

Title:

Eulogio M. Pedrano vs. Heirs of Benedicto Pedrano (564 Phil. 369) [February 14, 2003]

Facts:

1. **March 15, 1965**: Dr. Isidro Hynson sold Lot No. 6416 (525 sqm. on Lapu-lapu St., Molave, Zamboanga del Sur) to Romana Montecal Pedrano for PhP 315.02. Romana is married to Benedicto Pedrano.
2. **August 19, 1967**: Benedicto Pedrano passed away.
3. **December 22, 1981**: Eulogio M. Pedrano, son of Romana, alleged he bought the property from Romana for PhP 30,000 as per a Deed of Sale. Payment was due by December 31, 1982.
4. **June 14, 1984**: Eulogio filed a Motion to Lift Order of General Default and to Admit Cadastral Answer in Cadastral Case No. N-4.
5. **June 2, 1989**: RTC adjudicates Lot No. 6416 to Eulogio, but no Original Certificate of Title (OCT) is issued.
6. **September 5, 1996**: Respondents (heirs of Benedicto Pedrano) filed a complaint to annul the 1981 Deed of Sale, alleging non-payment and fraud.

Procedural Posture:

1. **Trial Court**: Dismissed the complaint due to prescription, citing Article 1144 of the Civil Code (10-year prescription period). The alleged cause of action accrued in 1981, and the suit was filed in 1996.
2. **Court of Appeals**: Reversed the RTC's decision, stating the case involves an implied trust under Article 1456 of the Civil Code, which applicable prescription period had not begun as no title was issued.

Issues:

1. Whether the action to annul the Deed of Sale is barred by prescription under Article 1144 of the Civil Code.
2. Whether Eulogio's possession of the property constitutes an implied trust under Article 1456.
3. Whether an express trust exists under Articles 1444, 1445, and 1446 of the Civil Code.
4. Whether the property under trust by one spouse is conjugal.
5. Whether the Deed of Sale is the correct document for partition among heirs.

Court's Decision:

Implied vs. Express Trust:

- The Court ruled **implied trust** under Article 1456 for properties acquired through fraud or mistake.
- **Ownership**: Eulogio was in possession falsely, claiming payment which he did not complete.
- **Payment**: No evidence Eulogio paid the PhP 30,000 to Romana.
- **Fraud**: Eulogio did not inform his siblings about the cadastral titling.

Prescription:

- Action based on implied trust prescribes in 10 years from issuing the certificate of title. No title issued, hence, no prescriptive period elapsed.

Doctrine:

- **Implied Trust (Art. 1456)**: If property is acquired through mistake or fraud, the acquirer is deemed a trustee for the rightful owner.
- **Prescription on Implied Trust**: The 10-year prescriptive period for actions like reconveyance of properties based on implied trust starts from the issuance of the certificate of title.

Class Notes:

- **Elements of Implied Trust**:
 - Property acquired by fraud or mistake (Art. 1456)
 - Trustee holds it for someone it rightfully belongs to.
- **Application**: Eulogio failed to prove payment; acted in bad faith claiming ownership.
- **Prescription**:
 - Actions based on implied trust (10 years post-title issuance)
 - **Application**: No title issued timely, rendering prescription defense inapplicable.

Historical Background:

- **Family Property Disputes**:
 - Common issues: lack of formal titles, informal agreements.
 - Relevant legislation: Civil Code provisions on trusts and property, highlighting the complexity of ancestral land inheritance among extended families.

This case emphasizes the importance of documentary evidence in property claims, the role of implied trusts in rectifying fraudulent claims, and the application of specific Civil Code articles in property dispute resolutions.