

DIOSCORO DOMINGO ETC., ET AL., PLAINTIFFS AND APPELLANTS VS. THE MAYON REALTY CORPORATION AND THE REGISTER OF DEEDS OF TARLAC, DEFENDANTS AND APPELLEES.

G.R. No. L-2701. September 30, 1957

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

The origins of this case take us back to 1923, when the Court of First Instance of Tarlac rendered a decision ordering the registration of some 659 has. of land situated in Paniqui, Tarlac, in the name of Leocadia Angelo, applicant. Final decree was entered on July 16, 1924, and two days later a certificate of title was issued in her favor. Leocadia Angelo sold the land to Cipriano Pacheco, who obtained Transfer Certificate No. 736, and five days later Pacheco sold the property to Lucia F. de Valle Cruz for P15,000.00, with right to repurchase.

On October 6, 1924, the Director of Lands petitioned for a review of the decree, under sec. 38 of the Land Registration Act, on the ground that several hundred adverse claimants and possessors had been deprived of notice of the proceedings through the applicant's fraud. After hearing, the Court of First Instance found that the applicant obtained the decree by such fraud; that Pacheco was not a buyer in good faith and that the good faith of Lucia F. de Valle Cruz was doubtful. Upon appeal, the Supreme Court (in *Angelo vs. Director of Lands*, 49 Phil. 339) affirmed the order, except as to Lucia F. de Valle Cruz, whom ; it declared a mortgagee in good faith, ruling that "her lien upon the land must be respected, and, in view of the facts stated, adverse occupants are not in a position to complain if we declare, as we do, that the lien will subsist until the debt secured by it is paid" (cas. cit., pp. 842-843). In consequence, was ordered that:

"For the reasons stated, the order appealed from is modified by declaring that the" appellant Lucia F. de Valle Cruz, or her successors in interest, shall have a lien upon the land described in Transfer Certificate No. 786 of the registry of deeds of the Province of Tarlac for the sum of P15,000, with interest at the rate of 12 per cent per annum from July 23, 1924, until paid; that if said sum with interest should not be paid within six months from the date of the notification of this decision, the lien may be foreclosed in the manner provided for in sections 254-259 of the Code of Civil Procedure, except that in the sale under such foreclosure, the portions of the land which are occupied by the herein petitioners for review shall not be sold until the portions not so occupied have been sold and the proceeds of the sale found insufficient for the satisfaction of the lien. In all other respects, the appealed order is affirmed without costs in this instance." (Appellants' Brief, p.7)

The records having been remanded to the court of origin, the mortgagee Valle Cruz subsequently instituted foreclosure proceedings for nonpayment of the P15,000.00 mortgage debt plus interest. The Court of First Instance, by judgment rendered on January 31, 1928, ordered the foreclosure; and the Sheriff July sold the property at auction, and awarded it to the mortgagee as the highest bidder. The sale was confirmed by the court on September 11, 1928, notwithstanding the opposition of some of the adverse claimants, among them Ciriaco Al-lingag. As a result, transfer Certificate of Title No. 2641 was issued to Lucia F. de Valle Cruz. On November 22, 1937 she mortgaged the land to the Philippine National Bank, and in October of 1939, she sold it to Ricardo

N. Vicente and his wife, subject to the Bank's mortgage. In the meantime, on April 8, 1936, Ciriaco Al-lingag, one of the original adverse claimants, sued to annul the foreclosure Judgment and sale as to three lots occupied by him, with a total area of 22,728 sq. m., as well as Certificate of Title No. 2641 Issued in the name of Lucia F. de Valle Cruz. After trial, the Court of First Instance on April 26, 1940, annulled the foreclosure sale and the Transfer Certificate of Title No. 2641, without prejudice to the Bank's mortgage; but upon appeal, the Supreme Court (in Al-lingag vs. Valle Cruz, et al., G.R. No.47766, unpublished) reversed the: decision of the trial court and dismissed the complaint. Thereafter, the land passed to the Mayon Realty Corporation, to which the Register of Deeds of Tarlac issued Transfer Certificate of Title No. 19825.

After the liberation of the Philippines from the Japanese, some seventy persons, mostly adverse claimants in the registration proceedings, filed the complaint that initiated the present case, which is the third litigation over this property. They sought to recover from the Mayon Realty Corporation the portions of land occupied by them, alleging the nullity of the original decree in favor of Leocadia Angelo and of the certificate in the name of Pacheco and all subsequent certificates. The defendant asserted its right as successor in interest to Lucia F. de Valle Cruz, whose rights were expressly reserved by the Supreme Court in Angelo vs. Director of Lands (*supra*), and counterclaimed for the rentals of the land, averring that the plaintiffs, taking advantage of the disturbed conditions during the Japanese occupation and the destruction of the records, had entered the land and seized and appropriated it for themselves. After hearing, the Court of First Instance dismissed the complaint, and sentenced plaintiffs to restore possession and to pay damages, at the rate of seven (7) cavanes of palay per hectare from and after the crop year 1943-1944, and the costs. Of the seventy (70) original plaintiffs, some 16 appealed directly to this Court on points of law. The principal contention of the appellants is that the decree of registration in favor of Leocadia Angelo (the original applicant) had been annulled and set aside by the Court of First Instance of Tarlac when it declared that the same had been obtained through fraud; that this judgment was affirmed by the Supreme Court on appeal; that thereby the Certificate of Title (No.786) Issued to Cipriano Pacheco pursuant to the decree must be, and has, also declared null and void, hence the Register of Deeds of Tarlac should not have issued new Certificates of Title to the buyer at the foreclosure proceedings, Lucia F. de Valle Cruz, or to her successors in interest. But this issue was already considered and adversely decided by this Supreme Court in the case of Ciriaco Al-lingag vs. Lucia F. de Valle Cruz, et al., G.R. 47766, where the Court stated:

"The appealed judgment is predicated mainly on the ground that, after this Court, in Angelo vs. Director of Lands, *supra*, had declared the decree of registration in favor of Leocadia Angelo null and void, and had ordered the cancellation of the Transfer Certificate of Title issued in favor of Cipriano Pacheco, the latter no longer had any interest in or title to the land, and the judgment in the foreclosure action filed by Lucia F. de Valle Cruz against him alone, as mortgagor, could not therefore affect the rights of those who, like the plaintiff Ciriaco Al-lingag, claimed ownership. This line of argument cannot be sustained*

The foreclosure suit and the consequent auction sale were proceedings had in obedience to the judgment of this Court in the case of Angelo vs. Director of Lands, *supra*, which declared that 'Lucia F. de Valle Cruz, or her successors in interest, shall have a lien upon the land described in Transfer Certificate No. 786,' or, in other words, that the lien was to encumber the land irrespective of its ownership. Such pronouncement was made, indeed, with the full knowledge that Cipriano Pacheco held no valid title, or its cancellation would not have been ordered. Fundamentally speaking, the rights of the plaintiff were not pre-judged by the fact that he was not included as a party defendant in the foreclosure suit, since he could not, at any rate, set up the defense that he was the owner of the land, or a part thereof; and no pretense is either made that, if he had been joined in the action, he would have offered to pay the indebtedness of Cipriano Pacheco to Lucia F. de Valle Cruz, which was the only condition for the release of the land. Moreover, the plaintiff was not a necessary party, because, although he was one of the oppositors in the case of Angelo vs. Director of Lands, *supra*, his opposition was withdrawn during the trial of the case, after which he ceased to be a person 'hearing or claiming an interest'; in

the land. As a matter of fact, after the foreclosure sale and the issuance of the Torrens title in the name of Lucia F. de Valle Cruz, the plaintiff entered into a tenancy contract with her, whereby he acknowledge her ownership and, for a period of nine years, paid to her the stipulated rentals." (Appellants' Brief, pp. 9-11)

And indeed no other solution was possible. If the mortgagee Lucia F. de Valle Cruz in good faith had placed reliance upon Certificate of Title No. 786 in the name of Cipriano Pacheco, and thereby acquired a valid lien upon the land described therein, she had not be protected were the land declared to be still unregistered because of the reopening of the original decree. It stands to reason that the value of her equity as mortgagee would diminish if the buyers at the foreclosure sale could not be assured of obtaining a valid indefeasible title. The Al-lingag decision thus clarified that the setting aside of the original decree was operative only between the parties to the fraud and the parties defrauded or their privies; but not against acquirers in good faith and for value, like Lucia F. de Valle Cruz and her successors in interests. The position maintained by appellants herein would, if sustained, violate the basic principle of the Land Registration Act that if there is any innocent purchaser for value (which term includes an innocent mortgagee), the decree shall remain in full force and effect forever (Sec. 38).

Like Ciriaco Al-lingag in the previous case, appellants herein could have raised the issue of the validity of the Certificate of Title issued to Valle Cruz since 1923, when the foreclosure sale in her favor was confirmed. They failed to do so until 18 years afterwards, and their action (if any) now should be held barred by their own laches and negligence. As pointed out by the court below, these appellants should not be in a better position than the original oppositors in the case against Leocadia Angelo, or the plaintiff Ciriaco Al-lingag in the second case decided by this Court; specially because additional acquirers in good faith and for value have intervened since then. The decision appealed from is affirmed, with costs against appellants.

So ordered.

Paras, C.J. Bengzon, Padilla, Montemayor, Reyes, A., Labrador, Concepcion, Endencia, and Felix, JJ., concur.
Justice Felix Bautista Angelo took no part.

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