

**ARTURO G. VILLA, BERTIER Y. VILLA II, MALOT BELEN Y. VILLA
AND GENEVIEVE Y. VILLA, PLAINTIFFS-APPELLANTS, VS. CEBU
KIWANIS FOUNDATION INC. HEREIN REPRESENTED BY ITS
PRESIDENT, M...**

Ponente: QUIJANO-PADILLA, J.

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QUIJANO-PADILLA, J.:

This is an appeal on the Decision[1] dated April 23, 2009 of the Regional Trial Court of Cebu City, Branch 12, in Civil Case No. CEB- 16484, which dismissed herein plaintiffs-appellants' Complaint for recovery of possession and damages against herein defendant-appellee.

The relevant facts of the case are as follows:

Plaintiff-appellant Arturo Villa (“appellant Villa”) and his son and daughters filed a Complaint[2] against herein defendant-appellee Cebu Kiwanis Foundation, Inc. (“appellee Cebu Kiwanis”) seeking for the recovery of possession and ownership of a 2,000 square meters portion of a parcel of land described as Lot No. 323-I situated in T. Padilla St. Cebu City (“subject Lot”). He testified[3] during trial that Lot No. 323-I containing a total of 4,114 square meters was sold to him and his wife by Dr. Ines Villa Gonzales (“Dr. Ines”) as evidenced by a Deed of Sale[4] dated July 7, 1981. Accordingly, he sought the registration of the entire Lot No. 323-I and he was issued with Transfer Certificate of Title (TCT) No. 81474[5] under his and his wife's name. He also claimed that he and his wife were not able to possess the subject Lot because he acceded to the request of Dr. Ines, being his aunt, to allow the latter to use the subject Lot for her kindergarten school and pre-school. He claimed that he only enforced his right to possess the subject Lot when Dr. Ines died in December 1988. At that time, he talked to the caretaker of the school about using the subject Lot where the school was situated, but the latter informed him that the same was already donated to appellee Cebu Kiwanis.

With the information that the subject Lot was already donated, appellant Villa made his own research and found that Dr. Ines indeed donated the subject Lot to appellee Cebu Kiwanis in 1972, but Dr. Ines filed a complaint for revocation of donation which the trial court in Civil Case No. R-16292 granted in 1981[6], so appellee Cebu Kiwanis appealed the case to the then Intermediate Appellate Court (IAC) and was docketed as AC- G.R. CV No. 02958. However, while the case was pending on appeal, the parties, Dr. Ines and Cebu Kiwanis entered into a compromise agreement dated July 28, 1984 which ended the litigation and the appellate court then rendered a Decision[7] based on the compromise and confirmed the donation of the subject lot to Cebu Kiwanis. Appellant Villa testified also that the donation in favor of appellee Cebu Kiwanis was not annotated on the title of Dr. Ines and that when the title was transferred to their name after the sale of Lot 323-I to them, the same donation was still not annotated on their own title. He added that the subject Lot was never registered in the name of appellee Cebu Kiwanis.

Appellant Villa also narrated that he did not know that the subject Lot was donated to appellee Cebu Kiwanis, he only knew of such donation when Dr. Ines died and when he talked to the caretaker of the school. He firmly

believed that the subject Lot was already his own by virtue of the sale and the issuance of TCT No. 81474 in his name. He reiterated that he only acceded to the request of his aunt Dr. Ines to let her operate her school on such Lot. He then narrated that he made oral demands to Cebu Kiwanis when one Miguel Del Gallego was still the president, and when appellee Cebu Kiwanis did not heed his oral demands, he made a written demand through a demand letter[8] dated August 8, 1994 through his lawyer. When his written demand was unheeded, he then filed his Complaint before the trial court.

Appellant Villa also admitted during trial that a case was filed against him by Dr. Ines for the declaration of nullity of the sale of the subject Lot, but this case was dismissed by the trial court without prejudice, and the complaint was not anymore refiled.[9]

Appellee Cebu Kiwanis mainly contended in their evidence that subject property was donated to the foundation by virtue of a Deed of Donation[10] dated November 2, 1972. It admitted that a case was filed against it by Dr. Ines for the revocation of donation for its failure to comply with some resolutive conditions and that the case was decided against it, so they appealed the same. On appeal, it entered into a compromise agreement with Dr. Ines where Cebu Kiwanis remained the donee of the subject Lot for a consideration of USD1,600.00 sans any condition anymore. Hence, the appellate court rendered a decision based on compromise and confirmed the donation of the subject Lot to Cebu Kiwanis. This decision of the appellate court dated September 27, 1984 had become final and executory and an entry of judgment was issued on November 12, 1984. The testimony[11] of its lone witness, former Judge Pedro Cortes Son, a lawyer of Cebu Kiwanis before, affirmed the fact that the subject Lot was donated to Cebu Kiwanis and that after donation in 1972, Cebu Kiwanis took possession of such Lot and up to the present possessed the same with no disturbance until the filing of the complaint of appellant Villa.

Ruling on the validity of the donation in favor of appellee Cebu Kiwanis and that laches had set in against the appellants, the trial court dismissed appellants' complaint and ruled in favor of appellee Cebu Kiwanis as to the ownership of the subject Lot. The trial court, in gist, concluded that Dr. Ines Villa could not anymore convey the subject Lot through sale as it was already donated to Cebu Kiwanis, accordingly, the sale to appellant Villa had no force and effect.

The April 23, 2009 assailed Decision[12] of the trial court disposed, thus:

“WHEREFORE, the foregoing premises considered, judgement is hereby rendered in favor of the defendants (sic) and against the plaintiffs dismissing the instant complaint, as it is hereby DISMISSED for lack of basis. Likewise, the counterclaims of defendant are dismissed.

SO ORDERED.”[13]

Appellants moved for a reconsideration of the adverse Decision, but the same was denied. Hence, this appeal.

In this appeal, appellants assigned the following errors to the trial court:

I. “The trial court erred in ruling that the deed of donation in favor of defendant-appellee Kiwanis, allegedly dated November 2, 1972, but was never registered, annotated on the certificate of title, nor offered in evidence, was a valid and binding document.

II. The trial court erred in ruling that Arturo G. Villa, et al. are guilty of laches allegedly for doing nothing from 1981 to 1994.”[14]

In sum, the main issue to be resolved is who, between appellants and appellee Cebu Kiwanis has better right of possession and ownership of the subject Lot? This main issue, however, hinges on the resolution of the following sub-issues: a) whether or not the donation to Cebu Kiwanis of the subject Lot is valid and existing; b) whether or not appellants can claim title to the subject Lot by virtue of the sale of the subject Lot in their favor; and c)

whether or not laches had set-in against appellants, thus, they cannot anymore claim the property.

We find in favor of appellee Cebu Kiwanis.

It is undisputed that there was donation of the subject Lot by Dr. Ines to appellee Cebu Kiwanis. But appellants argue that they could not be bound by such donation as the same was unregistered at the time appellants bought Lot No. 323-I in 1981 and was never annotated at the back of the certificate of title issued in the name of Dr. Ines, and that they had no knowledge of such donation in favor of appellee Cebu Kiwanis when they purchased Lot No. 323-I.

Donation, being itself a mode of acquiring ownership, results in an effective transfer of title over the property from the donor to the donee.[15] Jurisprudence holds that non-registration of a deed of donation does not affect its validity. Registration is not necessary to make the donation a binding commitment insofar as the donor and the donee were concerned.[16] For, as between the parties to the donation and their assigns, the registration of the deed of donation with the Registry of Deeds is not needed for its validity and efficacy.[17]

In donations of immovable property, the law requires for its validity that it should be contained in a public document, specifying therein the property donated and the value of the charges which the donee must satisfy. The Civil Code provides, however, that "titles of ownership, or other rights over immovable property, which are not duly inscribed or annotated in the Registry of Property (now Registry of Land Titles and Deeds) shall not prejudice third persons. It is enough, between the parties to a donation of an immovable property, that the donation be made in a public document but, in order to bind third persons, the donation must be registered in the registry of Property (Registry of Land Titles and Deeds).[18]

Indeed, Section 51 of P.D. No. 1529 (Property Registration Decree) states that the act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned. Hence, the the general rule is that "every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property." [19]

Appellants, however, cannot rely on such principle because it is equally controlling that "where a party has knowledge of a prior existing interest which is unregistered at the time he acquired a right thereto, his knowledge of that prior unregistered interest would have the effect of registration as regards to him." [20]

In this case, appellants admitted, as appearing in the pre-trial order,[21] that they had prior knowledge that appellee Cebu Kiwanis had been possessing the subject Lot since 1972. Hence, with this knowledge of adverse possession, appellants could not claim good faith when they purchased the subject Lot without further investigating on the basis of the title of the actual possessor of the same Lot. Consequently, in this case, appellants cannot seek the protection of not going beyond the certificate of title to determine the condition of the property.

The pronouncement of the Supreme Court in *Spouses Mathay v. Court of Appeals*[22] is instructive, to wit:

"Although it is a recognized principle that a person dealing on a registered land need not go beyond its certificate of title, it is also a firmly settled rule that where there are circumstances which would put a party on guard and prompt him to investigate or inspect the property being sold to him, such as the presence of occupants/tenants thereon, it is of course, expected from the purchaser of a valued piece of land to inquire first into the status or nature of possession of the occupants, i.e., whether or not the occupants possess the land en concepto de dueño, in the concept of the owner. As is the common practice in the real estate industry, an ocular inspection of the premises involved is a safeguard a cautious and prudent purchaser usually takes. Should he find out that the land he intends to buy is occupied by anybody else other than the seller who, as in this case, is not in actual possession, it would then be incumbent upon the purchaser to verify the extent of the occupant's

possessory rights. The failure of a prospective buyer to take such precautionary steps would mean negligence on his part and would thereby preclude him from claiming or invoking the rights of a “purchaser in good faith.”

In the same vein, the case of *Crisostomo v. Court of Appeals*[23] held, thus:

“It is a well-settled rule that a purchaser or mortgagee cannot close his eyes to facts which should put a reasonable man upon his guard, and then claim that he acted in good faith under the belief that there was no defect in the title of his vendor or mortgagor. His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in the vendor’s or mortgagor’s title, will not make him an innocent purchaser or mortgagee for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defects as would have led to its discovery had he acted with the measure of a prudent man in like situation.”

Clearly, appellants cannot be considered as buyers in good faith, so they cannot claim valid title to the subject Lot by virtue of the sale in their favor because the same subject Lot was already previously donated to appellee Cebu Kiwanis. Title to the property effectively passed to appellee Cebu Kiwanis pursuant to such donation. Verily, the donation in favor of appellee Cebu Kiwanis, albeit unregistered, binds the appellants.

Appellants also find error in the trial court when it confirmed the ownership of appellee Cebu Kiwanis of the subject Lot based merely on the judgment based on compromise rendered by the IAC without considering the deed of donation itself. They argue that the non-offering of the deed of donation would render the validity of the donation questionable.

It is true that deed of donation was not part of the Formal Offer of Evidence of appellee Cebu Kiwanis, but We cannot agree with appellants’ contention because the absence of the deed of donation in the formal offer of evidence did not render it invalid and ineffective. Indeed, appellee Cebu Kiwanis traces their claim of ownership on the basis of a deed of donation in their favor. But instead of offering as evidence the deed of donation itself, it opted to present the judgment of the IAC which approved the compromise agreement dated July 28, 1984 between Dr. Ines and appellee Cebu Kiwanis wherein they agreed to give effect to the deed of donation dated November 2, 1972 without any condition.

It is well to recall that the deed of donation was previously subjected to a revocation case. Dr. Ines as the donor filed a case seeking the revocation of the deed of donation for failure of the donee Cebu Kiwanis to comply with certain conditions of the donation. After trial, the trial court in Civil Case No. R-16292 declared the deed of donation as revoked. Hence, the donee, Cebu Kiwanis appealed to the IAC and the appeal was docketed as AC-G.R. CV No. 02958. However, pending the resolution of such appeal, Dr. Ines and Cebu Kiwanis entered into a compromise agreement dated July 28, 1984, which stipulated among others:

“xxxx

(4) That defendants-appellants appealed the decision to this Honorable Intermediate Appellate Court and said appeal is now pending, but the parties hereto have agreed, as they do hereby agree, to settle the case in accordance with the following terms and conditions, to wit:

(a) That for and in consideration of the sum of ONE THOUSAND SIX HUNDRED DOLLARS (\$1,600.00) in U.S. Currency, receipt of which in full is hereby acknowledged to plaintiff-appellee’s entire satisfaction as donor, she hereby confirms the deed of donation dated November 2, 1972 executed before and ratified by Notary Public Luis Diores of Cebu City and docketed in his Notarial Register as Doc. No. 247, Page No. 50, Book No. XXIV, Series of 1972, WITHOUT anymore of the conditions therein originally imposed, except that the site donated shall remain to be called the INES VILLA REHABILITATION CENTER;

xxxx”[24]

It is clear from the above compromise agreement, which was also quoted in the Decision of the IAC dated September 27, 1984, that it intends to give effect to the deed of donation dated November 2, 1972. This Decision of the IAC has long been final and executory. Hence, the confirmation of the validity of the deed of donation is now conclusive and immutable.

As such, even if the deed of donation was not offered in evidence, the Decision of the IAC is enough basis to hold that the deed of donation is valid and existing.

It is equally important to emphasize that although the deed of donation was not offered in evidence, appellants themselves admitted that this deed of donation was the subject of the September 27, 1984 IAC Decision. They also cannot claim that the trial court had not seen such deed of donation because the records reveal that it was one of the documents submitted by appellee Cebu Kiwanis before the trial court, albeit, not part of its formal offer of evidence.[25]

Grasping at straws, appellants also argue that the trial court erred in ruling that the compromise agreement entered into by Dr. Ines and appellee Cebu Kiwanis confirmed the validity of the donation. For appellants, because the compromise agreement was in a nature of a sale, where appellee Cebu Kiwanis bought the subject Lot from Dr. Ines, then there was no more donation to speak of. They conclude that the compromise agreement being a deed of sale contradicts the spirit of the donation.

Following this line of argument, appellants contend that at the time the compromise agreement was entered into by Dr. Ines and Cebu Kiwanis, they were already the owners of the property considering that the donation was already revoked by the trial court.

Appellants' arguments are clearly erroneous.

First, when the trial court in Civil Case No. R-16292 revoked the deed of donation, its ruling had not attained finality as such decision was timely appealed to the IAC. Clearly, the revocation of the deed of donation, not having attained finality, cannot be binding. On the contrary, the deed of donation is deemed not revoked considering that Dr. Ines and Cebu Kiwanis, in the compromise agreement, validated the deed of donation as they agreed to remove the conditions therein. Second, when the compromise agreement was entered into, the same cannot be considered as a contract of sale because it is clear that the payment of a sum of money was in consideration of the removal of the conditions and of putting an end to the litigation. Because of the compromise agreement, it is as if the filing of a case for revocation has never existed. Indubitably, the deed of donation, from the time it was entered into in 1972, has remained valid and existing.

Clearly, the donation of the subject Lot to appellee Cebu Kiwanis was valid, effective and existing at the time of the alleged sale of the same property to the appellants. The trial court correctly noted that Dr. Ines, having previously donated the subject Lot cannot anymore sell the same to the appellants, to wit:

“What the plaintiffs overlook is the fact that at the time Ines Villa Gonzales conveyed the subject property to spouses Villa on July 7, 1981, it was no longer hers to sell having relinquished her ownership thereon to herein defendant Cebu Kiwanis by way of donation on November 2, 1972. *Nemo dat qui (sic) non habet* – No one can give what he has not. xxx As correctly pointed out by the defendant, at the time of the sale in 1981, Dr. Ines could not have sold the whole area of Lot No. 323-I, as the 2,000 square meters thereof had already been donated to the defendant as early as in 1972, which donation which she confirmed in a Compromise Agreement dated July 28, 1984.”[26]

Considering that the deed of donation effectively transferred the ownership of the subject Lot to appellee Cebu Kiwanis, appellants then cannot anymore claim valid title to the same through the subsequent sale in their favor. Despite the fact that the whole portion of Lot No. 323-I is registered in appellants' name, their title to it cannot be

valid and binding in so far as the subject Lot, the portion of 2,000 square meters donated to appellee Cebu Kiwanis, is concerned.

Clearly, Our case law[27] instructs that possession of a certificate of title alone does not necessarily make a party the true owner of a property described therein. Registration does not vest title; it is merely the evidence of such title. Our land registration laws do not give the holder any better title than what he actually has. The pronouncement in *Naval v. Court Appeals*[28] is, thus, worth noting, to wit:

“Registration of a piece of land under the Torrens System does not create or vest title, because it is not a mode of acquiring ownership. A certificate of title is merely an evidence of ownership or title over the particular property described therein. It cannot be used to protect a usurper from the true owner; nor can it be used as a shield for the commission of fraud; neither does it permit one to enrich himself at the expense of others. Its issuance in favor of a particular person does not foreclose the possibility that the real property may be co-owned with persons not named in the certificate, or that it may be held in trust for another person by the registered owner.”

Verily, the certificate of title issued in appellants' name could not vest upon them ownership of the entire Lot No. 323-I. Appellants may have a claim over the rest of Lot No. 323-I, but this EXCLUDES the subject Lot donated to appellee Cebu Kiwanis.

Finally, on the issue of laches, We hold that the same cannot find application in the instant case.

In ruling that laches had set-in against the appellants, the trial court ruled under the impression that appellants had a valid title over the subject Lot. It held, thus:

“Plaintiff Arturo Villa claimed that he only came to know of the structures built on a portion of Lot 323-I after the death of Dr. Ines in 1988. This assertion is irreconcilable. Common experience tells us that one who owns a property cannot fail to discover and know that existing structures were built and standing on the lot from the time that the owner starts acquiring a property. As admitted by plaintiff Arturo Villa, he and his family reside near the subject property, on the part of plaintiffs. He in fact admitted to have known the existence of the kindergarten school and pre-school even before the sale of the property to them. The inaction of plaintiffs for over 10 years has reduced their right to regain possession of the subject lot to a stale demand as laches has set in. xxxx.”[29]

Clearly, the above discussion of the trial court is more appropriate in considering the absence of good faith on the part of appellants as buyers of the subject Lot than in the application of the concept of laches.

In applying the equitable concept of laches, the following four established requisites must be present, to wit:

- (1) “conduct on the part of the defendant or one under whom he claims, giving rise to the situation of which complaint is made and for which the complainant seeks a remedy;
- (2) delay in asserting the complainant's right, the complainant having had knowledge or notice of defendant's conduct and having been afforded an opportunity to institute a suit;
- (3) lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his claim; and
- (4) injury or prejudice to the defendant in the event relief accorded to the complainant, or the suit is not held barred.”[30]

Following the logic of the above elements, laches cannot operate against the appellants because, in the first place, they did not have any valid claim or title to the subject Lot. Otherwise stated, appellants cannot be barred by laches to claim title to the property when they can never assert any claim at all.

Appellants, likewise, cannot claim that it was not against them laches had set-in but against appellee Cebu Kiwanis. This defense was never raised by them in the trial court, and it is for the first time that they are invoking it. In this jurisdiction, basic is the legal precept that “no question will be entertained on appeal unless it has been raised in the court below. Points of law, theories, issues and arguments not brought to the attention of the lower court need not be, and ordinarily will not be, considered by a reviewing court, as they cannot be raised for the first time at that late stage.”[31]

WHEREFORE, the instant appeal is hereby DENIED. The April 23, 2009 Decision of the Regional Trial Court of Cebu City, Branch 12, in Civil Case No. CEB- 16484, is AFFIRMED.

SO ORDERED.

Hernando, J., Chairperson, and Azcarraga-Jacob, J., concur.

[1] Records, pp. 854-867.

[2] Records, pp. 1-7.

[3] TSNs dated November 25, 1997 and April 7, 1998.

[4] Records, p. 8.

[5] Records, p. 9.

[6] Records, pp. 10-17.

[7] Records, pp. 18-20.

[8] Records, p. 21.

[9] TSN dated November 26, 1998.

[10] Records, pp. 139-141

[11] TSN dated June 26, 2007.

[12] Supra, note 1.

[13] Records, p. 867.

[14] See Appellant's Brief, Rollo, p. 28.

[15] Shopper's Paradise Realty and Development Corp. v. Roque, G.R. No. 148775, January 13, 2004.

[16] Pajarillo v. IAC, G.R. No. 72908, August 11, 1989.

[17] Dolar v. Barangay Lublub, G.R. No. 152663, November 18, 2005.

[18] Shopper's Paradise Realty and Development Corp. v. Roque, Supra.

[19] Cabuhat v. CA, G.R. No. 122425, September 28, 2001.

[20] Supra, note 15.

[21] Records, p. 186.

[22] G.R. No. 115788, September 17, 1998.

[23] G.R. No. 91383-84, May 31, 1991.

[24] Quoted in the Decision of the IAC dated September 27, 1984, Records, pp. 18-20. See also Records, pp. 144-146.

[25] Records, pp. 144-146.

[26] Records, p. 864.

[27] Ingjug-Tiro v. Casals, G.R. No. 134718, August 20, 2001; Daclag, et al., v. Macahilig, et al., G.R. No. 159578, July 28, 2008.

[28] G.R. No. 167412, February 22, 2006.

[29] Records, pp. 866-867.

[30] Agra, et al., v. PNB, G.R. No. 133317, June 29, 1999.

[31] Del Rosario v. Bonga, G.R. No. 136308, January 23, 2001.

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