

CANDIDA SEVILLA, ET AL., PLAINTIFFS AND APPELLANTS, VS. CONCORDIA DE LOS ANGELES, DEFENDANT AND APPELLEE.

G.R. No. L-7745. November 18, 1955

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

On August 21, 1951, plaintiffs instituted this action in the Court of First Instance of Camarines Sur seeking to recover a parcel of land containing an area of 41 hectares, 14 ares and 92 centares and the cancellation of Transfer Certificate of Title No. 577 which was allegedly procured by the defendant through fraudulent representation.

On December 21, 1951, defendant put in an answer setting up certain affirmative defenses. On August 20, 1952, defendant filed a motion to dismiss on the ground that the complaint states no cause of action and, if so, the same is already barred by prescription. Plaintiffs objected to the motion to dismiss, and, finding it to be without merit, the court denied the motion. However, when defendant filed a second motion to dismiss wherein she reiterated her plea that the action had prescribed, the court, in an order entered on October 20, 1953, reconsidered its previous ruling and dismissed the case on the ground of prescription. This is the order subject of the present appeal.

The facts, as may be gathered from the complaint, are: Plaintiffs are the legitimate children of spouses Felix Sevilla and Ciriaca Ramos. During their marriage, the spouses applied for a homestead in Siruma, Camarines Sur, from the Bureau of Lands. Ciriaca Ramos died before the issuance of the patent, but notwithstanding her death her husband continued the prosecution of the homestead and on April 27, 1934 the patent was granted and Original Certificate of Title No. 1056 issued in the name of the "heirs of Felix Sevilla." But, before the patent and title were issued as aforesaid, Felix Sevilla married the defendant. Shortly thereafter, Felix Sevilla died and, availing herself of fraud and misrepresentation, or pretending to be the sole heir of the deceased, defendant succeeded in having Original Certificate of Title No. 1056 cancelled and Transfer Certificate of Title No. 577 issued in her name. Because of such fraudulent representation she was able to possess the land and to appropriate the produce since 1936 up to the present time.

In considering that the action of the plaintiffs had already prescribed even if the complaint does not expressly state the date when the alleged fraud was discovered by them, the court made the following comment: "The complaint does not allege when plaintiffs discovered the commission of the fraud, that is, the fraudulent cancellation of Original Certificate of Title No. 1056 and the issuance of T. C. T. No. 577 in the name of the defendant. The property, however, is covered by a certificate of title duly registered in the office of the Register of Deeds, and therefore, open to examination by any party interested therein. As the records of the Register of Deeds are public records and open to the inspection and examination of interested parties, there can be no concealment." In other words, since it appears that the aforesaid Certificate of Title No. 577 was issued in 1936 as a result of the fraud practised by defendant and the plaintiffs have taken the present action only in 1951, the action, in the opinion of the court, is now barred upon the theory that plaintiffs had had constructive notice of the fraud for more than 14 years or since the issuance in 1936 of said Certificate of Title No. 577.

While this ruling is correct if applied to ordinary actions of recovery of real property which is covered by a torrens title upon the theory that its registration under our registration system has the effect of a constructive notice to the whole world, the same cannot be availed of when the purpose of the action is to compel a trustee to convey the property registered in his name in trust for the benefit of the cestui que trust. In other words, the defense of prescription cannot be set up in an action whose purpose is to recover property held by a person in trust for the benefit of another.

"The action brought by the plaintiffs is clearly an action for the specific conveyance of the property registered in the name of defendants' predecessor in interest. The deceased vendor was issued the certificate of title for and in behalf, and in trust for the benefit, of the plaintiffs. The action is one to compel a trustee to convey the property registered in his name in trust for the benefit of the cestui que trust, and the same does not prescribe." (Feliciano Manalang, et al. vs. Gercia Canlas, et al., G. R. No. L-6307, April 20, 1954.)

"As against the beneficiary prescription is not effective in favor of a person who is acting as trustee, of a continuing and subsisting trust." (Cristobal vs. Gomez, 50 Phil., 810.)

"Prescription does not run in favor of one who holds in trust for others; and a denial of the trust made by the trustee to one of the beneficiaries who, at the time of such repudiation of the trust is a minor, does not have the effect of abrogating the trust relation." (Castro vs. Castro, 57 Phil., 675.)

A similar situation obtains in the present case. The complaint alleges that the patent of the land was granted on April 27, 1934 and to implement it Original Certificate of Title No. 1056 was issued in the name of the "heirs of Felix Sevilla,"—meaning the plaintiffs herein who are at that time minors,—and that sometime in 1936, defendant through fraudulent representation, or by pretending to be the sole heir of the deceased, succeeded in having the original title cancelled and a new one issued in her name thereby enabling her to possess the land and appropriate its produce. This way of acquiring title creates what is called "constructive trust" in favor of the defrauded party and grants to the latter a right to vindicate the property regardless of the lapse of time. Thus, it has been held that "if a person obtains legal title to property by fraud or concealment, courts of equity will impress upon the title a so-called constructive trust in favor of the defrauded party. The use of the word 'trust' in this sense is not technically accurate: * * * but as courts are agreed in administering the same remedy in a certain class of frauds as are administered in fraudulent breaches of trusts, and as courts and the profession have concurred in calling such frauds constructive trusts, there can be no misapprehension in continuing the same phraseology, while a change might lead to confusion and misunderstanding." (Cayondato vs. Treasurer of the Philippine Islands, 49 Phil, 244, 249.) This ruling applies squarely to the case at bar.[1]

"In the case before us the title was acquired by Heald tortiously, or in violation of every well-settled principle of Law. It never was trust property. Strictly speaking, he was not a trustee, any more than a trespasser or other wrongdoer. The wrongdoer who becomes possessed of property under such circumstances has been styled a 'trustee;' but this is for want of a better term, and because he has no title to property, and really holds it for the true owner. It might as well be said that, where two persons conspire to possess themselves of the personal property of another when he brings trover for its recovery, they should be styled 'trustees,' instead of 'tortfeasors,' and should be permitted to claim the benefit of a lien for care or for provender." (Henninger vs. Heald, 30 Atlantic, 809, quoted in Gayondato vs. Treasurer of the Philippine Islands, supra.)

Considering that the present case was dismissed merely on a motion to dismiss filed by defendant even after she had filed her answer to the complaint, it is our considered opinion that the same should be remanded to the lower court in order that evidence may be presented on the matter affecting the alleged fiduciary relation or trust and the equities of the parties determined in the light of such evidence.

Wherefore, the order appealed from is hereby set aside. The case shall be remanded to the lower court for further

proceedings, without pronouncement as to costs.

Paras, C. J., Bengzon, Padilla, Montemayor, Reyes, A., Jugo, Labrador, Concepcion, and Reyes, J. B. L., JJ., concur.

[1] It is not correct that this issue was raised by appellants in this appeal for the first time. It was raised by them in their opposition to the motion to dismiss in the lower court.

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