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SO ORDERED.

Bellosillo (Chairman), Mendoza, Quisumbing, and *Callejo, Sr., JJ.,* concur.

THIRD DIVISION

[G. R. No. 128574. September 18, 2002]

UNIVERSAL ROBINA SUGAR MILLING CORPORATION, *petitioner, vs.* **HEIRS OF ANGEL TEVES,** *respondents.*

SYNOPSIS

On October 19, 1974, Andres Abanto's heirs executed an "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale." In the said document, Abanto's heirs adjudicated unto themselves the two lots and sold the (a) unregistered lot of 193,789 square meters to the United Planters Sugar Milling Company, Inc. (UPSUMCO), and (b) the *registered* lot covered by TCT No. H-37 to Angel M. Teves, for a total sum of ₱115,000.00. The sale was not registered. Years later, UPSUMCO's properties were acquired by the Philippine National Bank (PNB). Later, PNB transferred the same properties to the Asset Privatization Trust (APT) which, in turn, sold the same to the Universal Robina Sugar Milling Corporation (URSUMCO). URSUMCO then took possession of UPSUMCO's properties, *including* Teves' lot covered by TCT No. H-37. Upon learning of URSUMCO's acquisition of his lot, Teves formally asked the corporation to turn over to him possession thereof or the corresponding rentals. He stated in his demand letters that he merely allowed UPSUMCO to use his property until its corporate dissolution; and that it was not mortgaged by UPSUMCO with the PNB and, therefore, not included among the foreclosed properties acquired by URSUMCO. URSUMCO refused to heed Teves' demand, claiming that it acquired the

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right to occupy the property from UPSUMCO which purchased it from Andres Abanto; and that it was merely placed in the name of Angel Teves, as shown by the "Deed of Transfer and Waiver of Rights and Possession" dated November 26, 1987. Teves filed with the Regional Trial Court (RTC), Dumaguete City, Branch 43, a complaint for recovery of possession of real property with damages against URSUMCO, docketed as Civil Case No. 10235. On September 4, 1992, Teves died and was substituted by his heirs. The RTC rendered its Decision finding that URSUMCO has no personality to question the validity of the sale of the property between the heirs of Andres Abanto and Angel Teves since it is not a party thereto; that Teves' failure to have the sale registered with the Registry of Deeds would not vitiate his right of ownership, unless a third party has acquired the land in good faith and for value and has registered the subsequent deed; that the list of properties acquired by URSUMCO from the PNB does not include the disputed lot and, therefore, was not among those conveyed by UPSUMCO to URSUMCO. On appeal by URSUMCO, the Court of Appeals affirmed the RTC decision, holding that the transaction between Angel Teves and Andres Abanto's heirs is a contract of sale, not one to sell, because ownership was immediately conveyed to the purchaser upon payment of ₱115,000.00. URSUMCO filed a motion for reconsideration but was denied by the Appellate Court in a Resolution dated February 10, 1997. Hence, the instant petition for review on *certiorari*. Petititioner URSUMCO contended that respondents have no cause of action because the "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale" is merely a promise to sell and not an absolute deed of sale, hence, did not transfer ownership of the disputed lot to Angel Teves.

The Supreme Court denied the petition. The Court upheld the appellate court in ruling that the transaction is not merely a contract to sell but a contract of sale. The Court stressed that in a contract of sale, title to the property passes to the vendee upon delivery of the thing sold; while in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price. The Court found from the recitals of the subject contract that it is an extrajudicial settlement of the estate of the deceased Andres Abanto, *and simultaneous sale* of the properties described therein, including the subject lot. Clearly indicated therein is

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that the Abanto heirs sold to Teves the lot covered by TCT No. H-37 and there was no showing that the Abanto heirs merely promised to sell the said lot to Teves. The transfer of ownership was also established by Teves' acts subsequent to the execution of the contract. It was Teves, not Andres Abanto's heirs, who allowed UPSUMCO to construct pier facilities and guesthouse on the land. When the property was erroneously included among UPSUMCO's properties that were transferred to petitioner URSUMCO, it was Teves, not the heirs of Andres Abanto, who informed petitioner that he owns the same and negotiated for an arrangement regarding its use.

SYLLABUS

1. **CIVIL LAW; SPECIAL CONTRACTS; SALES; SUBJECT TRANSACTION IS NOT MERELY A CONTRACT TO SELL BUT A CONTRACT OF SALE.**— As held by the RTC and the Court of Appeals, the transaction is not merely a contract to sell but a contract of sale. In a contract of sale, title to the property passes to the vendee upon delivery of the thing sold; while in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price. It is clear from the recitals of the subject contract that it is an extrajudicial settlement of the estate of the deceased Andres Abanto, *and simultaneous sale* of the properties described therein, including the subject lot. Clearly indicated therein is that the Abanto heirs sold to Teves the lot covered by TCT No. H-37. There is no showing that the Abanto heirs merely promised to sell the said lot to Teves.

2. **ID.; ID.; ID.; TRANSFER OF ABSOLUTE OWNERSHIP SHOWN BY PRIVATE RESPONDENT'S ACTS SUBSEQUENT TO THE EXECUTION OF THE CONTRACT.**— That absolute ownership over the land (TCT No. H-37) was indeed transferred to Teves is further shown by his acts subsequent to the execution of the contract. As found by the trial court, it was Teves, not Andres Abanto's heirs, who allowed UPSUMCO to construct pier facilities and guesthouse on the land. When the property was erroneously included among UPSUMCO's properties that were transferred to petitioner URSUMCO, it was Teves, not the heirs of Andres Abanto, who informed petitioner that he owns the same and negotiated for

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an arrangement regarding its use. Teves even furnished petitioner documents and letters showing his ownership of the lot, such as a copy of the "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale" and a certified true copy of TCT No. H-37 covering the disputed lot. Indeed, the trial court and the Court of Appeals correctly ruled that Teves purchased the lot from the Abanto heirs. If we follow petitioner's posture that the transaction was only a contract to sell, ownership of the lot would have remained with the Abanto heirs, not with UPSUMCO. Consequently, UPSUMCO would not have transferred any right over the property to petitioner URSUMCO.

3. **ID.; ID.; ID.; PRICE OR CONSIDERATION; NOT UNCERTAIN.**— We are likewise unconvinced by petitioner's assertion that the price or consideration of the contract is not certain. In a 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. The subject of the sale embodied in the "Extrajudicial Settlement of Estate of the Deceased Andres Abanto and Simultaneous Sale" consists of two parcels of land. It is clear from the said instrument that the amount of ₱115,000.00 refers to the price for the two lots as a whole. Thus, contrary to petitioner's claim, the price of the subject property is not uncertain.

4. **ID.; CONTRACTS; VALIDITY; NON-REGISTRATION DOES NOT AFFECT VALIDITY OF CONTRACT; CASE AT BAR.**— That the contract of sale was not registered does not affect its validity. Being consensual in nature, it is binding between the parties, the Abanto heirs and Teves. Article 1358 of the New Civil Code, which requires the embodiment of certain contracts in a public instrument, is only for convenience, and the registration of the instrument would merely affect *third* persons. Formalities intended for greater efficacy or convenience or to bind third persons, if not done, would not adversely affect the validity or enforceability of the contract between the contracting parties themselves. Thus, by virtue of the valid sale, Angel Teves stepped into the shoes of the heirs of Andres Abanto and acquired all their rights to the property.

5. **ID.; SPECIAL CONTRACTS; SALES; FACTORS UNDERSCORING THE CONCEPT OF AN INNOCENT**

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PURCHASER FOR VALUE; NOT PRESENT IN CASE AT BAR.— An innocent purchaser is one who acquired the property for a valuable consideration, not knowing that the title of the vendor or grantor is null and void. He is also one who buys the property of another without notice that some other person has a right to, or interest in, such property and pays a full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property. The concept underscores two important factors: (1) the property which is bought for consideration, and (2) the lack of knowledge or notice of adverse claim or interest prior to the sale. Both factors are not present insofar as petitioner URSUMCO is concerned.

APPEARANCES OF COUNSEL

Juanitas Perez Boloy & Assoc. for petitioner.
Llosa-Bonganciso-Ruperto-Abiera for private respondents.

D E C I S I O N

SANDOVAL-GUTIERREZ, *J.*:

Andres Abanto owned two parcels of land situated in Campuyo, Manjuyod, Negros Oriental. One lot, consisting of 55,463 square meters, is registered in his name under Transfer Certificate of Title (TCT) No. H-37 of the Registry of Deeds of said province. The other lot with an area of 193,789 square meters is unregistered. He died on February 16, 1973.[1]

On October 19, 1974, Andres Abanto's heirs executed an "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale."[2] In this document, Abanto's heirs adjudicated unto themselves the two lots and sold the (a) *unregistered* lot of 193,789 square meters to the United Planters Sugar Milling Company, Inc. (UPSUMCO), and (b) the

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[1] RTC Record, p. 6.

[2] RTC Record, p. 6.

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registered lot covered by TCT No. H-37 to Angel M. Teves, for a total sum of ₱115,000.00. The sale was not registered.[3]

Out of respect for his uncle Ignacio Montenegro, who was UPSUMCO's founder and president, Teves verbally allowed UPSUMCO to use the lot covered by TCT No. H-37 for pier and loading facilities, free of charge, *subject* to the condition that UPSUMCO shall shoulder the payment of real property taxes and that its occupation shall be co-terminus with its corporate existence.[4] UPSUMCO then built a guesthouse and pier facilities on the property.[5]

Years later, UPSUMCO's properties were acquired by the Philippine National Bank (PNB). Later, PNB transferred the same properties to the Asset Privatization Trust (APT) which, in turn, sold the same to the Universal Robina Sugar Milling Corporation (URSUMCO). URSUMCO then took possession of UPSUMCO's properties, *including* Teves' lot covered by TCT No. H-37.

Upon learning of URSUMCO's acquisition of his lot, Teves formally asked the corporation to turn over to him possession thereof or the corresponding rentals. He stated in his demand letters that he merely allowed UPSUMCO to use his property until its corporate dissolution; and that it was not mortgaged by UPSUMCO with the PNB and, therefore, not included among the foreclosed properties acquired by URSUMCO.[6]

URSUMCO refused to heed Teves' demand, claiming that it acquired the right to occupy the property from UPSUMCO which purchased it from Andres Abanto; and that it was merely placed in the name of Angel Teves, as shown by the "Deed of Transfer and Waiver of Rights and Possession" dated November 26, 1987.[7] Under this document, UPSUMCO transferred to

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[3] CA Decision, *Rollo*, p. 17.

[4] *Ibid.*, p. 16.

[5] *Ibid.*, p. 17.

[6] CA Decision, *Rollo*, p. 16.

[7] RTC Record, pp. 130-133.

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URSUMCO its application for agricultural and foreshore lease. The same document partly states that the lands subject of the foreshore and agricultural lease applications are bounded on the north by the "titled property of Andres Abanto bought by the transferor (UPSUMCO) but placed in the name of Angel Teves." URSUMCO further claimed that it was UPSUMCO, not Teves, which has been paying the corresponding realty taxes.

Consequently, on June 18, 1992, Teves filed with the Regional Trial Court (RTC), Dumaguete City, Branch 43, a complaint for recovery of possession of real property with damages against URSUMCO, docketed as Civil Case No. 10235.

On September 4, 1992, Teves died[8] and was substituted by his heirs.[9]

On April 6, 1994, the RTC rendered its Decision[10] finding that URSUMCO has no personality to question the validity of the sale of the property between the heirs of Andres Abanto and Angel Teves since it is not a party thereto; that Teves' failure to have the sale registered with the Registry of Deeds would not vitiate his right of ownership, unless a third party has acquired the land in good faith and for value and has registered the subsequent deed; that the list of properties acquired by URSUMCO from the PNB does not include the disputed lot and, therefore, was not among those conveyed by UPSUMCO to URSUMCO. The dispositive portion of the Decision reads:

"Wherefore, in view of the foregoing, judgment is hereby rendered:

1. Declaring plaintiff (Teves) the owner of the parcel of land covered by Transfer Certificate of Title No. H-37 situated at Campuyo, Manjuyod, Negros Oriental and as such, is entitled to the possession of said land subject to the provision of Article 448 of the New Civil Code. Accordingly, except where the immediate premises of the guest house and pier are concerned, defendant

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[8] Certificate of Death, RTC Record, p. 22.

[9] RTC Record, p. 27.

[10] Penned by Judge Winston M. Villegas, RTC Record, pp. 148-158.

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(URSUMCO) is directed to vacate the remaining portion of said property;

2. Declaring defendant as the owner of the guest house and pier and as a builder in good faith of said guest house and pier;
3. Declaring plaintiff as entitled to the option under Article 448 of the New Civil Code, namely:
   (a) To appropriate the guest house and pier as his own upon payment of indemnity under Articles 546 and 548 of the New Civil Code, or
   (b) To oblige defendant to buy the land in question unless its value is considerably more than the improvements (guest house and pier), in which case defendant shall pay reasonable rent.
4. Declaring defendant as entitled to retain possession of the guest house and pier until defendant is indemnified of the useful and necessary expenses for the preservation of said improvements provided in Article 546 of the New Civil Code and such other expenses for luxury as may be allowed under Article 548 of the same Code in case plaintiff takes the option of appropriating for himself the improvements;
5. Ordering defendant to pay plaintiff reasonable attorney's fees in the amount of ₱15,000.00;
6. Dismissing all other claims for damages by plaintiff and the counterclaim for lack of merit; and
7. Ordering defendant to pay the costs of this suit.

"SO ORDERED."

On appeal by URSUMCO, the Court of Appeals[11] affirmed the RTC decision, holding that the transaction between Angel Teves and Andres Abanto's heirs is a contract of sale, not one to sell, because ownership was immediately conveyed to the purchaser upon payment of ₱115,000.00. The Court of Appeals further held that Teves' failure to cause the registration of the

[11] CA Decision penned by Associate Justice Consuelo Ynares-Santiago, and concurred in by Associate Justices Fidel P. Purisima and Ruben T. Reyes, *Rollo*, pp. 13-26.

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sale is not fatal since a contract of sale is perfected by mere consent of the contracting parties and has the force of law between them. Besides, his failure to refer the case to the *barangay* cannot affect the jurisdiction already acquired by the court over the subject matter and the person of "defendant-appellant" URSUMCO.

On October 29, 1996, URSUMCO filed a motion for reconsideration but was denied by the Appellate Court in a Resolution dated February 10, 1997.[12]

Hence, the instant petition for review on *certiorari*[13] raising the following legal issues:

1. Whether the respondents have established a cause of action against petitioner;
2. Whether petitioner herein has the legal capacity to question the validity of the sale; and
3. Whether the complaint should have been dismissed for lack of *barangay* conciliation.

The petition is bereft of merit.

Petitioner URSUMCO contends that respondents have no cause of action because the "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale" is merely a promise to sell and not an absolute deed of sale, hence, did not transfer ownership of the disputed lot to Angel Teves. Assuming that the document is a contract of sale, the same is void for lack of consideration because the total price of ₱115,000.00 does not specifically refer to the lot covered by TCT No. H-37, making the price uncertain. Furthermore, the transaction, being unregistered, does not bind third parties.

Petitioner's contentions lack merit. As held by the RTC and the Court of Appeals, the transaction is not merely a contract to sell but a contract of sale. In a contract of sale, title to the

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[12] Annex "B", Petition, *Rollo*, pp. 27-28.

[13] *Rollo*, pp. 3-12.

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property passes to the vendee upon delivery of the thing sold; while in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price.[14] In the case at bar, the subject contract, duly notarized, provides:[15]

"EXTRA-JUDICIAL SETTLEMENT OF THE ESTATE OF THE DECEASED ANDRES ABANTO *AND SIMULTANEOUS SALE*

KNOW ALL MEN BY THESE PRESENTS:

That VICTORINA C. VDA. DE ABANTO, widow, and GUMERSINDA A. ABANTO-MALDO, married to Porferio Maldo, both of legal age, Filipinos, and residents of Olimpia, Bais City, hereby freely and spontaneously

DECLARE AND MAKE MANIFEST THAT:

1. That they are the only legitimate heirs of the deceased Andres Abanto, being the surviving spouse and the legally adopted daughter of the deceased Andres Abanto;

2. That the aforementioned deceased died on February 16, 1973 in the City of Bais, which was his residence at the time of his death;

3. That said decedent died without leaving any will and without debts and his only surviving heirs are the aforementioned Victorina C. Vda. de Abanto and Gumersinda A. Maldo;

4. That the deceased left as his estate and only real properties, certain parcels of land which are more particularly described and founded as follows:

PARCEL ONE TCT NO. H-37

"A parcel of agricultural land, with the improvements thereon, containing an area of FIFTY-FIVE THOUSAND FOUR HUNDRED SIXTY THREE (55,463) SQUARE METERS MORE OR LESS, situated in barrio Campuyo, Manjuyod, Negros Oriental and bounded on the Northeast by Tañon Strait; on the South by the property claimed by Nazario Acabal; on the west by North Bais Bay, public land and

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[14] *Dawson vs. Register of Deeds, Quezon City*, 295 SCRA 733, 741-742 (1998), citing *Salazar vs. Court of Appeals*, 258 SCRA 317, 325 (1996).

[15] RTC Record, pp. 6-7.

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the properties claimed by Fortunato Acabal and Manuel Gonzales as described in TCT No. H-37."

PARCEL TWO

"A parcel of unregistered land, together with the improvements, accessions and other interests over the said lot, situated at barrio Campuyo, Municipality of Manjuyod, Province of Negros Oriental, containing an area of ONE HUNDRED NINETY THREE THOUSAND, SEVEN HUNDRED EIGHTY NINE (193,789) square meters more or less, as described on plan Psu. 123473 and as amended by PSU 07-01-000 and as declared under Tax Declaration No. 00589 and assessed in said tax declaration for taxation purposes at ₱24,860.00"

5. That the parties herein have agreed as they hereby agree to adjudicate said parcels of land unto themselves in accordance with Sec. 1, Rule 74 of the Rules of Court and to sell, transfer and convey for a total sum of ONE HUNDRED FIFTEEN THOUSAND PESOS (₱115,000.00) Philippine currency the above described properties in the following manner to wit:

1. TO THE UNITED PLANTERS' SUGAR MILLING CO., INC., a domestic corporation duly organized and existing under the laws of the Philippines, with residence and office address at Alangilanan, Manjuyod, Negros Oriental — That parcel which is described as parcel two above;

2. TO ANGEL M. TEVES, of legal age, Filipino, married to Elena Teves, a resident of and with postal address at Bais City — That parcel described as parcel one above.

In witness whereof, we have hereunto affixed our signatures this 19th day of October 1974 at the City of Bais, Philippines.

(Sgd.)
VICTORINA C. VDA. DE ABANTO
Heir Vendor

(Sgd.)
GUMERSINDA ABANTO-MALDO
Heir Vendor

UNITED PLANTERS' SUGAR MILLING CO., INC.
Vendee

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by:

(Sgd.)
IGNACIO VICENTE
President

(Sgd.)
ANGEL M. TEVES
Vendee

(Sgd.) witnesses (Sgd.)"

It is clear from the recitals of the above contract that it is an extrajudicial settlement of the estate of the deceased Andres Abanto, *and simultaneous sale* of the properties described therein, including the subject lot. Clearly indicated therein is that the Abanto heirs sold to Teves the lot covered by TCT No. H-37. There is no showing that the Abanto heirs merely promised to sell the said lot to Teves.

That absolute ownership over the land (TCT No. H-37) was indeed transferred to Teves is further shown by his acts subsequent to the execution of the contract. As found by the trial court, it was Teves, not Andres Abanto's heirs, who allowed UPSUMCO to construct pier facilities and guesthouse on the land. When the property was erroneously included among UPSUMCO's properties that were transferred to petitioner URSUMCO, it was Teves, not the heirs of Andres Abanto, who informed petitioner that he owns the same and negotiated for an arrangement regarding its use. Teves even furnished petitioner documents and letters[16] showing his ownership of the lot, such as a copy of the "Extrajudicial Settlement of the Estate of the Deceased Andres Abanto and Simultaneous Sale"[17] and a certified true copy of TCT No. H-37 covering the disputed

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[16] Exhibits "C", "D", "F", "G", "H", RTC Record, pp. 49-50 and 52-54.

[17] Exhibit "A", RTC Record, pp. 6-7.

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lot.[18] Indeed, the trial court and the Court of Appeals correctly ruled that Teves purchased the lot from the Abanto heirs, thus:

"1. That Angel Teves was the purchaser of the land in question covered by Transfer Certificate of Title No. H-37 in an Extrajudicial Settlement of Estate of Andres Abanto and Simultaneous Sale, dated October 19, 1974 (Exhibit "A"), more particularly described as follows:

"A parcel of agricultural land, with the improvements thereon, containing an area of FIFTY-FIVE THOUSAND FOUR HUNDRED SIXTY THREE (55,463) SQUARE METERS MORE OR LESS, situated in barrio Campuyo, Manjuyod, Negros Oriental and bounded on the Northeast by Tañon Strait; on the South by the property claimed by Nazario Acabal; on the west by North Bais Bay, Public land and the properties claimed by Fortunato Acabal and Manuel Gonzales as described in TCT No. H-37."[19]

If we follow petitioner's posture that the transaction was only a contract to sell, ownership of the lot would have remained with the Abanto heirs, not with UPSUMCO. Consequently, UPSUMCO would not have transferred any right over the property to petitioner URSUMCO.

We are likewise unconvinced by petitioner's assertion that the price or consideration of the contract is not certain. In a 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.[20] The subject of the sale embodied in the "Extrajudicial Settlement of Estate of the Deceased Andres Abanto and Simultaneous Sale" consists of two parcels of land. It is clear from the said instrument that the amount of ₱115,000.00 refers to the price for the two lots as a whole. Thus, contrary to petitioner's claim, the price of the subject property is not uncertain.

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[18] Exhibit "B", RTC Record, p. 48.

[19] *Rollo*, pp. 16-17.

[20] Article 1458, Civil Code.

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That the contract of sale was not registered does not affect its validity. Being consensual in nature, it is binding between the parties, the Abanto heirs and Teves. Article 1358 of the New Civil Code, which requires the embodiment of certain contracts in a public instrument, is only for convenience, and the registration of the instrument would merely affect *third* persons.[21] Formalities intended for greater efficacy or convenience or to bind third persons, if not done, would not adversely affect the validity or enforceability of the contract between the contracting parties themselves.[22] Thus, by virtue of the valid sale, Angel Teves stepped into the shoes of the heirs of Andres Abanto and acquired all their rights to the property.

Anent the second issue, petitioner contends that being an innocent purchaser for value of the lot and its current possessor, it has the personality to assail the validity of the sale in question.

An innocent purchaser is one who acquired the property for a valuable consideration, not knowing that the title of the vendor or grantor is null and void.[23] He is also one who buys the property of another without notice that some other person has a right to, or interest in, such property and pays a full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property.[24] The concept underscores two important factors: (1) the property which is bought for consideration, and (2) the lack of knowledge or notice of adverse claim or interest prior to the sale. Both factors are not present insofar as petitioner URSUMCO is concerned.

For one, petitioner acquired almost all of UPSUMCO'S properties for a consideration but failed to prove that the lot

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[21] *Fule vs. Court of Appeals,* 286 SCRA 698, 713 (1998).

[22] *Cenido vs. Apacionado,* 318 SCRA 688, 704 (1999).

[23] *Lucena vs. Court of Appeals,* 313 SCRA 47, 57 (1999).

[24] *Sandoval vs. Court of Appeals,* 260 SCRA 283, 296-297 (1996); *Sajonas vs. Court of Appeals,* 258 SCRA 79, 100 (1996).

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covered by TCT No. H - 37 was included therein. In fact, the lot was not among the properties acquired by petitioner from the APT whose holdings were limited only to those UPSUMCO properties foreclosed by the PNB. Also, the "Deed of Transfer and Waiver of Rights and Possession" shows that only the following properties and rights of UPSUMCO were transferred to petitioner URSUMCO:[25]

1. The guest house and pier at Campuyo site in the Municipality of Manjuyod, Negros Oriental;

2. A parcel of land consisting of twenty five (25) hectares, more or less, leading to the Campuyo pier which is the subject matter of UPSUMCO's agricultural lease application pending with the Bureau of Lands and Land District Officer, Dumaguete City; and

3. Pending application for an industrial or foreshore lease of that portion of the adjacent government land approximately 270,000 square meters, later amended to be 16,000 square meters.

The foregoing list does not specifically include the subject lot. Admittedly, the same "Deed of Transfer and Waiver of Rights and Possession" states that a "titled property of Andres Abanto bought by the transferor (UPSUMCO) but placed in the name of Angel Teves" is on the northern boundary of the above-mentioned lands subject of the foreshore and agricultural lease applications.[26] However, such description is insufficient to establish that the "titled property" is indeed owned by UPSUMCO.

Petitioner cannot likewise assert that it has no adequate notice of any adverse claim over the lot in controversy. Teves informed petitioner of his ownership and demanded that he be placed in possession thereof or, in the alternative, that he be paid the corresponding rentals. Moreover, petitioner should have been sufficiently forewarned of a probable anomaly or irregularity in the ownership of the subject lot, considering that it was registered not in the name of UPSUMCO, but in the name of

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[25] RTC Record, pp. 130-131.

[26] RTC Record, p. 131.

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Andres Abanto. 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.[27]

The petition having been stripped of these anchors, both the RTC and the Court of Appeals correctly ruled that petitioner has no sufficient cause of action against Angel Teves, represented by herein respondents. Not being a party to the contract of sale between Andres Abanto's heirs and Angel Teves, and not being a subsequent innocent purchaser for value, petitioner cannot claim any right of possession over the land in question. Surely, petitioner is proscribed from questioning Teves' ownership.

Regarding the third issue, suffice it to state that being a corporation, petitioner cannot be impleaded as a party to a *barangay* conciliation proceeding. Section 1, Rule VI of the *Katarungang Pambarangay* Rules implementing the *Katarungang Pambarangay* Law[28] provides:

"Section 1. *Parties*. — Only individuals shall be parties to these proceedings either as complainants or respondents. *No complaint by or against corporations,* partnerships or other juridical entities *shall be filed, received or acted upon.*" (italics ours)

Incidentally, respondents, in their memorandum, pray that petitioner URSUMCO be declared a recalcitrant possessor in bad faith and be held liable for damages in the following amounts: (1) ₱1,060,000.00 as actual damages; (2) ₱100,000.00 as moral damages; and (3) ₱50,000.00 as exemplary damages.

We quote with approval the disquisition of the RTC, affirmed by the Court of Appeals, dismissing respondents' claim for damages, thus:

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[27] *Development Bank of the Philippines vs. Court of Appeals*, 331 SCRA 267, 290 (2000).

[28] Sections 399 to 422, Chapter 7, Title One, Book III and Section 515, Title One, Book IV of Republic Act No. 7160.

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"As to the damages claimed by plaintiff (Teves), the Court holds that he is not entitled to any of the damages claimed considering that Article 448 of the Civil Code does not provide such remedy. Furthermore, there is no evidence showing that defendant had made use of the land except with respect to the pier and guesthouse which defendant had validly acquired from the United Planters Sugar Milling Company (Exhibit "3"). However, based on equitable considerations, considering that plaintiff was compelled to litigate in view of the refusal of defendant despite demand by the plaintiff (Exhibits "C", "D", "F", "G", "H") to pay rental for the use of the property in question, defendant should pay plaintiff reasonable attorney's fees in the amount of ₱15,000.00."[29]

WHEREFORE, the petition is *DENIED*. The assailed Decision of the Court of Appeals dated September 30, 1996 in CA-G.R. CV No. 46352 is *AFFIRMED*.

SO ORDERED.

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

THIRD DIVISION

[G.R. No. 130994. September 18, 2002]

SPOUSES FELIMON and MARIA BARRERA, *petitioners, vs.* **SPOUSES EMILIANO and MARIA CONCEPCION LORENZO,** *respondents.*

SYNOPSIS

Petitioners spouses Felimon and Maria Barrera borrowed ₱230,000.00 from spouses Miguel and Mary Lazaro. A month

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[29] CA *Rollo*, p. 42.