [E]ncarnacion B. Munda;

5. Ordering the defendants-spouses Basas to pay exemplary damages to the plaintiff in the amount of ₱50,000.00.

6. Ordering the defendants-spouses Basas to pay the plaintiff attorney's fees in the amount of ₱30,000.00 and the costs of this suit.

SO ORDERED.[47]

Ruling of the Court of Appeals

Aggrieved with the RTC's ruling, respondents filed an appeal with the CA. However, in its November 5, 2012 Decision, the CA reversed the findings of the RTC and found Munda as a buyer in good faith and for value. The *fallo* of CA Decision reads:

x x x x

Accordingly, the Deed of Sale dated August 25, 1997 between Dominador Basa (*sic*), married to Estefania Basa (*sic*), and Romeo Munda, and the Transfer Certificate of Title No. 237326 in the name of Romeo Munda, are declared **VALID**.

SO ORDERED.[48]

Petitioners moved for reconsideration but it was denied by the CA in its April 18, 2013 Resolution.

Hence, this petition.

Issues

Petitioners raise the following arguments: (i) The sale between Zenaida and spouses Basas should be recognized as having transferred the ownership of the subject property from the spouses Basas to Zenaida;[49] and (ii) Munda is not an innocent purchaser for value.[50]

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47 CA *rollo*, pp. 44-45.

48 *Rollo*, p. 48.

49 Id. at 26-27.

50 Id. at 27.

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Thus, the fundamental issue in the instant case is who between Zenaida, as petitioners' predecessor-in-interest, and Munda, is the rightful owner of the subject property.

Our Ruling

We grant the petition.

Petitioners sufficiently proved that the spouses Basas sold the subject property to their predecessor-in-interest, Zenaida, and that ownership of the same was constructively delivered to the latter pursuant to said sale upon execution of the May 13, 1996 DOAS, and later reinforced by the August 14, 1996 Agreement, subject to the resolutory conditions stated in the latter. Consequently, the spouses Basas had no right over the subject property which they could transfer to Munda on August 25, 1997. It was of no moment that Munda was able to register the land under his name in the Register of Deeds because registration is not a mode of acquiring ownership and moreover, he was a buyer and registrant in bad faith.

The Agreement entered into by Zenaida and the spouses Basas is a contract of sale subject to resolutory conditions, which reinforced their DOAS

We first determine the character of the contracts entered into between Zenaida and the spouses Basas, namely: (i) Contract to Sell dated May 10, 1996;[51] (ii) DOAS dated May 13, 1996;[52] and the (iii) Agreement allegedly dated August 14, 1996.[53]

The parties do not dispute the character of the first two contracts. However, the spouses Basas claim that the Agreement superseded and novated the two previously signed documents, such that it reflects the final and true intentions of the parties, wherein ownership was retained by the spouses Basas until Zenaida pays

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[51] Records, pp. 5-6.

[52] Id. at 7.

[53] *Id.* at 8-9.

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the balance of the purchase price.[54] On the other hand, petitioners argue that pursuant to the contracts they executed, the sale of the subject property already transferred ownership of the same from the Basas to Zenaida.[55]

This Court finds that the Agreement reinforced the DOAS executed between the spouses Basas and Zenaida, since both contracts are actually not in conflict with each other, but actually reflect the intention of the parties during their execution. Although the Agreement indicates that it was Zenaida, as buyer, who was tasked to secure a permit to sell the subject property from the NHA, We find that this obligation likewise requires the active participation of the Basas couple.[56] Thus, We give credence to petitioners' claim that the true intention of the parties was for the spouses Basas to procure the consent of the NHA such that Zenaida withheld payment of the balance of the purchase price until the spouses Basas obtained the same.[57]

Undoubtedly, the DOAS transferred the ownership of the subject property from the spouses Basas to Zenaida. An examination of the entries in the Agreement shows that it is actually a contract of sale subject to the resolutory conditions stated therein, *i.e.*, the spouses Basas to procure the consent/approval of the NHA for the transfer of the subject property and the subsequent payment of the balance of the purchase price by Zenaida. As underscored by the RTC,[58] paragraph 5 of the Agreement reflects the intention of

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[54] CA *rollo*, p. 26.

[55] *Rollo*, pp. 26-27.

[56] The entries of both the Contract to Sell (Records, pp. 5-6) and Zenaida's demand Letter dated January 4, 1997 (Records, p. 12) indicate that the parties agreed that the Spouses Basas, as vendors, were tasked to secure the NHA's consent/approval for the sale of the Subject Property in favor of Zenaida as buyer. Moreover, an examination of the NHA's December 1, 1997 Transfer of Rights (Records, p. 341) shows that it was issued to Dominador Basas upon his request to approve its transfer in favor of Munda. This shows that Dominador, as seller, was the party who had to take the necessary steps to secure the NHA's consent.

[57] *Rollo*, p. 14.

[58] CA *rollo*, p. 36.

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the parties to transfer ownership of the subject property from the spouses Basas, as sellers, to Zenaida, as buyer upon execution of the Agreement. Said provision reads:

> 5. That it is understood that the SELLER reserves **the right to repossess the ownership** of the property subject of this agreement and refund the amount so far paid by the BUYER, provided that he exercises such right before the final payment of ₱250,000.00 shall have been tendered to him by the BUYER;[59] (Emphasis supplied)

The RTC aptly pointed out that the right to repossess the ownership of the subject property could not have been conferred upon the spouses Basas if the ownership of said property had not been transferred to and consequently constructively possessed by Zenaida.[60]

Since there is no showing that the spouses Basas availed of any legal remedies to repossess the subject property, ownership of the same was retained by Zenaida pursuant to both the DOAS and the Agreement.

Thus, despite the nomenclature of the Agreement, it is actually a contract of sale wherein ownership of the subject property was transferred to Zenaida upon the execution of said contract, subject to the negative resolutory conditions stated therein. In *Diego v. Diego*,[61] We held that:

> [I]n a contract to sell, title remains with the vendor and does not pass on to the vendee until the purchase price is paid in full. Thus, in a contract to sell, the payment of the purchase price is a positive suspensive condition. Failure to pay the price agreed upon is not a mere breach, casual or serious, but a situation that prevents the obligation of the vendor to convey title from acquiring an obligatory force. **This is entirely different from the situation in a contract of sale, where non-payment of the price is a negative resolutory condition**. The effects in law are not identical. **In a contract of sale, the vendor has lost ownership of the thing sold and cannot recover it, unless the contract of sale is rescinded and set**

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[59] *Rollo*, p. 13.

[60] CA *rollo*, p. 37.

[61] *Diego v. Diego*, 704 Phil. 373, 391 (2013).

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aside. In a contract to sell, however, the vendor remains the owner for as long as the vendee has not complied fully with the condition of paying the purchase price. (Emphasis supplied)

The sale of the subject property between Zenaida and the spouses Basas was valid and binding despite the failure to immediately register the sale in the Register of Deeds.[62] Registration is not a recognized mode of acquiring ownership but binds the whole world, especially innocent purchasers for value.[63] It bears emphasis that the nature of a sale is a consensual contract because it is perfected by mere consent.[64] The essential elements of a contract of sale are the following: (a) consent or meeting of the minds, that is, consent to transfer ownership in exchange for the price; (b) determinate subject matter; and (c) price certain in money or its equivalent.[65] Thus, in *Tamayao v. Lacambra*,[66] We reiterated that:

A contract of sale is consensual in nature, and is perfected upon the concurrence of its essential requisites, thus:

> The essential requisites of a contract under Article 1318 of the New Civil Code are: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established. Thus, contracts, other than real contracts are perfected by mere consent which is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract. **Once perfected, they bind other contracting parties and the obligations arising therefrom have the force of law between the parties and should be complied with in good faith. The parties are bound not only to the fulfillment of what has been expressly stipulated but also to the consequences which, according to their nature, may be in keeping with good faith, usage and law.**
>
> Being a consensual contract, sale is perfected at the moment there is a meeting of minds upon the thing which is the object of

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62 *Tamayao v. Lacambra*, G.R. No. 244232, November 3, 2020.

63 Id.

64 Id.

65 *Pasco v. Cuenca*, G.R. No. 214319, November 4, 2020.

66 Supra

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> the contract and upon the price. From that moment, the parties may reciprocally demand performance, subject to the provisions of the law governing the form of contracts. A perfected contract of sale imposes reciprocal obligations on the parties whereby the vendor obligates himself to transfer the ownership of and to deliver a determinate thing to the buyer who, in turn, is obligated to pay a price certain in money or its equivalent. Failure of either party to comply with his obligation entitles the other to rescission as the power to rescind is implied in reciprocal obligations. *(Emphasis supplied)*

Thus, for purposes of validity of the sale, the mutual agreement of the parties on the subject matter of the sale and its price would suffice and no required form is necessary. Nevertheless, the execution of a written instrument such as a deed of sale is important for purposes of "1.) the enforceability of executory contracts under Article 1403 of the Civil Code[;] 2.) the convenience of the parties under Article 1358 of the same Code[;] and 3.) the eventual registration of the sale with the land registration authority under Presidential Decree (P.D.) No. 1529."[67]

Upon this Court's scrutiny, We find that both the DOAS and Agreement contain all the three requisites of a contract of sale. Moreover, by virtue of the Agreement being a contract of sale, the subject property was constructively delivered[68] to Zenaida subject to the resolutory conditions stated therein, even though the spouses Basas remained in possession of the subject property, albeit in a different capacity.

A contract "is the law between the contracting parties and obligations arising therefrom have the force of law between them

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[67] Id.

[68] Article 1498 of the Civil Code provides:
Art. 1498. When the sale is made through a public instrument, the execution thereof shall be equivalent to the delivery of the thing which is the object of the contract, if from the deed the contrary does not appear or cannot clearly be inferred.
With regard to movable property, its delivery may also be made by the delivery of the keys of the place or depository where it is stored or kept. (1463a)

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and should be complied with in good faith."[69] As a rule, the courts will refrain from interfering with the rights of the consenting parties unless it is clearly shown that there existed fraud, mistake, or any other vice vitiating consent on either or both parties, or that a contract includes any stipulation that is contrary to law, morals, good customs, public order or public policy.[70]

The provisions of Article 1544 of the Civil Code on double sale is inapplicable because the spouses Basas were no longer the owners of the subject property when they transferred the same to Munda

Art. 1544 of the Civil Code provides as follows:

> 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 taken 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 the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith.

In order for the foregoing provision on double sale to apply, the following circumstances must concur: "(a) the two (or more) sales transactions in the issue must pertain to exactly the same subject matter, and must be valid sales transactions; (b) the two (or more) buyers at odds over the rightful ownership of the subject matter

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[69] *Cellpage International Corp. v. The Solid Guaranty, Inc.*, G.R. No. 226731, June 17, 2020.

[70] *Bacala v. Heirs of Poliño*, G.R. No. 200608, February 10, 2021; *Cellpage International Corp. v. The Solid Guaranty, Inc.*, supra. See also Art. 1306 of the Civil Code which provides: "The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy."

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must each represent conflicting interests; and (c) the two (or more) buyers at odds over the rightful ownership of the subject matter must each have bought from the very same seller."[71] Thus, the rule on double sales "applies when the same thing is sold to multiple buyers by one seller but not to sales of the same thing by multiple sellers."[72]

In the instant case, the spouses Basas sold the subject property to Zenaida in 1996, and sold the same as well to Munda on August 25, 1997. However, the foregoing requisites of a double sale are absent because the sale of the subject property by the Basas to Munda was not a valid sale transaction since by that time, the spouses Basas were no longer the owners of the property, and thus, they had no right to transfer the same.

The Civil Code provides that in a contract of sale, the seller binds himself to transfer the ownership of the thing sold,[73] and thus consequently, he must have the right to convey ownership of the thing at the time of its delivery.[74] Settled is the rule that "no one can give what one does not have; *nemo dat quad non habet*. One can sell only what he owns or is authorized to sell, and the buyer can acquire no more right than what the seller can transfer legally."[75] In *Spouses Sabitsana, Jr. v. Muertegui*,[76] We underscored that "mere registration of a sale in one's favor does not give him [or her] any right over the land if the vendor was no longer the owner of the land, having previously sold the same to another even if the earlier sale was unrecorded. Neither could [the

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71 *Spouses German v. Spouses Santuyo*, G.R. No. 210845, January 22, 2020.

72 Id.

73 *Unciano v. Gorospe*, G.R. No. 221869, August 14, 2019; citing Art. 1458 of the Civil Code: "By the contract of sale, one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent."

74 Id., citing Art. 1459 of the Civil Code: "The thing must be licit and the vendor must have a right to transfer the ownership thereof at the time it is delivered."

75 *Arakor Construction and Development Corp. v. Sta. Maria*, G.R. No. 215006, January 11, 2021.

76 716 Phil. 1, 16 (2013).

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registration] validate the purchase thereof by [the second buyer], which is null and void. Registration does not vest title; it is merely the evidence of such title. Our land registration laws do not give the holder any better title than what he [or she] actually has."

In the case at bar, since ownership of the subject property had already been transferred by the spouses Basas to Zenaida, then no right could be transmitted on to Munda on the second sale.

Even if the provision on double sale were applicable, Zenaida, as represented by petitioners, had a better right to the subject property since Munda was a buyer and registrant in bad faith

We note the following relevant dates:

(i) the latest contract that was executed between Zenaida and the spouses Basas was the Agreement[77] allegedly dated August 14, 1996;

(ii) the spouses Basas and Munda executed a DOS dated August 25, 1997.[78] On the same date, he paid in full[79] the purchase price and took possession of the subject property;[80]

(iii) Munda applied for the registration of the sale on September 22, 1997 before the Registry of Deeds, Manila.[81] Consequently, Munda was issued a Reference Slip[82] dated on the same day wherein an annotation at the bottom states "Additional Requirement: Clearance to Transfer from National Housing Authority," which Munda must still procure, in addition to the documentary requirements he submitted on that day;

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77 Records, pp. 8-9.

78 *Rollo*, p. 40; See also records, pp. 29-31.

79 Records, p. 372.

80 *Rollo*, p. 46.

81 Id.

82 Records, pp. 40 and 339-b.

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(iv) On or before October 8, 1997, Zenaida and the spouses Basas had a conference before the *Punong Barangay* and *Pangkat ng Tagapagkasundo* in relation to the subject property, but mediation and settlement failed. As a result, the Office of the *Lupong Tagapamayapa*, Barangay 106, Zone 8, District I, Tondo, Manila issued a certification to file action[83] dated October 8, 1997 in Barangay Case No. 97-28;

(v) the adverse claim of Zenaida was annotated on October 29, 1997;[84]

(vi) on December 1, 1997, the NHA issued its approval[85] regarding the transfer of ownership of the subject property conditioned upon payment of the transfer fee in the amount of ₱46,734.00;

(vii) on January 30, 1998, Munda paid the transfer fee in the amount of ₱46,734.00, after which he may already get the copy of NHA's approval of transfer dated December 1, 1997;[86] subsequently, the foregoing documents were submitted to the Register of Deeds to complete the documentary requirements for the application for registration; and

(viii) Munda was issued a certificate of title[87] of the subject property on March 2, 1998.[88]

According to the RTC, Munda was a buyer in bad faith because at the time of the registration of the sale in March 1998, an adverse claim was already annotated by Zenaida on October 29, 1997.[89] On the other hand, the CA found Munda a buyer in good faith because at the time of the execution of his sale on August 25, 1997, Zenaida's adverse claim was not yet annotated which

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83 Id. at 13.

84 CA *rollo*, p. 28; See also records, pp. 39 and 371.

85 Records, Exhibit 7-b, p. 339-f; See also records, Exhibit 7-d, p. 341.

86 See also records, p. 340.

87 Records, pp. 344-345.

88 *Rollo*, p. 45; See also CA *rollo*, p. 41.

89 CA *rollo*, pp. 40-41.

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would have apprised him of the defect in the title of spouses Basas as sellers of the subject property. Thus, upon the execution of Munda's August 25, 1997 Deed of Sale, the title of the subject property was clean.[90]

The RTC aptly found Munda as a buyer in bad faith, and the CA also correctly held that at the time of execution of Munda's deed of sale with the spouses Basas on August 25, 1997, he may have had no knowledge yet of the defect in the Basas' title as sellers, since Zenaida's adverse claim was annotated only on October 29, 1997. However, there are other circumstances that established Munda's bad faith. Records show that Munda already had knowledge of the defect in the sellers' title: (a) when he procured the NHA's approval dated December 1, 1997; (b) when he paid the transfer fee on January 30, 1998, and (c) subsequently upon submission of the foregoing documents to the Register of Deeds. We note the following testimony of Munda, to wit:

Q: After paying the capital gains tax of this property, what did you do next?
A: I went to the Registry of Deeds and submitted all the documents.

Q: And after the submission of these documents with the Registry of Deeds, did the Registry of Deeds [issue] to you a title?
A: No, sir.

Q: Why did the Registry of Deeds x x x not issue to you a title?
A: Because there is an additional requirement.

Q: And what is that requirement?
A: Clearance from NHA, sir.

Q: Did you obtain any clearance from the NHA?
A: Before I got the clearance, the Registry of Deeds issued a Reference Slip because I submitted all the documents dated September 22, 1997.[91]

x x x x

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[90] *Rollo*, pp. 43-46.

[91] TSN, March 14, 2006, pp. 30-31.

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Q: Do you have any document to prove that the NHA did in fact approve the ownership of this property to you?
A: Yes, sir.

Q: What is your proof?
A: The xerox copy and the original notification of payment of transfer tax. I was asked by NHA to pay the transfer tax of almost Php47,000.00, it's in the document.[92]

x x x x

Q: Was there any written approval?
A: There were two (2) approvals. One is the transfer of rights[93] and the other one is the transfer of ownership[94] but the original copies, I submitted to the Register of Deeds, sir.

x x x x

Q: Mr. Witness, after obtaining the approval of the NHA as you testified, what did you do next?
A: I went to the Registry of Deeds and submitted all the documents, sir.

Q: What was your [purpose] in submitting these documents?
A: To get the approval of the transfer and the issuance of the new title, sir.

Q: Did the Register of Deeds actually approve the transfer and issue a new title to you?
A: Yes, in my name and my wife, sir.[95]

Thus, upon submission of Munda's documentary requirements with the Register of Deeds on September 22, 1997 in order to register the sale, he was not yet apprised of the defect in the title since Zenaida's adverse claim was not yet annotated therein.[96] However, Munda's submission of the requirements on said day was merely a partial compliance of the documentary

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92 Records, Exhibit 7-c, p. 340.

93 Id., Exhibit 7-d, at 341.

94 Id., Exhibit 7-b, at 339-f.

95 TSN dated March 14, 2006, pp. 35-37.

96 *Rollo*, p. 46.

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requirements for the registration of the sale because as per the Referral Slip dated on the same day, he was still required to submit the NHA's approval. Thus, as of September 22, 1997, Munda did not yet fully comply with all the requirements for the registration of the sale. But when he returned to the Register of Deeds to complete his application for registration after payment of the transfer fee on January 30, 1998, and after securing the NHA's December 1, 1997 approval to transfer ownership of the subject property, he was already aware of the defect in the title in view of the annotation of Zenaida's adverse claim on October 29, 1997. Thus, Munda was not a registrant in good faith.

One is considered a purchaser in good faith if he or she buys the property of another without notice that some other person has a right to or interest in such property, and pays its full and fair price before he or she has notice of the adverse claims and interest of another person in the same property.[97] Conversely, one is considered a buyer in bad faith when he or she purchases a property despite knowledge of a defect or lack of title in his or her seller or when he or she has knowledge of facts which should have cautioned him or her to conduct further inquiry or investigation.[98]

We are not unmindful of the rule that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige the buyer to go beyond the certificate to determine the condition of the property. "When a certificate of title is clean and free from any encumbrance, potential purchasers have every right to rely on such certificate [in making their purchase of real property]."[99] Therefore, "[w]here there is nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore further than what the Torrens Title upon its face indicates in quest for any hidden defects or inchoate right that may subsequently

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[97] *Malabanan v. Malabanan, Jr.*, G.R. No. 187225, March 6, 2019.

[98] *Sps. Pudadera v. Magallanes*, 647 Phil. 655, 658 (2010).

[99] *Sps. Stilianopoulos v. Register of Deeds for Legazpi City*, 835 Phil. 351, 364 (2018).

defeat his [or her] right thereto."[100] However, this rule in not absolute. Our pronouncement in *Sps. Pudadera v. Magallanes*[101] is instructive, to wit:

> Well-settled is the rule that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him [or her] to go beyond the certificate to determine the condition of the property. "However, **this rule shall not apply when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man [or woman] to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in [the] vendor or of sufficient facts to induce a reasonably prudent [person] to inquire into the status of the title of the property in litigation**." "His [or her] mere refusal to believe that such defect exists, or **his [or her] willful closing of his [or her] eyes to the possibility of the existence of a defect in [the] vendor's title will not make him [or her] an innocent purchaser for value** if it later develops that the title was in fact defective, and it appears **that he [or she] had such notice of the defect had he [or she] acted with that measure of precaution which may reasonably be required of a prudent man** [or woman] in a like situation." (Emphasis supplied; citations omitted)

Furthermore, purchasers must continuously possess their status as buyers in good faith from the time they acquired the property until they register the property under their name. Thus, they must both be buyers and registrants in good faith. We reiterate Our ruling in *Tamayao v. Lacambra*:[102]

> x x x [T]he 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 rights 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 not bar her [or him] from availing of her [or his]

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[100] *Spouses Coronel v. Quesada*, G.R. No. 237465, October 7, 2019.

[101] 647 Phil. 655, 671 (2010).

[102] Supra note 62.

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rights under the law, among them, to register first her [or his] purchase as against the second buyer. But in *converso*, knowledge gained by the second buyer of the first sale defeats his [or her] rights even if he [or she] is first to register the second sale, since such knowledge taints his [or her] 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 [or she] must show that he [or she] acted in good faith throughout (i.e., in ignorance of the first sale and of the first buyers rights) — from the time of acquisition until the title is transferred to him [or her] by registration*** *or failing registration, by delivery of possession*" (Underscoring and italics in the original; emphasis supplied; citations omitted)

In the instant case, Munda failed to show that he continuously possessed his status as a buyer and registrant in good faith. Thus, he unsuccessfully convinced Us that he acted in good faith all throughout, from the time of his acquisition of the subject property until the title is transferred to him for registration. Firstly, Munda failed to refute petitioners' claim that Zenaida and her son went to his house and informed him and his wife that Zenaida had earlier purchased the subject property, but that Munda's wife replied that Zenaida's contract was merely a contract to sell while theirs was a contract of sale.[103] This in itself should have prompted Munda to further inquire about the status of the subject property and the title of the spouses Basas as sellers. Secondly, on or before October 8, 1997, Zenaida and the spouses Basas had a mediation conference before the *Punong Barangay* and *Pangkat ng Tagapagkasundo* in relation to the subject property, but settlement failed which caused the Office of the *Lupong Tagapamayapa*, Barangay 106, Zone 8, District I, Tondo, Manila to issue a certification to file action[104] dated October 8, 1997 in Barangay Case No. 97-28. Since Munda himself was living on the subject property and on the same barangay where the mediation occurred, he could have further investigated on the status of the subject property even before he took steps to procure the consent of the NHA, and before he

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[103] CA *rollo*, pp. 28 and 30.

[104] Records, p. 13.

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paid the transfer fee thereof. Lastly and most importantly, when Munda procured NHA's December 1, 1997 consent/approval and paid on January 30, 1998 the transfer fee thereof, and submitted the foregoing documents to the Register of Deeds to fully comply with his application for registration, he already had knowledge of the defect of the title of the spouses Basas as sellers in view of the annotation on October 29, 1997 of the adverse claim of Zenaida, which certainly would have prompted him to further inquire or investigate. Since Munda proceeded to register his title despite knowledge of Zenaida's adverse claim, he is deemed a buyer and registrant in had faith.

Therefore, even if the provision on double sales were to be applied in the instant case, it remains that Zenaida, the predecessor-in-interest of petitioners, had a better right of ownership over the subject property since Munda failed to acquire the property and register his title in good faith.

The liabilities of the spouses Basas are transmittable to their heirs

The spouses Basas knowingly entered into a valid contract of sale with the late Zenaida but they unjustifiably refused to honor their obligation in their contract with her. They had a sudden change of mind when they found that Munda was willing to pay more. In the process, they have unjustly enriched themselves by accepting payment from both Zenaida and Munda for the same property.

This Court further notes that the spouses Basas have already passed away, since Estefania died on June 24, 1999,[105] while her husband, Dominador, died on March 9, 2005.[106] However, their death did not extinguish their contractual obligations in the instant case since as a rule, "a party's contractual rights and obligations

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[105] *Rollo*, p. 117.

[106] Id. at 116.

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are transmissible to the successors."[107] The pertinent provisions of the Civil Code state:

> Art. 774. Succession is a mode of acquisition by virtue of which the property, rights and obligations to the extent of the value of the inheritance, of a person are transmitted through his [or her] death to another or others either by his [or her] will or by operation of law.
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> x x x x
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> Art. 776. The inheritance includes all the property, rights and obligations of a person which are not extinguished by his [or her] death.
>
> x x x x
>
> Art. 1311. Contracts take effect only between the parties, their assigns and heirs except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property received from the decedent.

A contract of sale and contract to sell involving land or immovable property involve patrimonial rights and obligations, which by their nature are essentially transmissible or transferrable.[108] Thus, the heirs of the seller and the buyer are bound thereby as they are not deemed non-privies to the contract of sale or contract to sell, as the case may be.[109] This Court's pronouncement in *Heirs of Villeza v. Aliangan*[110] is instructive, to wit:

> To better understand Article 1311 insofar as heirs are concerned, it must be construed in relation to Article 776, which provides: "The inheritance includes all the property, rights and obligations of a person which are not extinguished by his death." In determining which rights are intransmissible (extinguished by a person's death) or transmissible (not extinguished by his death), the following general rules have been laid down:

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[107] *Heirs of Villeza v. Aliangan*, G.R. Nos. 244667-69, December 2, 2020.

[108] Id.

[109] Id.

[110] Id.

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First: That rights which are *purely personal*, not in the inaccurate equivalent of this term in contractual obligations, but in its proper sense, are, by their nature and purpose, *intransmissible*, for they are extinguished by death; examples, those relating to civil personality, to family rights, and to the discharge of public office.

Second: That **rights which are *patrimonial* or relating to property are, as a general rule, not extinguished by death and properly constitute part of the inheritance**, except those expressly provided by law or by the will of the testator, such as usufruct and those known as personal servitudes.

Third: That **rights of obligation are by nature *transmissible* and may constitute part of the inheritance, both with respect to the rights of the creditor and as regards the obligations of the debtor.**

The third rule stated above has three exceptions, especially with respect to the obligations of the debtor. They are: (1) those which are personal, in the sense that the personal qualifications and circumstances of the debtor have been taken into account in the creation of the obligation, (2) those that are intransmissible by express agreement or by will of the testator, and (3) those that are intransmissible by express provision of law, such as life pensions given under contract.

x x x x

x x x In connection with "obligations" as forming part of the inheritance, the provisions of the Rules of Court on the settlement of the estates of deceased persons should not be overlooked. The heirs of the deceased are no longer liable for the debts he may leave at the time of his [or her] death. Such debts are chargeable against the property or assets left by the deceased. The property of the deceased may always be subjected to the payment of his [or her] debts in whatever hands it may be found, inasmuch as the right of a creditor to a lien upon such property, created by the mere fact of the debtor's death, may be said to be recognized by the provisions of the Rules of Court. Only what remains after all such debts have been paid will be subject to distribution among the heirs. In other words, the heirs are no longer personally liable for the debts of the deceased; such debts must be collected only from the property left upon his [or her] death, and if this should not be sufficient to cover all of them, the heirs cannot be made to pay the uncollectible balance.

x x x x

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This should not be understood to mean, however, that "obligations" are no longer a part of the inheritance. Only *money debts* are chargeable against the estate left by the deceased; these are the obligations which do not pass to the heirs, but constitute a charge against the hereditary property**. There are other obligations, however, which do not constitute money debts; these are not extinguished by death, and must still be considered as forming part of the inheritance**. Thus, if the deceased is a lessee for a definite period, paying a periodical rental, then his [or her] heirs will inherit the obligation to pay the rentals as they fall due together with the rights arising from the lease contract.

In *Bonilla v. Barcena*, the Court stated:

> x x x **The question as to whether an action survives or not depends on the nature of the action and the damage sued for. In the causes of action which survive the wrong complained affects primarily and principally property and property rights, the injuries to the person being merely incidental**, while in the causes of action which do not survive the injury complained of is to the person, the property and rights of property affected being incidental. Following the foregoing criterion the claim of the deceased plaintiff which is an action to quiet title over the parcels of land in litigation affects primarily and principally property and property rights and therefore is one that survives even after her death. x x x[111] (Emphasis supplied; citations omitted)

Therefore, the heirs of the spouses Basas are liable for the consequences of the contractual obligations made by their predecessors-in-interest, which gave rise to the present claim for damages and monetary awards.

This Court finds that the RTC appropriately found the spouses Basas liable to petitioners for exemplary damages and attorney's fees.[112] Exemplary damages are imposed by way of example or correction for the public good.[113] They are imposed not to enrich one party or impoverish another, but to serve as a deterrent against, or as a negative incentive to curb socially deleterious

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[111] Id.

[112] CA *rollo*, pp. 44-45.

[113] Article 2229, Civil Code.

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actions such as the acts of the spouses Basas.[114] In the case at bar, not only did the spouses Basas fail to comply in good faith with their obligations as stated in the Agreement, but they likewise proceeded to sell the subject property to Munda. They even exerted effort to procure the written consent of the NHA's transfer of rights[115] dated December 1, 1997 in favor of Munda despite their earlier obligation to obtain the same for Zenaida, or despite the latter's October 29, 1997 annotated adverse claim, and without any intention to refund Zenaida the previous payments she made.

Furthermore, considering the circumstances of the instant case, We find that petitioners are entitled to recover attorney's fees from the spouses Basas. There is no doubt that the late Zenaida and petitioners herein were forced to litigate to protect their interest,[116] *i.e.*, to recover the subject property, in view of the spouses Basas' unreasonable and unjustified refusal to comply with their obligations in the Agreement, in particular, the procurement of NHA's consent to the transfer or sale of the property so that the late Zenaida, as represented by petitioners, may tender the balance of the purchase price.

Finally, the award of exemplary damages shall earn interest at the rate of six percent (6%) per *annum* from date of finality of this Decision until full payment.

WHEREFORE, the instant petition is hereby **GRANTED**. The November 5, 2012 Decision and the April 18, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 93712 are **REVERSED** and **SET ASIDE**. The October 6, 2008 Decision of the Regional Trial Court of Manila City, Branch 32 in Civil Case No. 98-88713 is **REINSTATED** with **MODIFICATION** in

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[114] *Chan v. Magsaysay Maritime Corp.*, G.R. No. 239055, March 11, 2020.

[115] Records, Exhibit 7-d, p. 341.

[116] CIVIL CODE, Art. 2208.

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that the award of exemplary damages shall earn interest at the rate of six percent (6%) per *annum* from date of finality of this Decision until full payment.

SO ORDERED.

Gesmundo, C.J. (Chairperson), Zalameda, Rosario and *Marquez, JJ.*, concur.

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