



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

SPOUSES CARLOS J. SUNTAY  
and ROSARIO R. SUNTAY,

Petitioners,

G.R. No. 208462

Present:

- versus -

CARPIO, J., Chairperson,  
DEL CASTILLO,  
VILLARAMA, JR.,\*  
MENDOZA, and  
LEONEN, JJ.

KEYSER MERCANTILE, INC.,  
Respondent.

Promulgated:

DEC 10 2014

*M. Cabalag*

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DECISION

**MENDOZA, J.:**

This is a petition for review on *certiorari* seeking to reverse and set aside the September 7, 2012 Decision<sup>1</sup> and the August 8, 2013 Resolution<sup>2</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 94677, entitled *Keyser Mercantile, Inc., v. Spouses Carlos and Rosario Suntay*” involving the ownership of Unit G and two (2) parking slots in Bayfront’s Tower Condominium.

**The Facts**

On October 20, 1989, Eugenia Gocolay, chairperson and president of respondent Keyser Mercantile, Inc. (*Keyser*), entered into a contract to sell with Bayfront Development Corporation (*Bayfront*) for the purchase on installment basis of a condominium unit in Bayfront Tower Condominium located at A. Mabini Street, Malate, Manila. The subject of the sale was Unit

\* Designated Acting Member in lieu of Associate Justice Arturo D. Brion, per Special Order No. 1888, dated November 28, 2014.

<sup>1</sup> Penned by Associate Justice Rosmari D. Carandang with Associate Justice Ricardo R. Rosario and Associate Justice Leoncia R. Dimagiba, concurring; *rollo*, pp. 59-71.

<sup>2</sup> *Id.* at 73-77.

G of the said condominium project consisting of 163.59 square meters with the privilege to use two (2) parking slots covered by Condominium Certificate of Title (CCT) No. 15802. This Contract to Sell<sup>3</sup> was *not registered* with the Register of Deeds of Manila. Thus, the subject unit remained in the name of Bayfront with a clean title.

On July 7, 1990, petitioner spouses Carlos and Rosario Suntay (*Spouses Suntay*) also purchased several condominium units on the 4<sup>th</sup> floor of Bayfront Tower Condominium through another contract to sell. Despite payment of the full purchase price, however, Bayfront failed to deliver the condominium units. When Bayfront failed to reimburse the full purchase price, Spouses Suntay filed an action against it before the Housing and Land Use Regulatory Board (*HLURB*) for violation of Presidential Decree (*P.D.*) No. 957 and P.D. No. 1344, rescission of contract, sum of money, and damages.

In its decision, dated April 23 1994, the HLURB rescinded the Contract to Sell between Bayfront and Spouses Suntay and ordered Bayfront to pay Spouses Suntay the total amount of ₱2,752,068.60 as purchase price with interest. Consequently, on November 16, 1994, the HLURB issued a writ of execution.<sup>4</sup>

Upon the application of Spouses Suntay, the Sheriffs of the Regional Trial Court (*RTC*) of Manila levied Bayfront's titled properties, including the subject condominium Unit G and the two parking slots. Considering that CCT No. 15802 was still registered under Bayfront with a clean title, the sheriffs deemed it proper to be levied. The levy on execution<sup>5</sup> in favor of Spouses Suntay was duly recorded in the Register of Deeds of Manila on January 18, 1995.

The auction sale was conducted on February 23, 1995, and Spouses Suntay were the highest bidder. Consequently, on March 1, 1995, the Certificate of Sale<sup>6</sup> in favor of Spouses Suntay was issued. This was duly annotated at the back of CCT No. 15802 on April 7, 1995.

Meanwhile, the Deed of Absolute Sale<sup>7</sup> between Bayfront and Keyser involving the subject property was finally executed on November 9, 1995. The latter allegedly paid the full purchase price sometime in 1991. When Keyser was about to register the said deed of absolute sale in February 1996, it discovered the Notice of Levy and the Certificate of Sale annotated at the

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<sup>3</sup> Id. at 101-105.

<sup>4</sup> Id. at 220-223.

<sup>5</sup> Id. at 230-233.

<sup>6</sup> Id. at 209-212.

<sup>7</sup> Id. at 148-151.

back of CCT No. 15802 in favor of Spouses Suntay. Nevertheless, on March 12, 1996, the Register of Deeds cancelled the title of Bayfront and issued CCT No. 26474<sup>8</sup> in the name of Keyser but carried over the annotation of the Suntays.<sup>9</sup>

Subsequently, the sheriff's Final Deed of Sale<sup>10</sup> was executed on April 16, 1996 in favor of the Suntays upon the expiration of the one (1) year period of redemption from the earlier auction sale. CCT No. 26474 of Keyser was cancelled and, thereafter, CCT No. 34250-A<sup>11</sup> was issued in the name of Spouses Suntay.

Keyser then filed a complaint for annulment of auction sale and cancellation of notice of levy before the HLURB, docketed as HLURB Case No. REM 032196-9152. In its decision, dated November 18, 1996, the HLURB ruled in favor of Keyser. Spouses Suntay appealed the decision to the Office of the President and later to the CA but both affirmed the HLURB judgment.

On appeal before this Court, however, the HLURB decision was set aside. In its September 23, 2005 Decision, the Court ruled that the HLURB had no jurisdiction over controversies between condominium unit owners and the issue of ownership, possession or interest in the disputed condominium units could not be adjudicated by the HLURB due to its limited jurisdiction under P.D. No. 957 and P.D. No. 1344.

### *RTC Ruling*

Undaunted, on March 24, 2006, Keyser filed before the RTC of Manila a new complaint for annulment of auction sale, writ of execution, declaration of nullity of title, and reconveyance of property with damages against Spouses Suntay, docketed as Civil Case No. 06-114716. In their answer, Spouses Suntay denied the material allegations of the complaint and interposed special and affirmative defenses of *res judicata*, forum shopping, prescription, and lack of cause of action.

On October 19, 2009, the RTC rendered a Decision<sup>12</sup> in favor of Keyser. It explained that when Spouses Suntay registered the Certificate of Sale, the condominium unit was already registered in the name of Keyser. It

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<sup>8</sup> Id. at 114.

<sup>9</sup> Id. at 218-219.

<sup>10</sup> Id. at 143-146.

<sup>11</sup> Id. at 119.

<sup>12</sup> Penned by Judge Amor A. Reyes; id. at 265-271.

also held that the auction sale was irregular due to lack of posting and publication of notices. The RTC thus disposed:

WHEREFORE, premises considered, the Court hereby declares the auction sale as null and void, orders the Registry of Deeds to reinstate the title of Keyser Mercantile Inc. and to pay the costs.

SO ORDERED.<sup>13</sup>

### *CA Ruling*

Spouses Suntay elevated the decision to the CA. In its September 7, 2012 Decision, the CA denied the appeal as it found that Spouses Suntay did not acquire the subject property because at the time it was levied, Bayfront had already sold the condominium unit to Keyser. Considering that the judgment debtor had no interest in the property, Spouses Suntay, as purchasers at the auction sale, also acquired no interest. The decretal portion of the CA decision reads:

WHEREFORE, in view of the foregoing considerations, the Decision dated October 19, 2009 of the Regional Trial Court (RTC) of Manila, Branch 21, in Civil Case No. 06-114716, is AFFIRMED.

SO ORDERED.<sup>14</sup>

Spouses Suntay filed a motion for reconsideration, but it was denied in the August 8, 2013 Resolution of the CA.

Hence, this petition, anchored on the following

## **STATEMENT OF ISSUES**

### **I**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT CASE OF HEREIN RESPONDENT ON GROUND OF PRESCRIPTION OF ACTIONS UNDER ARTICLE 1146 OF THE CIVIL CODE OF THE PHILIPPINES, AS WELL AS, DUE TO ESTOPPEL BY LACHES;**

### **II**

**WHETHER OR NOT THE COURT OF APPEALS IN SUSTAINING THE DECISION OF THE COURT A QUO COMMITTED A**

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<sup>13</sup> Id. at 272.

<sup>14</sup> Id. at 70.

**SERIOUS REVERSIBLE ERROR IN NOT APPLYING SECTION 52 OF P.D. 1529 AND ARTICLE 1544 OF THE CIVIL CODE OF THE PHILIPPINES BY FINDING THAT HEREIN PETITIONERS HAVE BETTER RIGHTS OF OWNERSHIP OVER THE SUBJECT CONDOMINIUM PROPERTY IN LITIGATION;**

**III**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT FOR LACK OF VALID AND LEGITIMATE CAUSE OF ACTION OF HEREIN RESPONDENT AGAINST HEREIN PETITIONERS;**

**IV**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT ON GROUND OF FORUM SHOPPING;**

**V**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT DISMISSING THE COMPLAINT [ON] GROUND OF *RES JUDICATA*;**

**VI**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN SUSTAINING THE TRIAL COURT'S DECISION BY NOT AWARDING DAMAGES AND ATTORNEY'S FEES IN FAVOR OF HEREIN PETITIONERS.<sup>15</sup>**

Spouses Suntay contend that *res judicata* existed. They assert that HLURB Case No. REM-032196-9152 involved the same cause of action, parties and subject matter with Civil Case No. 06-114716 before the RTC. Considering that the former case had been decided on appeal by this Court, then there was already *res judicata* in the RTC case. They likewise claim the existence of forum shopping in the refiling of the case with the RTC for the second time on March 24, 2006.

Spouses Suntay also raise the issue of prescription because Article 1146 of the New Civil Code<sup>16</sup> provides that actions resulting in injury prescribe after four (4) years. The resulting injury started on January 18,

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<sup>15</sup> Id. at 24-25.

<sup>16</sup> Art. 1146. The following actions must be instituted within four years:

(1) Upon an injury to the rights of the plaintiff;  
(2) Upon a quasi-delict; x x x

1995. They argue that the correct reckoning period was March 24, 2006 when Civil Case No. 06-114716 was filed in the RTC; and that a period of more or less twelve (12) years had lapsed and the action had already prescribed. HLURB Case No. REM-032196-9152 filed on March 21, 1996 should not have been considered to have tolled the prescriptive period because it had a null and void judgment due to lack of jurisdiction.

Spouses Suntay argue that the CA erred in not applying Section 52 of P.D. No. 1529 and Article 1544 of the New Civil Code. Their right as purchasers in a public action should have been preferred because their right acquired thereunder retroacts to the date of registration of the Notice of Levy on January 18, 1995 and the subsequent auction sale on February 23, 1995. They claim that their right over the subject property is superior over that of Keyser because they purchased the subject property in a legitimate auction sale prior to Keyser's registration of the deed of absolute sale.

Spouses Suntay also pray for moral, exemplary damages and attorney's fees. They allegedly experienced mental anguish, besmirched reputation, sleepless nights, and wounded feelings warranting moral damages. They contend that exemplary damages should also be awarded in view of the reckless and wanton attitude of Keyser in instituting a groundless action against them. Furthermore, Spouses Suntay were constrained to hire the services of counsel to defend their right against a baseless action.

### **The Court's Ruling**

The petition is meritorious.

*No res judicata, forum shopping and prescription in this case*

As to the procedural matters, the Court finds that the grounds invoked by Spouses Suntay are inapplicable. First, the defense of *res judicata* must fail. The doctrine of *res judicata* is a fundamental principle of law which precludes parties from re-litigating issues actually litigated and determined by a prior and final judgment.<sup>17</sup> *Res judicata* constituting bar by prior judgment occurs when the following requisites concur: (1) the former judgment is final; (2) it is rendered by a court having jurisdiction over the subject matter and the parties; (3) it is a judgment or an order on the merits;

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<sup>17</sup> *Puerto Azul Land, Inc., v. Pacific Wide Realty Development Corp.*, G.R. No. 184000, September 17, 2014.

and (4) there is identity of parties, of subject matter, and of causes of action.<sup>18</sup>

The previous case instituted by Keyser in the HLURB was denied on appeal by this Court based on lack of jurisdiction. Thus, the third requisite of *res judicata* is not present because the previous case was not adjudicated on the merits as it was denied on jurisdictional grounds.

There is no forum shopping either in this case. To determine whether a party violated the rule against forum shopping, the elements of *litis pendentia* must be present, or the final judgment in one case amounts to *res judicata* in another.<sup>19</sup> Since there is no *res judicata* in this case, then there is no forum shopping either.

The defense of prescription is likewise unavailing. In *Fulton Insurance Company v. Manila Railroad Company*,<sup>20</sup> this Court ruled that the filing of the first action interrupted the running of the period, and then declared that, at any rate, the second action was filed within the balance of the remaining period. Applying Article 1155 of the New Civil Code in that case,<sup>21</sup> the interruption took place when the first action was filed in the Court of First Instance of Manila. The interruption lasted during the pendency of the action until the order of dismissal for alleged lack of jurisdiction became final.

In the present case, the prescriptive period was interrupted when HLURB Case No. REM-032196-9152 was filed on March 21, 1996. The interruption lasted during the pendency of the action and until the judgment of dismissal due to lack of jurisdiction was rendered on the September 23, 2005. Thus, the filing of Civil Case No. 06-114716 on March 24, 2006 was squarely within the prescriptive period of four (4) years.

*Spouses Suntay properly relied  
on the Certificate of Title of  
Bayfront*

Now, the Court proceeds to the substantial issues. This Court finds that the petition is meritorious applying the Torrens System of Land Registration. The main purpose of the Torrens system is to avoid possible

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<sup>18</sup> *Aboitiz Equity Ventures, Inc., v. Chiongbian*, G.R. No. 197530, July 09, 2014.

<sup>19</sup> *Yap v. Chua*, G.R. No. 186730, June 13, 2012, 672 SCRA 419 428, citing *Young v. Keng Seng*, 446 Phil. 823, 833 (2003).

<sup>20</sup> 129 Phil. 195, 202 (1967).

<sup>21</sup> Art. 1155. The prescription of actions is interrupted when they are filed before the court, when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgment of the debt by the debtor.

conflicts of title to real estate and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further, except when the party concerned has actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry. Every person dealing with a registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.<sup>22</sup>

Again to stress, any buyer or mortgagee of realty covered by a Torrens certificate of title, in the absence of any suspicion, is not obligated to look beyond the certificate to investigate the title of the seller appearing on the face of the certificate. And, he is charged with notice only of such burdens and claims as are annotated on the title.<sup>23</sup>

In the case at bench, the subject property was registered land under the Torrens System covered by CCT No. 15802 with Bayfront as the registered owner. At the time that the Notice of Levy was annotated on January 18, 1995, the title had no previous encumbrances and liens. Evidently, it was a clean title. The Certificate of Sale, pursuant to an auction sale, was also annotated on April 7, 1995, with Bayfront still as the registered owner.

It was only on March 12, 1996, almost a year later, that Keyser was able to register its Deed of Absolute Sale with Bayfront. Prior to such date, Spouses Suntay appropriately relied on the Torrens title of Bayfront to enforce the latter's judgment debt.

Because "the act of registration is the operative act to convey or affect the land insofar as third persons are concerned,"<sup>24</sup> it follows that where 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 farther than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens system seeks to insure would entirely be futile and nugatory. The public shall then be denied of its foremost motivation for respecting and observing the Torrens system of registration.<sup>25</sup>

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<sup>22</sup> *Spouses Peralta v. Heirs of Abalon*, G.R. No. 183448, June 30, 2014.

<sup>23</sup> *Clemente v. Razo*, 493 Phil. 119, 128 (2005).

<sup>24</sup> Section 51, P.D. No. 1529.

<sup>25</sup> *Guaranteed Homes Inc., v. Heirs of Valdez*, 597 Phil. 437, 446-447 (2009).



When the notice of levy and certificate of sale were annotated on the title, the subject property was unoccupied and no circumstance existed that might suggest to Spouses Suntay that it was owned by another individual.<sup>26</sup> Records reveal that it was only later, on January 6, 1999, that the subject property was discovered by the sheriffs to be padlocked.<sup>27</sup> The administrator of the condominium did not even know the whereabouts of the alleged owner.<sup>28</sup> To reiterate, absent any peculiar circumstance, Spouses Suntay could not be required to disregard the clean title of Bayfront and invest their time, effort and resources to scrutinize every square foot of the subject property. This Court is convinced that Spouses Suntay properly relied on the genuineness and legitimacy of Bayfront's Torrens certificate of title when they had their liens annotated thereon.

*Levy on execution is superior to the subsequent registration of the deed of absolute sale.*

The CA stated in its decision that when the subject property was levied and subjected to an execution sale, Bayfront had already sold it to Keyser. As such, Spouses Suntay no longer acquired the right over the subject property from Bayfront because the latter, as judgment debtor, had nothing more to pass.<sup>29</sup> Earlier, the RTC held that at the time Spouses Suntay were to register the auction sale, the subject property was already registered in Keyser's name and, thus, they were fully aware of the earlier sale. It was too late for Spouses Suntay to deny their knowledge of Keyser's title. The RTC also found the auction sale questionable due to the lack of posting and publication of notice.<sup>30</sup>

The Court disagrees with the lower courts. They had completely overlooked the significance of a levy on execution. The doctrine is well-settled that a levy on execution duly registered takes preference over a prior unregistered sale. Even if the prior sale was subsequently registered before the sale in execution but after the levy was duly made, the validity of the execution sale should be maintained because it retroacts to the date of the levy. Otherwise, the preference created by the levy would be meaningless and illusory.<sup>31</sup>

In this case, the contract to sell between Keyser and Bayfront was executed on October 20, 1989, but the deed of absolute sale was only made

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<sup>26</sup> *Rollo*, pp. 269-270.

<sup>27</sup> *Id.* at 249.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 69.

<sup>30</sup> *Id.* at 271.

<sup>31</sup> *Du v. Stronghold Insurance*, G.R. No. 156580, June 14, 2004, 432 SCRA 43, 48.

on November 9, 1995 and registered on March 12, 1996. The Notice of Levy in favor of Spouses Suntay was registered on January 18, 1995, while the Certificate of Sale on April 7, 1995, both dates clearly ahead of Keyser's registration of its Deed of Absolute Sale. Evidently, applying the doctrine of *primus tempore, potior jure* (first in time, stronger in right), Spouses Suntay have a better right than Keyser.

In the case of *Uy v. Spouses Medina*<sup>32</sup> which dealt with essentially the same issues, the Court wrote:

Considering that the sale was not registered earlier, the right of petitioner over the land became subordinate and subject to the preference created over the earlier annotated levy in favor of Swift. The levy of execution registered and annotated on September 1, 1998 takes precedence over the sale of the land to petitioner on February 16, 1997, despite the subsequent registration on September 14, 1998 of the prior sale. Such preference in favor of the levy on execution retroacts to the date of levy for to hold otherwise will render the preference nugatory and meaningless.

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**The settled rule is that levy on attachment, duly registered, takes preference over a prior unregistered sale. This result is a necessary consequence of the fact that the property involved was duly covered by the Torrens system which works under the fundamental principle that registration is the operative act which gives validity to the transfer or creates a lien upon the land.**

**The preference created by the levy on attachment is not diminished even by the subsequent registration of the prior sale. This is so because an attachment is a proceeding *in rem*. It is against the particular property, enforceable against the whole world. The attaching creditor acquires a specific lien on the attached property which nothing can subsequently destroy except the very dissolution of the attachment or levy itself. Such a proceeding, in effect, means that the property attached is an indebted thing and a virtual condemnation of it to pay the owner's debt. The lien continues until the debt is paid, or sale is had under execution issued on the judgment, or until the judgment is satisfied, or the attachment discharged or vacated in some manner provided by law.**

[Emphases supplied]

The Court does not agree with the RTC either that the auction sale had glaring irregularities. Assisting Sheriff Rufo Bernardo Jr., testifying as Keyser's witness, categorically stated that they had posted notices of the auction sale and had conducted the bidding.<sup>33</sup> The documentary evidence of

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<sup>32</sup> G.R. No. 172541, August 8, 2010, 627 SCRA 245, 252-253, citing *Valdevieso v. Damalerio*, 492 Phil. 51, 57-58 (2005).

<sup>33</sup> *Rollo*, p. 269.

Spouses Suntay also shows that publication of the auction sale was indeed complied with.<sup>34</sup>

*No award of actual, moral and exemplary damages*

Finally, the Court cannot grant the claim for damages by Spouses Suntay. The filing alone of a civil action should not be a ground for an award of moral damages in the same way that a clearly unfounded civil action is not among the grounds for moral damages.<sup>35</sup> Spouses Suntay failed to show a compelling reason to warrant the award of moral damages aside from their bare allegations.

As to the award of exemplary damages, Article 2229 of the New Civil Code provides that exemplary damages may be imposed by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.<sup>36</sup> The claimant, however, must first establish his right to moral, temperate, liquidated or compensatory damages. In this case, because Spouses Suntay failed to prove their entitlement to moral or compensatory damages, there could be no award of exemplary damages.

Spouses Suntay are not entitled to attorney's fees either. The settled rule is that no premium should be placed on the right to litigate and that not every winning party is entitled to an automatic grant of attorney's fees.<sup>37</sup>

**WHEREFORE**, the petition is **GRANTED**. The September 7, 2012 Decision and the August 8, 2013 Resolution of the Court of Appeals (CA) in CA-G.R. CV No. 94677 are **REVERSED** and **SET ASIDE**. Accordingly, the Court hereby declares the auction sale as valid and binding on Keyser Mercantile, Inc. and all other subsequent registrants.

**SO ORDERED.**

  
**JOSE CATRAL MENDOZA**  
Associate Justice

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<sup>34</sup> Id. at 214-215.

<sup>35</sup> *Rudolf Lietz, Inc. v. Court of Appeals*, 514 Phil. 634, 644 (2005).


<sup>36</sup> *Metropolitan Bank and Trust Company v. Rosales*, G.R. No. 183204, January 13, 2014.

<sup>37</sup> *First Lepanto-Taisho Insurance Corporation v. Chevron Philippines, Inc.*, G.R. No. 177839, January 18, 2012, 663 SCRA 309, 325.

**WE CONCUR:**




**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson



**MARIANO C. DEL CASTILLO**  
Associate Justice



**MARTIN S. VILLARAMA, JR.**  
Associate Justice



**MARVIC M.V.F. LEONEN**  
Associate Justice

**ATTESTATION**

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson, Second Division

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**  
Chief Justice