

**PHILIPPINE COMMERCIAL & INDUSTRIAL BANK,
ADMINISTRATOR OF THE TESTATE ESTATE OF CHARLES NEWTON
HODGES (SP. PROC. NO. 1672, COURT OF FIRST INSTANCE OF ILOILO),
PETITIONER, VS. NU...**

G.R. No. L-28194. November 24, 1972

Ponente: FERNANDO, J.

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FERNANDO, J.:

The reversal of a Court of Appeals decision is sought in this certiorari proceeding predicated on the contention vigorously pressed that there was a failure to accord a Torrens title the quality of conclusiveness. There is, to be sure, a plausibility to such an approach resulting in the petition being given due course. A careful study of the case, however, with due recognition of this Court's commitment to the equally basic principle that duplicity and unfairness do not acquire respectability even if cloaked in the vestment of a Torrens certificate, precludes our yielding assent to the plea of petitioner Philippine Commercial and Industrial Bank as administrator of the estate of Charles Newton Hodges. The highly persuasive quality of the opinion of Justice Alvendia, speaking for the Court of Appeals, quite detailed in its narration of facts that revealed the less-than-innocent character of the acquisition of the disputed property by the late Charles Hodges, has not been successfully dented by the spirited attack of counsel for petitioner. It must be observed likewise that arguments based on doctrines that bear the impress of impeccability were called to the attention of this Court, but their applicability is something else again. We affirm.

The dispute concerns the right over 6,125 square meters of land situated in Talisay, Negros Occidental, known as Lot No. 409 of Talisay Cadastre. There is no question as to its being owned originally by Natividad Vda. de Allic who, thereafter, sold it with right to repurchase to one Enrique Vicente, from whom the late C.N. Hodges would trace his right. There is a disagreement, though, as to whether or not the vendor Allic thereafter exercised her right to repurchase the same. Plaintiff in the lower court, now private respondent David Lozada, claimed, as noted in the decision under review, "that the property in question is the subject of a contract to sell executed in his favor by C.N. Hodges who appears to have purchased the same from Enrique Vicente who in turn allegedly acquired title to the property from Natividad Vda. de Allic by virtue of a deed of sale with right to repurchase executed by Mrs. Allic in favor of Vicente on May 16, 1932. Plaintiff claims that Mrs. Allic did not exercise her right to repurchase the property and as a consequence absolute ownership thereof became vested in Enrique Vicente who on July 28, 1958 sold the same property to C.N. Hodges. In the contract to sell which is the basis of plaintiff's complaint it is stipulated that the plaintiff paid P300.00 to Hodges upon the signing of the contract and bound himself to pay monthly, the sum of P100.00 on account of the balance of the purchase price of P1,800.00 plus 1% interest on the diminishing capital balance. It is also stipulated in said contract that possession of the land subject of the contract was to be delivered to the plaintiff as vendee upon the signing of the contract while the ownership thereof remained with the vendor C.N. Hodges until after the entire purchase price including the interest shall have been fully paid. Alleging that after the execution of the contract to sell plaintiff tried to take possession of the land in

question, but the defendant who was then in actual physical possession thereof refused to deliver it to him, claiming that he is the owner of the same, the plaintiff prays that he be given possession of the premises with damage and costs against the defendant." [1]

On the other hand, defendant in the lower court, now private respondent, was equally insistent on his right to such lot, denying, according to the decision under review, "plaintiff's claim of right to possess the property alleging that he is the legal owner of the property for having purchased it from Natividad T. Vda. de Allic in 1938 and claiming that since then and up to the filing of the complaint in the present case defendant has been in open, continuous, peaceful and adverse possession of said property in the capacity of owner, having in addition paid in taxes over said property from the time he purchased it in 1938. The theory of the defendant is that his predecessor-in-interest Natividad T. Vda. de Allic redeemed the property in question from Enrique Vicente prior to August 1, 1932 which is the date of the expiration of the period of repurchase but that Vicente did not return to her the title covering her property giving as excuse that said title was misplaced, promising, however, to deliver it to her as soon as he could locate it. Subsequent to the last war, however, Vicente surreptitiously obtained a reconstituted title in the name of Mrs. Allic and, thereafter, fraudulently executed in his favor an affidavit of consolidation of ownership over the property in dispute, resulting in the cancellation of the reconstituted title issued in the name of Mrs. Allic and the consequent issuance to him of Transfer Certificate of Title No. T-23600 on June 24, 1958." [2]

The decision under review thereafter reproduced the dispositive portion of the lower court decision sustaining the right of private respondent Numeriano Villalva. Thus: "[Wherefore], the complaint is hereby dismissed, and the affidavit of consolidation executed by Enrique Vicente and registered in the Office of the Register of Deeds on June 24, 1958, * * *; TCT No. T-23600 in the name of Enrique Vicente, * * *; the deed of Sale executed by Enrique Vicente in favor of C.N. Hodges, on July 28, 1958 and registered on August 1, 1958, * * *; Transfer Certificate of Title No. T-23886, in the name of C.N. Hodges, * * *; and the 'Contract to Sell' executed by C.N. Hodges, in favor of the plaintiff on July 28, 1958; * * *, are, each and all, hereby declared to be null and void ab-initio, and they are hereby set aside for being simulated and fictitious, under Par. 2, Art. 1409 of the New Civil Code, and the Register of Deeds for Negros Occidental, is hereby ordered to cancel all documents. The Register of Deeds is also ordered to reinstate in the record TCT No. RT-11871 (9808) in the name of Natividad Vda. de Allic * * *, that was cancelled in view of the fraudulent registration of the affidavit of consolidation of ownership by Enrique Vicente on June 24, 1958. Or, if this is not feasible, to issue a new title in the name of Natividad Vda. de Allic, in lieu of the cancelled title No. RT-11871 (9808), and to issue a new title to Numeriano Villalva upon the registration of a deed of reconveyance in his favor by Natividad Vda. de Allic. Lastly, the third party defendants, Enrique Vicente and C.N. Hodges, are hereby ordered to pay the defendant, Numeriano Villalva, jointly and severally, the sum of Five Thousand Pesos (P5,000.00), by way of exemplary or correctional damages, under Art. 2229 of the Civil Code, and the plaintiff is to pay the costs of this suit." [3]

In the well-written and exhaustive decision of Justice Alvendia, there is a recital of the considerations that called for the affirmance of the judgment of the lower court. Thus: "After going over the evidence presented by all the parties, we arrived at the conclusion that the preponderance of evidence supports the theory of the defendant [now private respondent Numeriano Villalva] that the property in dispute was repurchased by Mrs. Allic from Enrique Vicente and, thereafter, sold by her to the defendant for the following reasons: (1) The period of redemption under the deed of sale with right of repurchase dated May 16, 1932 expired on August 1, 1932, yet for reasons not satisfactorily explained nor justified by Enrique Vicente, the latter did not attempt to consolidate his alleged ownership over the property until June 24, 1958 which was more than 26 years after the expiration of the period of redemption. On the other hand, at least as early as 1938 and continuously up to the time the complaint was filed the defendant was in open, public and adverse possession of the property without being molested by Vicente. (2) The complacency with which Enrique Vicente seemed to have taken steps in protecting his alleged right as shown

by the delay of 26 years before he attempted to consolidate his ownership over the lot in dispute is in direct contrast with his speed and apparent hurry in obtaining a title to the same property and disposing of it in favor of another in order to make an apparent case of transfer of title to a purchaser in good faith. Thus, on the same date that Vicente executed his affidavit of consolidation of ownership he succeeded in obtaining the issuance of Transfer Certificate of Title No. 28600 * * * in his name. On July 28, 1958 he executed a deed of sale over the same property in favor of C.N. Hodges who on the same date executed a contract to sell the property to the herein plaintiff. It is apparent that C.N. Hodges himself was in such a hurry to dispose of the property to such an extent that he executed the contract to sell, * * * four days before he actually secured the issuance of Transfer Certificate of Title No. 23856 * * * in his name. Said title was issued on August 1, 1958. (3) We agree with the finding of the trial court that the theory of the defendant as expounded in his memorandum to the effect that the fraud committed by Enrique Vicente in securing a title over the property in his name and, thereafter, transferring the same to C.N. Hodges was engineered by Jesus Golez, Jr., son-in-law of Enrique Vicente who at that time was an employee in the office of the Register of Deeds of Negros Occidental. As such employee Golez discovered that the deed of sale with right to repurchase * * * was among those saved from the destruction caused by the last war and that it remained uncanceled. He then caused the execution by his father-in-law of the affidavit of consolidation of ownership * * * and all the issuance of the corresponding title to Enrique Vicente. All of these was done in 1958 when the New Civil Code providing for the procedure to be followed in the consolidation of title to properties sold under pacto de retro was already in force and notwithstanding the fact that as early as 1952 the Court of First Instance of Occidental Negros has already decreed the reconstitution of title covering Lot No. 409 in favor of the defendant. As an employee of the office of the Register of Deeds, Golez was aware of the necessity of transferring the title over the property to a person who can claim to have purchased it in good faith. It is for this reason that Golez went to the extent of signing as an instrumental witness at the foot of the deed of sale * * * executed by Enrique Vicente in favor of Hodges. This also explains why Golez executed the under-taking or guaranty contract at the foot of the contract to sell * * * executed by C.N. Hodges in favor of the plaintiff on the same day that Exhibit I was executed, in spite of the fact that he obviously had no pecuniary interest in the property. Said undertaking reads as follows: 'The undersigned do hereby guarantee the faithful performance of all and every conditions and agreement in this contract and assumes to pay the obligations as they fall due and interests including taxes. That my liability becomes joint and several with the principal obligor. Iloilo City, * * *. Sgd. [Francisco Villanueva]. Sgd. [Jesus Golez, Jr.]' (4) Ruth Deocares, an employee of a lawyer of Hodges presented as witness for Hodges, testified that Jesus Golez, Jr. was the person who actually dealt with C.N. Hodges in Iloilo for the sale of the property by Enrique Vicente to Hodges. (5) On the other hand, the defendant has satisfactorily established that from 1938 when he purchased the property in question from Natividad Vda. de Allic, he has been in open, continuous, peaceful and adverse possession of the same in the capacity of owner. Moreover, he also paid the real estate taxes on the property since he purchased the same from Mrs. Allic." [4]

As to the failure of the deceased Hodges to show that he was indeed a purchaser in good faith, this is what the Court of Appeals decision had to say: "It appears, however, that before C.N. Hodges purchased the property, he entrusted the matter to his counsel Atty. Leon P. Gellada who in turn commissioned Ruth Deocares to investigate the title of the seller. Deocares proceeded to the land in question and found that there was a house standing on the land. She also saw a person gathering tuba in the premises. She, however, did not inquire from the tuba gatherer for whom the latter was working. Neither did she inquire to whom the house belonged. The foregoing facts are in our opinion sufficient notice for her to make inquiries as to the ownership of the house as well as for whom the tuba gatherer was working as the answers to said inquiries might give her a lead as to who is the real owner of the property considering that her purpose in going to Talisay was to investigate the title of Enrique Vicente preparatory to the sale by the latter to C.N. Hodges. The haphazard investigation made by the agents of C.N. Hodges of the title of Enrique Vicente cannot be used by Hodges to support his claim of good faith because the

negligence of his agents constitute his own negligence. * * * Moreover, as stated above the hurried and precipitate sale by Hodges of the land to 'the plaintiff seems to indicate that if Hodges did not deliberately connive with Enrique Vicente at least he had notice of the doubtful validity of Enrique Vicente's title to the land. This is corroborated by the fact that he required the son-in-law of Enrique Vicente, Jesus Golez, Jr. to execute a contract of guarantee in the contract to sell, * * *, Hodges cannot, therefore, be considered an innocent purchaser in good faith."[5]

The conclusion that did emerge in the light of the facts as thus ascertained was easily predictable. The lower court judgment had to be affirmed by the Court of Appeals. There was a modification though. The award of exemplary damages to respondent Villalva was set aside. Considering the fore-going, it was not an easy task that confronted petitioner in seeking through this certiorari proceeding to overturn the result arrived at by two courts operating at two levels of the judicial hierarchy. Credit though must be given petitioner's counsel, the law firm of San Juan, Africa, Gonzales and San Agustin, for the valiant efforts exerted to do just that. Nonetheless, even with due recognition of the learning and diligence that characterized the brief for petitioner, there is no juridical basis, to repeat, for a reversal of the Court of Appeals decision.

1. It must be conceded that it was no frail reed on which petitioner did rely. There is a strong public interest in maintaining the integrity of a Torrens title. Its possessor is to receive the protection that is his due under the law. The stability of property relations in land, which is its main objective, cannot be assured by anything less. So much is settled under our consistent course of decisions.[6] There is, however, a countervailing doctrine, certainly not of lesser weight, that mitigates the harshness of the iron-clad application of the principle attaching full faith and credit to a Torrens certificate. It is inspired by the highest concept of what is fair and what is equitable. It would be a sad day for the law if it were to be oblivious to the demands of justice. The acceptance accorded the Torrens system of registration would certainly be impaired if it could be utilized to perpetrate fraud and chicanery. If it were thus, then no stigma would attach to a claim based solely on a narrow and literal reading of a statutory prescription, devoid of any shadow of moral right. That is not the juridical norm as recognized by this Court. Deceit is not to be countenanced; duplicity is not to be rewarded. Witness the favor with which jurisprudence has looked on the action for reconveyance[7] as well as the recognition of the constructive trust.[8] There is thus the stress on rectitude.

So it has been ever since the leading case of *Gustilo vs. Maravilla*,[9] a 1925 decision. As was so categorically expressed by Justice Ostrand, speaking for the Court: "The Land Registration Act only protects the holder in good faith, and cannot be used as a shield for frauds. Strong and convincing evidence is, of course, required to establish the existence of encumbrances not appearing on the certificate of title, but such evidence is not lacking in the present case."[10] What is more, this jurist, whose views on land registration matters has been considered authoritative, could refer to an earlier decision, *Winkleman vs. Veluz*,[11] decided in 1922, although dealing with unregistered land. Justice Romualdez, who was the ponente, in stressing that the element of good faith should not be ignored, did refer to our "judicial inheritance from Spain"[12] as well as "principles of the Anglo-Saxon law * * * incorporated into our laws." [13] Then came *De Lara vs. Ayroso*,[14] where this Court, through Justice Alex Reyes, stated: "For, as repeatedly stated by this court, although the underlying purpose of the Land Registration Law is to impart stability and conclusiveness to transactions that have been placed within its operations, still that law does not permit its provisions to be used as a shield for the commission of fraud." [15] It is in line with such a thought that Justice J.B.L., Reyes, in *Sapto vs. Fabiana*,[16] a 1958 decision, could affirm: "To hold otherwise would make of the Torrens system a shield for the commission of fraud by the vendors or his heirs * * * who would then be able to reconvey the same property to other persons." [17] There is, too, this excerpt from Justice Sanchez, speaking for the Court in *Vda. de Carvajal vs. Coronado*: [18] "The basic dictates of fairness demand that the property owner should not, after the statutory period from notice has lapsed, be allowed literally to lay in

ambush and then strike at the purchaser. Want of honest dealing will not entitle one to shelter himself under the protective mantle of the Land Registration Act. For the Torrens system only protects the title holder in good faith; it has never been erected as a shield to fraud." [19] Lastly, reference may be made to what was set forth in an opinion of Justice Makalintal in *Bueno vs. Reyes*, [20] decided three years ago. Thus: "In a number of cases this Court has held that registration of property by one person in his name, whether by mistake or fraud, the real owner being another person, impresses upon the title so acquired the character of a constructive trust for the real owner, which would justify an action for reconveyance." [21] It would appear, then, that the first three errors assigned, if viewed in the light of the facts as found, cannot stand the test of rigorous judicial scrutiny. Nor can it be affirmed as a matter of law as urged in the fifth assignment of error that the buyer of a parcel of land under the circumstances disclosed be justified in complete and entire reliance on what appears on the face of the certificate of title.

2. Moreover, this is not the only instance where the late Charles Hodges did attempt to make use of the law in a manner that cannot elicit entire approbation. Could it be that he was not averse to the Latin maxim *summum jus, summa injuria* becoming operative. Thus, the situation that presented itself in *Hodges vs. Dy Buncio*, [22] where he was a litigant, is well-nigh analogous. To quote from the opinion of Justice Padilla: "Moreover, the petitioner [Hodges] cannot claim not to be at fault in the purchase of the parcel of land from his co-defendant Veronica Bareza, to say it mildly, or he cannot be deemed to be a purchaser in good faith and for value, because as correctly found by the Court of Appeals he is not an innocent purchaser: '* * * appellant insists that he had exercised prudence in ascertaining the right of Veronica Bareza. True, appellant had exercised prudence before he bought the land from Bareza, but the evidence would show that his prudence had yielded certain facts sufficient to put him upon his guard and to delve deeper into Bareza's acquisition. As aptly concluded by the lower court: "Had he done so he could have avoided the situation in which he is now." Ruth Deocares admitted that appellant sent her to see said appellant's lawyer about Bareza's offer. Appellant's lawyer advised Deocares to examine Bareza's title in the office of the Register of Deeds of Iloilo. Deocares was informed by Vicente G. Cabardo, after going over the records with Deocares beside him, that the land in question "was formerly the property of Dy Buncio & Co., Inc."; that Bareza had acquired the same "by purchase before the war"; and that title was transferred in Bareza's name "by Court's order" * * *. Deocares also admitted that she found out that the land is still declared in the name by (of) Dy Buncio & Co. * * *, and that she imparted this information to appellant C.N. Hodges together with Cabardo's certificate * * *. The lower court acted correctly in rejecting appellant's pretense of good faith.'" [23] With the above, there does not seem to be any doubt that even the last assigned error, as to a buyer of a parcel of registered land not having any need to support his claim of good faith to receive the protection of the Land Registration Act, is not entitled to acceptance. Whatever plausibility such a view might possess as an ordinarily sound doctrine, the deceased Hodges on the facts duly established could not stand to benefit.

WHEREFORE, the decision of the Court of Appeals of October 5, 1967 is hereby affirmed. With costs against petitioner Philippine Commercial and Industrial Bank.

Concepcion, C.J., Zaldivar, Castro, Teehankee, Barredo, Makasiar, Antonio, and Esguerra, JJ., concur.

Makalintal, J., is on official leave.

[1] Decision of the Court of Appeals, 1-2.

[2] *Ibid*, 2-3.

[3] *Ibid*, 4-5.

[4] Ibid. 9-12.

[5] Ibid, 13-14.

[6] Constantino vs. Espiritu, L-23268, June 30, 1972, 45 SCRA 557 citing Medina vs. Imaz, 27 Phil. 314 (1914); Tuason vs. Raymundo, 28 Phil. 635 (1914); De Jesus vs. City of Manila, 29 Phil. 73 (1914); De Gomez vs. Jugo, 48 Phil. 118 (1925); Jurado vs. Flores, 79 Phil. 451 (1947); Levin vs. Bass, 91 Phil. 419 (1952); Mirasol vs. Gerochi, 93 Phil. 480 (1953); Avecilla vs. Yatco, 103 Phil. 666 (1958); Aguilar vs. Caoagdan, 105 Phil. 661 (1959); Paraiso vs. Camon, 106 Phil. 187 (1959); Tiburcio vs. PHHC, 106 Phil. 477 (1959); Joaquin vs. Madrid, 106 Phil. 1060 (1960); Revilla vs. Galindez, 107 Phil. 480 (1960); Carreon vs. Agcaoili, L-11156, Feb. 23, 1961, 1 SCRA 521; Moldero vs. Yandoc, L-14321, Oct. 20, 1961, 3 SCRA 246; Fule vs. De Legare, L-17951, Feb. 28, 1963, 7 SCRA 351; J.M. Tuason & Co., Inc. vs. Vibat, L-18884, May 29, 1963, 8 SCRA 54; and Pichay vs. Celestino, L-18292-4, May 30, 1967, 20 SCRA 314.

[7] Cf. Quiñiano vs. Court of Appeals, L-23024, May 31, 1971, 39 SCRA 221 citing Director of Lands vs. Register of Deeds, 92 Phil. 826 (1953); Avecilla vs. Yatco, 103 Phil. 666 (1958); Nebraska vs. Heirs of Alivio, 104 Phil. 126 (1958); Aragon vs. Aragon, 105 Phil. 365 (1959); Republic vs. Heirs of C. Carle, 105 Phil. 1227 (1959); Moldero vs. Yandoc, L-14321, Oct. 20, 1961, 3 SCRA 246; Alzona vs. Capunitan, L-10228, Feb. 28, 1962, 4 SCRA 450; Juan vs. Zuñiga, L-17044, April 28, 1962, 4 SCRA 1221, J.M. Tuason & Co., Inc. vs. Macalindong, L-15398, Dec. 29, 1962, 6 SCRA 938; Gonzales vs. Jimenez, L-19073, Jan. 30, 1965, 13 SCRA 80.

[8] Cf. Bueno vs. Reyes, L-22587, April 28, 1969, 27 SCRA 1179 citing Gayondato vs. Treasurer of P.I., 49 Phil. 244 (1926); Gemora vs F.M. Yap Tico & Co., Ltd., 52 Phil. 616 (1928); De Ocampo vs. Zaporteza, 53 Phil. 442 (1929); Fabian vs. Fabian, L-20449, January 29, 1968, 22 SCRA 231.

[9] 48 Phil. 442.

[10] Ibid, 448.

[11] 43 Phil. 604.

[12] Justice Romualdez here referred to decisions of the Supreme Court of Spain rendered April 5, 1898; December 6, 1901; May 13, 1903; and March 23, 1906.

[13] Here, Justice Romualdez referred to the following American Supreme Court decisions: Findlay vs. Hinde, 26 US 241 (1828); Landes vs. Brant, 51 US 348 (1850); Fowler vs. Merill, 52 US 375 (1850); Patterson vs. De la Ronde, 8 Wallace 292 (1869); National Bank of Genesee vs. Whitney, 103 US 99 (1880); Moelle vs. Sherwood, 148 US 21 (1892).

[14] 95 Phil. 185 (1954).

[15] Ibid, 191. Cf. Quimson vs. Suarez, 45 Phil. 901 (1924); Atkins, Kroll & Co. vs. Domingo, 46 Phil. 362 (1924); Vargas vs. Tancioco, 67 Phil. 308 (1939); Jimenez vs. De Castro, 67 Phil. 398 (1939); Parsons Hardware Co. vs. Court of Appeals, 69 Phil. 411 (1940); Hernandez vs. Katigbak Vda. de Salas, 69 Phil. 744 (1940); Palma vs. Cristobal, 77 Phil. 712 (1946); Azurin vs. Quitariano, 81 Phil. 261 (1948); Director of Lands vs. Martin, 84 Phil. 140 (1949); Manlicon vs. De Vera, 86 Phil. 115 (1950); Arceo vs. Varela, 89 Phil. 212 (1951).

[16] 103 Phil. 683.

[17] Ibid, 686.

[18] L-23250, November 12, 1966, 18 SCRA 635.

[19] Ibid, 642.

[20] L-22587, April 28, 1969, 27 SCRA 1179.

[21] Ibid, 1183.

[22] L-16096, October 30, 1962, 6 SCRA 287.

[23] Ibid, 293.

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