

Title: Heirs of Maximo Labanon, Represented by Alicia Labanon Cañedo and the Provincial Assessor of Cotabato v. Heirs of Constancio Labanon, Represented by Alberto Makilang

Facts:

During World War II, Constancio Labanon settled on and cultivated a piece of public agricultural land in Kidapawan, Cotabato, Philippines. Struggling to file for land ownership due to limited education, he enlisted the assistance of his more educated brother, Maximo Labanon. Maximo filed a Homestead application, which was approved, resulting in the issuance of Homestead Patent No. 67512 and, later, Original Certificate of Title (OCT) No. P-14320 in Maximo's favor. A trust agreement that the land would later be divided was understood between the two brothers.

On February 11, 1955, and again on April 25, 1962, Maximo executed written documents, both affirming Constancio's ownership over the eastern portion of the land. After Constancio died, his heirs and Alberto Makilang, Constancio's son-in-law, entered into an extrajudicial settlement with simultaneous sale concerning the eastern portion of the lot.

In March 1991, the heirs of Maximo attempted to cancel the tax declaration in favor of Mr. Makilang and refused to recognize the prior agreements to divide the land. Consequently, a legal battle commenced when the heirs of Constancio, led by Mr. Makilang, filed a case for Specific Performance, Recovery of Ownership, Attorney's Fees, and Damages with an attached application for a Temporary Restraining Order, against the heirs of Maximo and the Provincial Assessor of Cotabato in Civil Case No. 865 before the Kidapawan City RTC.

The RTC dismissed the complaint, favoring the heirs of Maximo. Dissatisfied, the heirs of Constancio appealed to the Court of Appeals (CA), which reversed the RTC decision and upheld the Constancio heirs' claims over the eastern portion of the lot. The heirs of Maximo then sought a review by the Supreme Court under Rule 45, challenging the CA's decision.

Issues:

1. Whether or not the Original Certificate of Title No. P-41320 issued in the name of Maximo Labanon is indefeasible and conclusive.
2. Whether or not the trust agreement between Constancio Labanon and Maximo Labanon had prescribed.

Court's Decision:

1. On the first issue, the Supreme Court determined that respondents are not barred from challenging the validity of OCT No. P-41320, as prescriptive periods do not apply to express

trusts unless there's repudiation by the trustee. Maximo Labanon's actions were deemed to recognize an express trust in favor of Constancio.

2. On the second issue, the Court held that the express trust between Maximo Labanon and Constancio Labanon was still enforceable. Maximo never repudiated the trust, and therefore, no prescriptive period commenced. Furthermore, Maximo's heirs inherited not only his rights but also his obligations, including the recognition of the trust.

Doctrine:

The Court reaffirmed the doctrines that (1) the principle of indefeasibility of a Transfer Certificate of Title does not prevent the reconveyance of property fraudulently registered in the name of another, and (2) express trusts are generally imprescriptible, provided there's no repudiation by the trustee.

Class Notes:

- Express Trusts: Establishes a fiduciary relationship wherein a trustee holds the legal title to property with the duty to maintain it for the benefit of the trustor.
- Imprescriptibility of Trusts: An express trust is imprescriptible unless repudiated. (*Escay v. Court of Appeals*)
- Remedies Against Fraudulent Registration: Persons defrauded by the registration of property can file an action for reconveyance if the registration was fraudulent.

Historical Background:

The case serves as an illustrative example of the legal mechanisms of the Philippine property regime during post-WWII periods and the complexity of property ownership issues in the Filipino family setting. It underscores the magnitude of oral agreements in a semi-formal economy and the reliance upon interpersonal trust and kinship ties in real estate dealings within family members, preceding current strict land registration requirements. The Supreme Court's verdict in favor of Constancio Labanon's heirs showcases the judiciary's adaptability to such informal arrangements through the legal construct of express trusts.