



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

BELLE CORPORATION,
Petitioner,

G.R. No. 174669

Present:

- versus -

ERLINDA DE LEON-BANKS,
RHODORA DE LEON-TIATCO,
BETTY DE LEON-TORRES,
GREGORIO DE LEON,
ALBERTO DE LEON,
EUFRONIO DE LEON,* and
MARIA ELIZA DE LEON-DE
GRANO,

VELASCO, JR., J., *Chairperson*,
PERALTA,
ABAD,
PEREZ,** and
MENDOZA, JJ.

Promulgated:

Respondents.

19 September 2012

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DECISION

PERALTA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision¹ of the Court of Appeals (CA), dated May 18, 2006 in CA-G.R. CV No. 74669. The assailed Decision nullified the Order of the Regional Trial Court (RTC) of Tanauan, Batangas, Branch 6 in Civil Case No. T-1046, which dismissed herein petitioner's Amended Complaint. The petition also seeks to reverse

* Based on records, it should be Eufronio De Leon, Jr.

** Designated Acting Member, per Special Order No. 1299 dated August 28, 2012.

¹ Penned by Associate Justice Vicente Q. Roxas, with Associate Justices Godardo A. Jacinto and Juan Q. Enriquez, Jr., concurring; *rollo*, pp. 53-62.

and set aside the CA's Resolution denying petitioner's Motion for Reconsideration.

The factual and procedural antecedents of the case, as summarized by the CA, are as follows:

Plaintiffs-appellants [herein respondents] Erlinda De Leon-Banks, Rhodora De Leon-Tiatco, Betty De Leon-Torres, Gregorio De Leon, Alberto De Leon, Eufonio De Leon, Jr. and defendant-appellee Nelia De Leon-Alleje were seven of the eight children of the late spouses Eufonio and Josefa De Leon (LATE SPOUSES), while plaintiff Maria Eliza De Leon-De Grano [also one of herein respondents] was the daughter and sole heir of the late Angelina De Leon-De Grano, the eighth child.

Defendant-appellee Alfredo Alleje was the husband of Nelia De Leon-Alleje (both hereinafter referred to as SPOUSES ALLEJE), both of whom were the principal stockholders and officers of defendant-appellee Nelfred Properties Corporation (NELFRED). Meanwhile, defendant-appellee [herein petitioner] [Belle Corporation] BELLE was the purchaser of the disputed property.

The disputed property was a 13.29 hectare parcel of unregistered land originally belonging to the late spouses Eufonio and Josefa De Leon. It [is] located at Paliparan, Talisay, Batangas and was covered by various tax declarations.

On February 9, 1979, a Deed of Absolute Sale (1979 DEED) was executed between the LATE SPOUSES and NELFRED, represented therein by defendant-appellee Nelia De Leon-Alleje, wherein ownership of the property was conveyed to Nelia De Leon-Alleje for ₱60,000.00. At that time, the disputed property was covered by Tax Declarations No. 0359 and No. 0361.

On December 19, 1980, the 1979 DEED was registered with the Register of Deeds. As time passed, several tax declarations over the disputed property were obtained by NELFRED in its own name.

On September 23, 1997, x x x [herein petitioner] BELLE, on one hand, and NELFRED and SPOUSES ALLEJE on the other, executed a Contract to Sell covering the disputed property for the purchase price of ₱53,124,000.00 to be paid in four installments. When the final installment had been paid, a Deed of Absolute Sale (1998 DEED) was executed on June 24, 1998 between BELLE and NELFRED wherein the latter transferred ownership of the disputed property to the former.

[Meanwhile], on January 19, 1998, x x x [herein respondents] filed a Complaint for "Annulment of Deed of Sale, Reconveyance of Property with Prayer for Issuance of a Writ of Preliminary Injunction and Damages" [against the SPOUSES ALLEJE, NELFRED and BELLE] wherein they sought the annulment of the Contract to Sell. They alleged that the 1979

DEED was simulated; that x x x NElfRED paid no consideration for the disputed property; that the disputed property was to be held in trust by x x x Nelia De Leon-Alleje, through, NElfRED, for the equal benefit of all of the LATE SPOUSES' children – x x x [herein respondents] and x x x Nelia De Leon-Alleje; that in the event of any sale, notice and details shall be given to all the children who must consent to the sale and that all amounts paid for the property shall be shared equally by the children; that on September 3, 1997, x x x SPOUSES ALLEJE gave x x x [herein respondents] ₱10,400,000.00 in cash, representing a portion of the proceeds of the sale of the disputed property; that it was only then that they were given notice of the sale; that their inquiries were ignored by the SPOUSES ALLEJE; that a final payment was to be made by x x x BELLE to x x x SPOUSES ALLEJE sometime in January 1998; and that the x x x SPOUSES ALLEJE had refused to compromise.

On February 2, 1998, x x x SPOUSES ALLEJE and NElfRED filed a Motion to Dismiss wherein they alleged that [herein respondents'] cause of action, the existence of an implied trust between them and NElfRED on the one hand and the LATE SPOUSES on the other, was barred by prescription and laches because more than 10 years had passed since the execution of the 1979 DEED.

On February 9, 1998, x x x BELLE filed a Motion to Dismiss wherein it alleged that the Complaint stated no cause of action against [BELLE], which was an innocent purchaser for value; that assuming, for the sake of argument, that [herein respondents] had a cause of action against BELLE, the claim on which the Complaint is founded was unenforceable; and assuming that the cause of action was based on an implied trust, the same had already been barred by laches.

On September 23, 1998, the RTC promulgated an Order that dismissed the Complaint against x x x BELLE for failure to state a cause of action on the ground that there was no allegation in the Complaint that [BELLE] was a purchaser in bad faith. [Herein respondents] then filed a Motion for Reconsideration.

On November 11, 1998, pending the resolution of their Motion for Reconsideration of the September 23, 1998 Order, [herein respondents] filed a Manifestation/Motion to admit their Amended Complaint wherein they added the allegations that x x x NElfRED did not effect the registration of the disputed property, which remained unregistered land covered only by tax declarations; that at the time of the execution of the 1997 Contract to Sell, the disputed property was still unregistered land and remained unregistered; that a Deed of Absolute Sale (1998 DEED) had already been executed in favor of x x x BELLE; that x x x BELLE purchased the land with the knowledge that it was being claimed by other persons; and that x x x BELLE was in bad faith because when the 1998 DEED was executed between it and NElfRED on June 24, 1998, the Complaint in the case at bench had already been filed.

On April 29, 1999, the RTC reconsidered its Order of September 23, 1998 and lifted the dismissal against [BELLE]. At the same time, the RTC admitted the Amended Complaint of the plaintiffs-appellants.

On June 9, 1999, x x x BELLE filed a “Motion for Reconsideration or to Dismiss the Amended Complaint” wherein it alleged that the claim in the Amended Complaint was unenforceable; that the Amended Complaint still stated no cause of action against [BELLE]; and that the [Amended] Complaint was barred by prescription.

x x x

x x x

x x x

On December 16, 1999, the RTC promulgated its assailed Order in Civil Case No. T-1046 [dismissing the Amended Complaint].²

Aggrieved by the Order of the RTC, herein respondents filed an appeal with the CA.

On May 18, 2006, the CA rendered its assailed Decision, the dispositive portion of which reads as follows:

WHEREFORE, premises considered, appeal is hereby **GRANTED** and the assailed December 16, 1999 Order of the RTC of Tanauan, Batangas, Branch 6, in Civil Case No. T-1046, is hereby **REVERSED and SET ASIDE** and defendant-appellee Belle Corporation is hereby **DIRECTED** within fifteen (15) days from finality of this Decision, to file its Answer.

SO ORDERED.³

Herein petitioner filed a Motion for Reconsideration, but the CA denied it in its Resolution dated September 4, 2006.

Hence, the instant petition based on the following assignment of errors:

I

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN DECLARING THAT PETITIONER HYPOTHETICALLY ADMITTED RESPONDENTS' ALLEGATIONS THAT IT HAD FULL KNOWLEDGE OF THEIR CLAIM ON THE PROPERTY AND, THEREFORE, PURCHASED THE SAME IN BAD FAITH.

² *Rollo*, pp. 55-58. (Citations omitted.)

³ *Id.* at 61-62. (Emphasis supplied.)

II

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT THE TRUST CREATED BY THE LATE SPOUSES IN FAVOR OF NElfRED WAS AN IMPLIED TRUST INSTEAD OF AN EXPRESS TRUST.

III

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT THE TEN-YEAR PRESCRIPTIVE PERIOD FOR AN IMPLIED TRUST SHOULD BE RECKONED FROM THE EXECUTION OF THE DEED OF SALE BY NElfRED IN FAVOR OF PETITIONER AND NOT FROM THE REGISTRATION OF THE SALE BETWEEN THE LATE SPOUSES AND NElfRED WITH THE REGISTER OF DEEDS.

IV

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT BECAUSE THE SUBJECT OF THE SALE IS UNREGISTERED LAND, PETITIONER'S GOOD FAITH IS IMMATERIAL AND BOUGHT THE PROPERTY AT ITS OWN PERIL EVEN AS RESPONDENTS WERE RESPONSIBLE FOR CREATING SUCH PERIL.

V

THE HONORABLE COURT [OF APPEALS] SERIOUSLY ERRED IN HOLDING THAT A TRUST WAS CREATED WHEN ITS VERY PURPOSE WAS TO AVOID COMPLIANCE WITH TAX LAWS AND THE COMPREHENSIVE AGRARIAN REFORM LAW.⁴

The basic issue in the instant case is whether the CA was correct in reversing the Order of the RTC which dismissed respondents' Amended Complaint on the ground of failure to state a cause of action.

The Court rules in the affirmative.

Section 2, Rule 2 of the Rules of Court defines cause of action as the acts or omission by which a party violates a right of another.

A cause of action is a formal statement of the operative facts that give rise to a remedial right.⁵ The question of whether the complaint states a cause of action is determined by its averments regarding the acts committed

⁴ *Id.* at 26-27.

⁵ *Philippine Daily Inquirer v. Alameda*, G.R. No. 160604, March 28, 2008, 550 SCRA 199, 207; *Zepeda v. China Banking Corporation*, G.R. No. 172175, October 9, 2006, 504 SCRA 126, 131.

by the defendant.⁶ Thus, it must contain a concise statement of the ultimate or essential facts constituting the plaintiff's cause of action.⁷ Failure to make a sufficient allegation of a cause of action in the complaint warrants its dismissal.⁸

The essential elements of a cause of action are (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant in violation of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff for which the latter may maintain an action for recovery of damages or other appropriate relief.⁹

In determining whether a complaint states a cause of action, the RTC can consider all the pleadings filed, including annexes, motions, and the evidence on record.¹⁰ The focus is on the sufficiency, not the veracity, of the material allegations.¹¹ Moreover, the complaint does not have to establish facts proving the existence of a cause of action at the outset; this will have to be done at the trial on the merits of the case.¹²

Thus, the first paragraph of Section 1, Rule 8 of the Rules of Court provides that "[e]very pleading shall contain in a methodical and logical form, a plain, concise and direct statement of the ultimate facts on which the party pleading relies for his claim or defense, as the case may be, omitting the statement of mere evidentiary facts."

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Soloil, Inc. v. Philippine Coconut Authority*, G.R. No. 174806, August 11, 2010, 628 SCRA 185, 190.

¹⁰ *Id.* at 191.

¹¹ *Id.*

¹² *Id.*

Ultimate facts mean the important and substantial facts which either directly form the basis of the plaintiff's primary right and duty or directly make up the wrongful acts or omissions of the defendant.¹³ They refer to the principal, determinative, constitutive facts upon the existence of which the cause of action rests.¹⁴

In the instant case, pertinent portions of respondents' allegations in their Amended Complaint are as follows:

x x x x

5. Plaintiffs [herein respondents] Erlinda De Leon-Banks, Rhodora De Leon-Tiatco, Betty De Leon-Torres, Gregorio De Leon, Alberto De Leon and Eufonio De Leon, Jr. and defendant Nelia De Leon-Alleje are seven (7) of the eight (8) children of the late spouses Eufonio and Josefa De Leon, while plaintiff [also one of herein respondents] Maria Eliza De Leon-De Grano is the daughter and sole heir of the late Angelina De Leon-De Grano, the eight[h] child.

x x x x

9. During their lifetime, the late Eufonio and Josefa Acquired several tracts of land located in the Province of Batangas, the City of Manila, Tagaytay City and Baguio City. The properties acquired included a 13.29 hectare property located at Paliparan, Talisay, Batangas covered by Tax Declaration Nos. 0359 and 0361 issued by the Provincial Assessor of Batangas, Tanauan Branch ("Paliparan Property").

10. The spouses Eufonio and Josefa, to protect and to ensure during their lifetime the interest of their children in the properties they acquired[,] planned and decided to transfer and in fact transferred without consideration several properties to their children to be held in trust by whoever the transferee is for the equal benefit of all of the late spouses['] children with the specific instruction in the event of any subsequent sale, that notice and details of the sale shall be given to all the children who must consent to the sale and that all amounts paid for the property shall be shared equally by the children and the late spouses during their lifetime.

x x x x

13. Sometime in 1979, in accordance with their already established plan and purpose of property disposition, the late spouses, during their lifetime, transferred to their daughter, defendant Nelia Alleje, the Paliparan Property, through NELFRED which was represented in said act by defendant Nelia Alleje, under a Deed of Absolute Sale, x x x.

¹³ *Locsin v. Sandiganbayan*, G.R. No. 134458, August 9, 2007, 529 SCRA 572, 597.

¹⁴ *Lazaro v. Brewmaster International, Inc.*, G.R. No. 182779, August 23, 2010, 628 SCRA 574, 581.

14. Defendant NELFRED paid no consideration for the transfer of the Paliparan Property although the Deed of Absolute Sale mentioned ₱60,000.00 as consideration for the alleged transfer, as defendant Nelia Alleje knew fully well the nature and purpose of the transfer and the condition that, as in the case of earlier transfers made by the decedent spouses, in the event of a subsequent sale by defendant Nelia Alleje, through NELFRED, the proceeds thereof shall be distributed equally among all the children, the herein plaintiffs and defendant Nelia Alleje.

15. After the transfer in trust to defendant Nelia Alleje, through NELFRED, the late Eufronio and Josefa continued to receive during their lifetime their share in the produce of the Paliparan Property as landowner and likewise continued the payment of the real estate taxes due thereon. **In accordance with the transfer in trust to defendant Nelia Alleje, N[ELFRED] did not effect the registration of the Paliparan Property in its name and the same remained to be unregistered land covered only by tax declarations.**

16. In flagrant violation of the trust reposed on her and with intent to defraud the plaintiffs of their rightful share in the proceeds of the sale of the Paliparan Property, defendant Spouses Alleje surreptitiously sold the Paliparan Property to defendant Belle Corporation. **At the time of the sale to Belle Corporation in September 1997, the Paliparan Property was unregistered land covered only by tax declarations. Up to the present, the subject property is unregistered.**

X X X X

23. By their acts, defendant Spouses Alleje clearly acted and continues to act to deprive herein plaintiffs of their lawful distributive share in the proceeds of the sale of the Paliparan Property. **Moreover, defendant Nelia Alleje repudiated the trust created over the Paliparan Property when said property was sold to Belle Corporation in September 1997. Plaintiffs were put on notice of this act of repudiation only when defendant Nelia Alleje tendered a total amount of ₱10,400,000.00 to plaintiffs and their children on 3 September 1997. Said amount turned out to be part of the proceeds of the sale of the Paliparan Property to Belle Corporation.**

24. On the other hand, Belle Corporation knowingly purchased unregistered land covered only by tax declarations and knew that persons other than the individual defendants were paying for the land taxes. It should not have disregarded such knowledge, as well as other circumstances which pointed to the fact that its vendors were not the true owners of the property. Since the Paliparan Property is unregistered, Belle Corporation should have inquired further into the true ownership of the property.

25. Belle Corporation was likewise in bad faith when, despite having had notice of plaintiffs' claim over the Paliparan Property on 19 January 1998 when it was impleaded as a co-defendant in this civil case, Belle Corporation still entered into a Deed of Absolute Sale with defendant Spouses Alleje and NELFRED on 24 June 1998. Thus, Belle Corporation finalized its purchase of the subject property from its co-

defendants with knowledge that some other persons are claiming and actually own the same.

x x x x¹⁵

It is evident from the above allegations in the Amended Complaint that respondents specifically alleged that they are owners of the subject property being held in trust by their sister, Nelia Alleje, and that petitioner acted in bad faith when it bought the property from their sister, through her company, Nelfred, knowing that herein respondents claim ownership over it.

Assuming the above allegations to be true, respondents can, therefore, validly seek the nullification of the sale of the subject property to petitioner because the same effectively denied them their right to give or withhold their consent if and when the subject property is intended to be sold, which right was also alleged by respondents to have been provided for in the trust agreement between their parents and their sister, Nelia Alleje. The Court, thus, finds no error on the part of the CA in ruling that the allegations in the complaint are sufficient to establish a cause of action for the nullification of the sale of the subject property to herein petitioner.

Petitioner contends that “it may be held liable ONLY IF it is proven by preponderance of evidence that [it] indeed acted in bad faith in dealing with the [subject] property.”¹⁶ Indeed, bad faith is a question of fact and is evidentiary.¹⁷ Bad faith has to be established by the claimant with clear and convincing evidence, and this necessitates an examination of the evidence of all the parties.¹⁸ This is best passed upon after a full-blown trial on the merits.

¹⁵ Records, pp. 286-291. (Emphasis supplied.)

¹⁶ *Rollo*, p. 30.

¹⁷ *NM Rothschild and Sons, (Australia) Limited v. Lepanto Consolidated Mining Company*, G.R. No. 175799, November 28, 2011; *Magaling v. Ong*, G.R. No. 173333, August 13, 2008, 562 SCRA 152, 169.

¹⁸ *Gubat v. National Power Corporation*, G.R. No. 167415, February 26, 2010, 613 SCRA 742, 757.

Stated differently, the determination of whether or not petitioner is guilty of bad faith cannot be made in a mere motion to dismiss. An issue that requires the contravention of the allegations of the complaint, as well as the full ventilation, in effect, of the main merits of the case, should not be within the province of a mere motion to dismiss.¹⁹

The parties have gone to great lengths in discussing their respective positions on the merits of the main case. However, there is yet no need to do so in the instant petition. There will be enough time for these disputations in the lower court after responsive pleadings are filed and issues are joined for eventual trial of the case.

Indeed, the other assigned errors in the instant petition dwell on issues which are matters of defense on the part of petitioner. The questions of whether or not there is an implied or express trust and whether the said trust is null and void are assertions that go into the merits of the main case and still need to be proven or disproven by the parties and resolved by the RTC. In the same manner, the issues on prescription and estoppel raised in petitioner's *Opposition to Manifestation/Motion with Supplemental Motion to Dismiss*,²⁰ as well as in its *Motion for Reconsideration or to Dismiss the Amended Complaint*,²¹ are matters of defense not proper in a motion to dismiss for failure to state a cause of action. They should be pleaded in the answer, to be resolved after the trial on the basis of the arguments and evidence submitted by the parties. As jurisprudence holds, so rigid is the norm prescribed that if the court should doubt the truth of the facts averred, it must not dismiss the complaint but require an answer and proceed to hear the case on the merits.²² This dictum is in line with the policy that motions

¹⁹ *NM Rothschild and Sons, (Australia) Limited v. Lepanto Consolidated Mining Company*, *supra* note 17.

²⁰ Records, pp. 337-347.

²¹ *Id.* at 432-450.


²² *Philippine Stock Exchange, Inc. v. Manila Banking Corporation*, G.R. No. 147778, July 23, 2008, 559 SCRA 352, 359, citing *Republic Bank v. Cuaderno*, G.R. No. L-22399, March 30, 1967, 19 SCRA 671, 677; *Boncato v. Siason*, G.R. No. L-29094, September 4, 1985, 138 SCRA 414, 420; *Sumalinong v. Daronio*, G.R. No. 42281, April 6, 1990, 184 SCRA 187, 189.

to dismiss should not be lightly granted where the ground invoked is not indubitable, as in the present case.²³ In such a situation, the objections to the complaint must be embodied in the answer as denials or special and affirmative defenses and threshed out in a full-blown trial on the merits.²⁴


In sum, this Court finds that the CA did not commit error in reversing and setting aside the assailed Order of the RTC.


WHEREFORE, the instant petition is **DENIED**. The assailed Decision and Resolution of the Court of Appeals, dated May 18, 2006 and September 4, 2006, respectively, in CA-G.R. CV No. 74669, are **AFFIRMED**.

SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson


ROBERTO A. ABAD
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice

²³ *Del Bros Hotel Corporation v. Court of Appeals*, G.R. No. 87678, June 16, 1992, 210 SCRA 33, 42-43.

²⁴ *Id.* at 43.

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.



PRESBITERO J. VELASCO, JR.

Associate Justice
Chairperson, Third 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