



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

STAR ASSET MANAGEMENT G.R. No. 233737
ROPOAS, INC., SUBSTITUTED BY
DALLAS ENERGY AND Present:
PETROLEUM CORPORATION,
 Petitioner,

PERALTA, CJ
Chairperson,
CAGUIOA,
CARANDANG,
ZALAMEDA,
GAERLAN, JJ.

- versus -

REGISTER OF DEEDS OF DAVAO
CITY AND FOOTHILLS REALTY
DEVELOPMENT CORPORATION
REPRESENTED BY MARYLINE C.
LIM,

Promulgated:

Respondent.

FEB 03 2021

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DECISION

CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, assailing the Decision² dated May 15, 2017 and Resolution³ dated July 27, 2017 of the Court of Appeals (CA) in CA-G.R. CV No. 03599-MIN, filed by Star Asset Management Ropoas, Inc. (Star Asset), substituted by Dallas Energy and Petroleum Corporation (Dallas Energy) against the Register of Deeds of Davao City and Foothills Realty and Development Corporation (Foothills Realty) represented by Maryline C. Lim.

¹ *Rollo*, pp. 45-66.

² Penned by Associate Justice Ronaldo B. Martin, with the concurrence of Associate Justices Oscar V. Badelles and Louis P. Acosta; *id.* at 15-24.

³ *Id.* at 34-35.

Facts of the Case

The case involves three parcels of land located in Barangay Baliok, Talomo, Davao City previously registered in the name of Star Asset under Transfer Certificate of Title (TCT) Nos. 146-2012007474, 146-2012007475 and 146-2012007576 with a combined area of 300,000 square meters.⁴

On December 12, 2012, Star Asset filed a Petition for Cancellation of Adverse Claim in said TCTs before the trial court. In its petition, Star Asset asserted that the subject properties were previously owned by Davao Goldland Development Corporation (Goldland) which were however mortgaged to Philippine Bank of Communication (PBCOM). The properties were foreclosed by PBCOM and later, the ownership of the same was transferred to Unimark Investments Corporation (Unimark). Star Asset claimed that it eventually acquired the properties from Unimark.⁵

In the meantime, after the foreclosure of the properties, Goldland impugned the validity of the foreclosure proceedings which prompted Star Asset to enter into a Compromise Agreement⁶ with the former with an undertaking to sell back the properties to Goldland under the following schedule:

- (a) Down payment of ₱4,700,000.00 covered by post-dated checks due on June 5, 2008, July 14, 2008, August 14, 2008 and September 14, 2008 each in the amount of ₱1,000,000.00 and another with a due date of October 14, 2008 in the amount of ₱700,000.00;
- (b) 36 monthly amortizations in the amount of ₱558,997.62 each month beginning April 30, 2009 until March 30, 2012; and
- (c) A balloon payment on the 37th month or April 30, 2012 in the amount of ₱33,672,153.51.⁷

Star Asset claimed that Goldland failed to comply with its obligation under the compromise agreement, hence, on March 21, 2012, Star Asset was constrained to cancel said compromise agreement. On March 22, 2012, one day after the cancellation of the Compromise Agreement, Foothills Realty, as successor-in-interest of Goldland, caused the annotation of its adverse claim on the subject TCTs.⁸

In its application to cancel the adverse claim, Star Asset argued that the cancellation is in order because the compromise agreement, upon which Foothills Realty's (successor in interest of Goldland) right was anchored, was already terminated as of March 21, 2012. Moreover, Star Asset asserted that the adverse claim was only valid for 30 days, such that after the lapse of said period, the adverse claim must be cancelled without any positive action on the part of Star Asset. Thus, Star Asset prayed for the cancellation and removal

⁴ Id. at 15-16, 115.

⁵ Id. at 16.

⁶ Id. at 107-112.

⁷ Id. at 16-17, 108-109.

⁸ Id.

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of Foothill's Realty's adverse claim annotated on the TCTs of the subject properties.⁹

On February 4, 2013, Star Asset moved that it be substituted by Dallas Energy because its interests over the properties were already sold to the latter.¹⁰ Because of the transfer of ownership to Dallas Energy, TCT Nos. 146-2013003721, 146-2013003720 and 146-2013003722 were issued in its name whereby the same adverse claim was carried over and annotated therein.¹¹ Meanwhile, in its Comment to the petition for cancellation of the adverse claim, Foothills Realty alleged that it has assumed the obligation of Goldland pursuant to the compromise agreement but suffered a major set-back in its cash flow in the year 2011-2012. However, in December 2011, it paid to Star Asset's Vice President the amount of ₱2,850,000.00 with an understanding that such payment shall not cancel the compromise agreement. In fact, Foothills Realty asserted that it has already paid the total amount of ₱21,279,773.11, equivalent to 38 monthly payments in favor of Star Asset, the predecessor-in-interest of Dallas Energy.¹²

Foothills Realty also argued that the cancellation of the compromise agreement should have complied with Republic Act No. (R.A.) 6552, otherwise known as the "Realty Installment Buyer Act" or the "Maceda Law."¹³ According to Foothills Realty, there should have been a notarial act of rescission as required by R.A. 6552 and failure to serve the same will not be tantamount to cancellation of the compromise agreement. Hence, the annotation of the adverse claim anchored on the compromise agreement is still proper.¹⁴

Ruling of the Regional Trial Court

On January 10, 2014, the Regional Trial Court (RTC) issued the questioned Order¹⁵ denying the petition for cancellation of the adverse claim.¹⁶ It was found by the RTC that on several occasions, Goldland, as substituted by Foothills Realty, was delinquent on its monthly amortizations. Records showed that as of December 30, 2011, the total amount due and demandable from Goldland, including interests and penalties since May 30, 2011, reached up to ₱3,599,163.03. On January 6, 2012, Goldland paid but only in the amount of ₱2,850,000.00.¹⁷ Because Goldland failed to pay its monthly dues, Star Asset served upon the former a demand letter dated February 7, 2012, giving it a grace period of 30 days from receipt thereof within which to settle its full outstanding obligation. However, Goldland failed to heed Star Asset's demand. Consequently, Star Asset invoked the acceleration clause under the compromise agreement in its final demand letter dated March 12, 2012, giving Goldland five days from receipt thereof to settle

⁹ Id.
¹⁰ Id.
¹¹ Id. at 46.
¹² Id. at 18.
¹³ Id. at 18-19.
¹⁴ Id.
¹⁵ Id. at 74-83.
¹⁶ Id. at 83.
¹⁷ Id. at 75.

all the unpaid balance of its obligations in the total amount of ₱36,387,315.45. Unfortunately, Goldland still failed to pay.¹⁸

The RTC held that the compromise agreement between the parties partakes of the nature of contract to sell which is covered by the Maceda Law.¹⁹ According to the RTC, the compromise agreement was improperly cancelled because Star Asset, substituted later by Dallas Energy, failed to: (1) send a notarized notice of cancellation to Goldland (Foothills Realty's transferor); and (2) refund the cash surrender value to the latter. Hence, the petition for cancellation of the adverse claim, which was anchored on the compromise agreement, was denied by the RTC.²⁰

Aggrieved, Star Asset, substituted later by Dallas Energy, filed an appeal to the CA.²¹

Ruling of the Court of Appeals

In its May 15, 2017 Decision,²² the CA affirmed the denial of the petition for cancellation of the adverse claim banking on the same conclusion that the Maceda Law is applicable to cancel the contract to sell embodied in the compromise agreement.²³ The CA concluded that without a valid cancellation of the contract to sell, Foothills Realty has a right to assert an adverse claim on the subject properties and annotate the same on the properties' respective TCTs. Necessarily, Star Asset and/or Dallas Energy has no right to have the adverse claim cancelled.²⁴

On reconsideration, the CA still denied the prayer of Star Asset and/or Dallas Energy through a Resolution²⁵ dated July 27, 2017.

On September 22, 2017, Star Asset and/or Dallas Energy (petitioner) filed this Petition for Review on *Certiorari*.²⁶ According to petitioner, in the first place, Foothills Realty's adverse claim based on the compromise agreement should not have been allowed. An affidavit of adverse claim may only be resorted to if no other provision under Presidential Decree No. (P.D.) 1529, otherwise known as the "Property Registration Decree" allows the direct registration and annotation in the TCT of the instrument embodying the affiant's interest. Here, the remedy of Foothills Realty or its predecessor-in-interest to protect its interests over the subject properties arising from the compromise agreement is to directly register the compromise agreement before the register of deeds.²⁷ Additionally, petitioner asserts that the CA erred in applying the provisions of the Maceda Law in this case.²⁸

¹⁸ Id. at 75-76.

¹⁹ Id. at 81.

²⁰ Id. at 83.

²¹ Id. at 50.

²² Supra note 2.

²³ *Rollo*, pp. 21.

²⁴ Id. at 23.

²⁵ Supra note 3.

²⁶ Supra note 1.

²⁷ *Rollo*, pp. 56-57.

²⁸ Id. at 58.

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Pursuant to this Court's directive, Foothills Realty filed its Comment²⁹ on Star Asset's Petition for Review on *Certiorari* on March 2, 2018. According to Foothills Realty, the registration of a voluntary instrument may be taken only if the owner's duplicate certificate is surrendered and presented. In this case, since Foothills Realty is not in possession of petitioners' TCT, then they cannot directly register the compromise agreement. Hence, Foothills Realty properly executed an affidavit of adverse claim to protect its rights.³⁰ Foothills Realty reiterates that the trial court and the CA correctly applied the provisions of the Maceda Law in this case. Thus, Foothills Realty retains the right to assert an adverse claim on the subject properties for failure of petitioners to properly cancel the compromise agreement.³¹

Star Asset thereafter filed its Reply³² to Foothills Realty's Comment.

Issue

Whether the trial court's refusal to cancel the adverse claim annotated on the subject TCTs is correct.

Ruling of the Court

The petition is impressed with merit.

The Maceda Law is not applicable in this case.

The compromise agreement entered into between the parties involved a "buy-back of foreclosed property" arrangement, to enable the original mortgagor who lost the property in the foreclosure sale to acquire it back even after the ownership had been consolidated to the buyer (or his successor-in-interest) who bought the property in the foreclosure sale. In this case, Star Asset acquired the subject properties from the buyer thereof in the foreclosure sale and it was succeeded in its rights as such by Dallas Energy.

Meanwhile, under the compromise agreement, Foothills Realty, as the successor-in-interest of Goldland (the mortgagor and original owner of the foreclosed properties), undertook to buy-back the property from Star Asset and/or Dallas Energy. The parties stipulated that such "buy-back of foreclosed property" arrangement will be governed by a schedule of payments wherein Foothills Realty would pay Star Asset and/or Dallas Energy through installments; and in the event that the former would default in any of its installment payment, the following consequences would ensue:

x x x x

2. [Foothills Realty] shall, without need of notice or demand, make payments according to the schedule described

²⁹ Id. at 143-154.

³⁰ Id. at 145.

³¹ Id. at 147.

³² Id. at 201-206.

above. Upon failure to pay any installment, the [Foothills Realty], however, shall be given a grace period of thirty (30) days to pay the [Star Assets and/or Dallas Energy] the amount due and demandable with legal interest.

3. Failure on the part of the [Foothills Realty] to comply with the requirements detailed above shall constitute an event of default after formal notice or demand has been made and received by the [Foothills Realty] from the [Star Assets and/or Dallas Energy]. In such event, the [Star Assets and/or Dallas Energy] may exercise its right to foreclose the mortgaged properties. Accordingly, such failure to comply will have the same effect as detailed in Item #4 below.

4. Default in the payment by the [Foothills Realty] of three (3) consecutive payments of monthly amortizations when they fall due, or any advance when demanded, for any reason whatsoever, shall render immediately due and demandable all the remaining unpaid balance of the above agreed settlement amount. Delay or failure to exercise immediately the foregoing option shall not constitute a waiver by the [Star Assets and/or Dallas Energy] of such right or bar [Star Assets and/or Dallas Energy] from availing of said legal reliefs.

x x x x³³ (Emphasis supplied)

In this case, while Section 3 of the compromise agreement gives Star Asset and/or Dallas Energy the right to foreclose the mortgaged properties in case of default and after formal notice or demand has been served and received by Foothills Realty, nevertheless, the correct interpretation should be that, in case of default, Star Asset and/or Dallas Energy should be given the right to cancel the compromise agreement. This is in keeping with the nature of the compromise agreement as a buy-back of foreclosed property arrangement. Besides, the subject property has already been foreclosed and its ownership was transferred to Star Asset and/or Dallas Energy. There is no reason for the latter to foreclose the subject property anew.

Under Section 2 of R.A. 6552, it is the “[p]olicy of the State to protect buyers of real estate on installment payments against onerous and oppressive conditions.”³⁴ The scope of the law only encompasses “[s]ale or financing of real estate on installment payments, including residential condominium apartments **but excluding industrial lots, commercial buildings** and sales to tenants under R.A. 3844, as amended by R.A. 6389.”³⁵

Under the said law, when the buyer has paid at least two installments, he is entitled to the following rights in case he defaults in the payment of succeeding installments, to wit:

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him

³³ Rollo, p. 110.

³⁴ Republic Act No. 6552, Section 2.

³⁵ Republic Act No. 6552, Section 3.

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which is hereby fixed at the rate of one month grace period for every one year of installment payments made: Provided, That this right shall be exercised by the buyer only once in every five years of the life of the contract and its extensions, if any.

(b) If the contract is canceled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty per cent of the total payments made, and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made: Provided, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.³⁶

In *Active Realty & Development Corporation v. Daroya*,³⁷ the Court explained the essence of the Maceda Law as follows:

The law seeks to address the acute housing shortage problem in our country that has prompted thousands of middle and lower class buyers of houses, lots and condominium units to enter into all sorts of contracts with private housing developers involving installment schemes. Lot buyers, mostly low income earners eager to acquire a lot upon which to build their homes, readily affix their signatures on these contracts, without an opportunity to question the onerous provisions therein as the contract is offered to them on a "take it or leave it" basis. Most of these contracts of adhesion, drawn exclusively by the developers, entrap innocent buyers by requiring cash deposits for reservation agreements which oftentimes include, in fine print, onerous default clauses where all the installment payments made will be forfeited upon failure to pay any installment due even if the buyers had made payments for several years. Real estate developers thus enjoy an unnecessary advantage over lot buyers who they often exploit with iniquitous results. They get to forfeit all the installment payments of defaulting buyers and resell the same lot to another buyer with the same exigent conditions. To help especially the low income lot buyers, the legislature enacted R.A. No. 6552 delineating the rights and remedies of lot buyers and protect them from one-sided and pernicious contract stipulations.³⁸ (Citations omitted)

In this case, the buyer under the compromise agreement, Foothills Realty, is a company based in Davao City that is engaged in the business of real estate development, undertaking, establishing, or managing subdivision housing problems, industrial or commercial estates, golf course projects, resort projects and other real estate developments.

³⁶ Id.

³⁷ 431 Phil. 753, 760-761 (2002).

³⁸ Id.

The properties subject of this case have an aggregate land area of 300,000 square meters. By its sheer size, the subject properties can hardly be classified as residential properties as to be covered by the Maceda law. As aforesaid, the Maceda law was enacted to curb out the bad practices of real estate developers like Foothills Realty. For that reason, We find that Foothills Realty is taking an incongruous position by invoking the Maceda law in as much as the said law was enacted precisely to guard against its practice.

Besides, the record shows that as early as February 7, 2012, Star Asset already sent a letter to Goldland, Foothills Realty's predecessor-in-interest, demanding payment of the installment due on January 30, 2012 as well as past installment payments that were not collected – amounting to a total of ₱1,317,642.37. Star Asset also gave Goldland a period of 30 days within which to pay the said debt. After the lapse of the 30-day period, Goldland requested for an extension of 15 days to pay but this was not granted by Star Asset, hence, on March 12, 2012, Star Asset sent a final demand for the payment of the unpaid installment equivalent to more than three months' amortization as well as the whole unpaid balance amounting to ₱36,387,315.45, in accordance with the acceleration clause in the compromise agreement, this time to be paid within five days from receipt of the letter. Because Goldland failed to pay, Star Asset cancelled the compromise agreement on March 21, 2012.

Foregoing considered, it was sufficiently established that Star Asset complied with the conditions laid down in the compromise agreement in order that the compromise agreement may be validly cancelled.

The cancellation of the compromise agreement no longer supports the continued annotation of the adverse claim on the TCTs of the subject properties.

Section 70 of P.D. 1529 provides the procedure for the annotation and cancellation of an adverse claim as follows:

Sec. 70. Adverse Claim. – Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, if no other provision is made in this Decree for registering the same, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, a reference to the number of certificate of title of the registered owner, the name of the registered owner, and a description of the land in which the right or interest is claimed.

The statement shall be signed and sworn to, and shall state the adverse claimant's residence, and a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim on the certificate of title. The adverse claim shall be effective for a period of thirty days from the date of registration. **After the lapse of**

said period, the annotation of adverse claim may be canceled upon filing of a verified petition therefor by the party in interest: Provided, however, that after cancellation, no second adverse claim based on the same ground shall be registered by the same claimant.

Before the lapse of thirty days aforesaid, any party in interest may file a petition in the Court of First Instance where the land is situated for the cancellation of the adverse claim, and the court shall grant a speedy hearing upon the question of the validity of such adverse claim, and shall render judgment as may be just and equitable. If the adverse claim is adjudged to be invalid, the registration thereof shall be ordered canceled. If, in any case, the court, after notice and hearing shall find that the adverse claim thus registered was frivolous, it may fine the claimant in an amount not less than one thousand pesos nor more than five thousand pesos, in its discretion. Before the lapse of thirty days, the claimant may withdraw his adverse claim by filing with the Register of Deeds a sworn petition to that effect. (Emphasis supplied)

The annotation of an adverse claim is a measure designed to protect the interest of a person over a piece of real property, where the registration of such interest or right is not otherwise provided for by the Land Registration Act or Act No. 496 (now P.D. 1529 or the Property Registration Decree), and serves as a warning to third parties dealing with said property that someone is claiming an interest on the same or a better right than that of the registered owner thereof.³⁹

To cancel the annotation of the adverse claim on the subject TCTs, Section 70 of P.D. 1529 requires the filing of a court action, through a verified petition. The purpose of such court action is to have the annotation of the adverse claim physically removed or erased in the TCT because otherwise, the inscription will remain annotated in the certificate of title.

A court order is necessary before any annotation in the TCT may be cancelled pursuant to Section 108⁴⁰ of P.D. 1529, which provides that no

³⁹ *Valderama v. Arguelles*, G.R. No. 223660, April 2, 2018.

⁴⁰ Section 108. Amendment and alteration of certificates. No erasure, alteration, or amendment shall be made upon the registration book after the entry of a certificate of title or of a memorandum thereon and the attestation of the same by the Register of Deeds, except by order of the proper Court of First Instance. A registered owner of other person having an interest in registered property, or, in proper cases, the Register of Deeds with the approval of the Commissioner of Land Registration, may apply by petition to the court upon the ground that the registered interests of any description, whether vested, contingent, expectant or inchoate appearing on the certificate, have terminated and ceased; or that new interest not appearing upon the certificate have arisen or been created; or that an omission or error was made in entering a certificate or any memorandum thereon, or, on any duplicate certificate; or that the same or any person on the certificate has been changed; or that the registered owner has married, or, if registered as married, that the marriage has been terminated and no right or interests of heirs or creditors will thereby be affected; or that a corporation which owned registered land and has been dissolved has not convened the same within three years after its dissolution; or upon any other reasonable ground; and the court may hear and determine the petition after notice to all parties in interest, and may order the entry or cancellation of a new certificate, the entry or cancellation of a memorandum upon a certificate, or grant any other relief upon such terms and conditions, requiring security or bond if necessary, as it may consider proper; Provided, however, That this section shall not be construed to give the court authority to reopen the judgment or decree of registration, and that nothing shall be done or ordered by the court which shall impair the title or other interest of a purchaser holding a certificate for value and in good faith, or his heirs

erasure, alteration, or amendment shall be made upon the registration book after the entry of a certificate of title or of a memorandum thereon and the attestation of the same by the Register of Deeds, except by **order of the proper trial court**. A registered owner therefore should apply by petition to the court in order for the adverse claim to be removed as a recorded annotation in the TCT.

In *Association of Baptists for World Evangelism, Inc. v. First Baptist Church*,⁴¹ it was held that a Contract of Purchase and Sale entered into by the parties which had already been rescinded can no longer support the continued annotation of the notice of adverse claim on the seller's TCT. Similarly, in the present case, the compromise agreement embodying the contract to sell the 30 hectares of land, which has been cancelled by virtue of the inability of the buyer to pay the purchase price, can no longer be a ground for the continuous annotation of an adverse claim in the subject TCTs.

Hence, the petition for cancellation of the adverse claim should be granted.

WHEREFORE, the petition is **GRANTED**. The assailed Decision dated May 15, 2017 and the Resolution dated July 27, 2017 of the Court of Appeals in CA-G.R. CV No. 03599-MIN are hereby **REVERSED** and **SET ASIDE**. The Adverse Claim annotated in TCT Nos. 146-2012007474, 146-2012007475, and 146-2012007576 are hereby **CANCELLED**.

SO ORDERED.


ROSMAR D. CARANDANG
Associate Justice

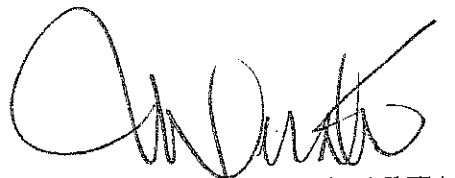
and assigns, without his or their written consent. Where the owner's duplicate certificate is not presented, a similar petition may be filed as provided in the preceding section.

All petitions or motions filed under this Section as well as under any other provision of this Decree after original registration shall be filed and entitled in the original case in which the decree or registration was entered.

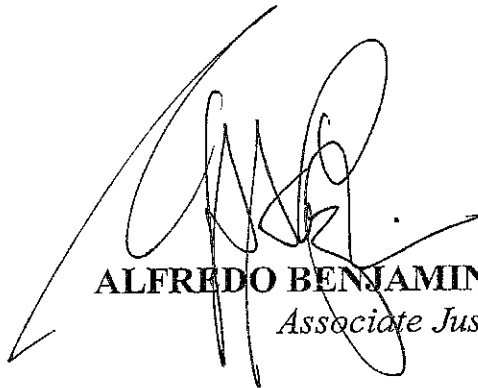
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236 Phil. 424 (1987).

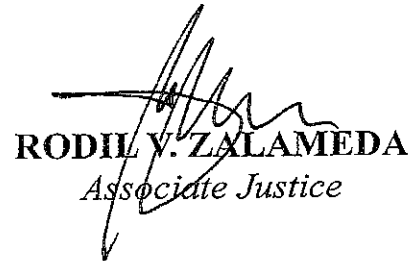
WE CONCUR:



DIOSDADO M. PERALTA
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



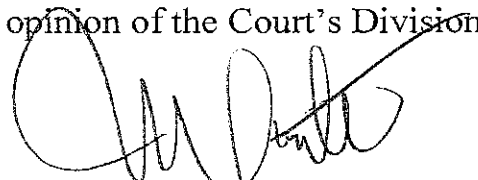
RODIL V. ZALAMEDA
Associate Justice



SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



DIOSDADO M. PERALTA
Chief Justice