

Carolina Hernandez-Nievera, Demetrio P. Hernandez, Jr., and Margarita H. Malvar vs. Wilfredo Hernandez, Home Insurance and Guaranty Corporation, Project Movers Realty and Development Corporation, Mario P. Villamor, and Land Bank of the Philippines

Facts

Formation and Agreements:

- **1995:** Project Movers Realty & Development Corporation (PMRDC) collaborated with the Home Insurance & Guaranty Corporation (HIGC) and the Land Bank of the Philippines (LBP) for the Isabel Homes housing project and the Monumento Plaza commercial complex.
- **Asset Pool Formation Agreement:** PMRDC conveyed assets to HIGC and LBP, with LBP acting as trustee of the asset pool.

MOA Execution:

- **November 13, 1997:** PMRDC entered into a Memorandum of Agreement (MOA) with Carolina Hernandez-Nievera, Margarita H. Malvar, and Demetrio P. Hernandez, Jr., with Demetrio acting as their attorney-in-fact.
- **MOA Terms:** PMRDC had a 12-month option to buy specified lands from the petitioners.

Cheques and Conveyance:

- Initially issued cheques by PMRDC bounced, but the lands within Area I were mortgaged for consideration.

DAC Execution:

- **March 23, 1998:** PMRDC, LBP, and Demetrio (acting under the alleged authority of the same power of attorney) executed a Deed of Assignment and Conveyance (DAC) transferring lands in Area II to the Asset Pool in exchange for shares of PMRDC.

Dispute:

- **January 8, 1999:** Petitioners demanded the return of titles due to non-payment.
- **January 21, 1999:** PMRDC refused, citing the DAC's validity.

Allegation:

- Petitioners claimed Demetrio's signature on the DAC was forged and beyond his power as he was only authorized to sell or mortgage but not to convey.

RTC Decision:

- **August 30, 2004:** The RTC rescinded the MOA, declared the DAC null and void citing forged signatures and fraud, and ordered damages against Villamor and Wilfredo Hernandez.

Court of Appeals Decision:

- **October 19, 2005:** Reversed the RTC, upholding the DAC's validity and finding no proof of forgery.

Supreme Court:

- The petitioners filed before the Supreme Court after their motion for reconsideration was denied by the Court of Appeals.

Issues

1. Whether the DAC validly novated the obligations stated in the MOA.
2. Whether Demetrio had the authority under the special power of attorney to execute the DAC.
3. Whether the signature on the DAC was forged.
4. Whether the DAC can be considered valid despite alleged fraudulent execution.

Court's Decision

Issue 1: Novation:

- **Ruling:** The Court upheld the DAC, noting the incompatibility with the MOA. It viewed the obligations under the DAC as having novated the MOA.

Issue 2: Authority under Special Power of Attorney:

- **Ruling:** The Court found Demetrio's authority broad enough to accommodate a deal exchanging properties for shares; this was within the sale authority granted to him.

Issue 3: Forgery:

- **Ruling:** The Court found petitioners did not provide clear, positive, and convincing evidence of forgery. The notarized DAC enjoys a presumption of regularity due to public attestation.

Issue 4: Fraudulent Execution:

- **Ruling:** Without compelling evidence of forgery or fraud, and given the authority under the special power of attorney, the execution of DAC was legitimate and thus valid.

Doctrines

1. **Forged Signatures Must Be Clearly Proven:** Claims of forgery must be substantiated with clear, positive, and convincing evidence.
2. **Legal Presumption of Regularity:** Notarized documents are presumed to be regular and true unless proven otherwise with compelling evidence.
3. **Extensive Authority in Attorney Powers:** Special powers of attorney conferring the authority to sell include the ability to enter into agreements that might involve exchange for consideration other than cash if suitably broad.
4. **Novation by Incompatibility:** New agreements that completely alter core provisions of an initial agreement may create novation by incompatibility.

Class Notes

- **Element of Contracts in Novation:** Explains complete substitution or alteration of an original obligation with a new one, requiring mutual consent.
- **Authority of Special Power of Attorney:** Understanding the extent of the authority conferred—broader provisions may allow for modifications or substitution of consideration.
- **Burden of Proof in Forgery Allegations:** The necessity for clear and convincing evidence to prove forgery against presumptive regularity of notarized documents.
- **Principles of Legal Presumptions:** Establishes that notarized documents enjoy a presumption of regularity and authenticity unless convincingly proven otherwise.

Historical Background

The legal challenge revolves around the real estate development practices and financial structures in the Philippines in the late 1990s, emphasizing the role of asset pools, securitization, and trustee arrangements facilitated by government and financial institutions. The case sheds light on the legal complexities involved in real estate transactions, particularly dealing with the interplay of contractual novation, authorized powers, and evidentiary standards in allegations of forgery.