

CONRADO C. FULE AND LOURDES E. ARAGON, PETITIONERS, VS. EMILIA E. DE LEGARE AND COURT OF APPEALS, RESPONDENTS.

G.R. No. L-17951. February 28, 1963

Ponente: REGALA, J.

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REGALA, J.:

This is a petition for certiorari to review the decision of the Court of Appeals, promulgated on November 16, 1960, in Civil Case No. 15728-R, entitled "Emilia E. Legare, plaintiff-appellant, versus, Conrado C. Fule and Lourdes F. Aragon, defendants-appellants.

The facts of this case as found by the Court of Appeals in its decision are as follows:

"This is an action for annulment of certain deeds of sale and conveyance covering a parcel of land, together with the improvements existing thereon, situated in the municipality of San Juan, province of Rizal, and for damages.

"It appears in evidence that the plaintiff, Emilia E. de Legare, was the owner of a parcel of land, together with a residential house erected thereon, situated at No. 146 Sta. Mesa Boulevard Extension, San Juan, Rizal, her ownership being evidenced by Transfer Certificate of Title No. 21253, issued by the Office of the Register of Deeds of the Province of Rizal. She was living in that house together with defendant John W. Legare, her adopted son, and a maid named Purita Tarrosa. On September 26, 1951, the plaintiff, thru a public deed, constituted on the above mentioned house and lot a first class mortgage in favor of defendant Tomas Q. Soriano to guarantee the payment of a loan in the amount of P8,000.00. This deed of mortgage was on the same date recorded in the Office of the Register of Deeds of the province of Rizal and annotated in the memorandum of encumbrances of transfer certificate of title No. 21253. On account of certain partial payments made by the plaintiff and the contracting by the latter of additional loans in small amounts from Tomas Q. Soriano the debt guaranteed by the above mentioned mortgage was reduced to the sum of P7,000.00 as of February 23, 1953. These transactions, however, were not annotated on the memorandum of encumbrances of the above mentioned certificate of title.

"At about 9:00 o'clock in the evening of March 29, 1953, while the plaintiff, John W. Legare, and Purita Tarrosa were seated in the drawing room of the house above referred to, an unknown man intruded into the room, approached the plaintiff, covered her mouth, and, pressing a knife on her side, demanded that she give him P10,000.00 if she did not like to be killed. The plaintiff replied that she did not have that amount. Thereupon, the intruder told the plaintiff to raise the necessary amount as he would come back the following morning, and once more threatened to kill her if she would fail to do so. After having made that threat, the intruder left the house. John W. Legare did not call for help nor made any attempt to defend his mother, and when Purita Tarrosa stood up to go down the house to call for a policeman, he held the latter by the hand and slapped her on the face when she persisted in going down, telling her that the man had companions waiting downstairs.

"After the intruder was gone John W. Legare approached the plaintiff, and exhibiting to her a paper told her to sign it as with the same he could secure from the U.S. Veterans Administration the amount which they needed to deliver to that intruder. The plaintiff, who did not know how to read nor write, altho she could sign her name,

asked John W. Legare what that paper was. The latter answered that it was an application for payment of compensation. As plaintiff had confidence in John W. Legare and prior to that occasion she had received from the U.S. Veterans Administration a letter concerning some compensation she was to receive, she signed that paper. After the paper was signed by the plaintiff, John W. Legare had Purita Tarrosa sign it as a witness, without however, allowing the latter to read it.

"After that paper was thus signed, John W. Legare told the plaintiff and Purita Tarrosa to pack up their things as they were leaving the house to hide in a hotel, adding that the men who came earlier that evening were Huks. Early the next morning John W. Legare took the plaintiff and Purita Tarrosa to the Windsor Hotel in the City of Manila, and after conducting them to a room in the hotel, told them not to leave the room nor peep out of the window as they might be seen by the men who came to their house in the previous evening. This advice given John W. Legare left the hotel. The plaintiff and Purita Tarrosa stayed in that hotel for about a month and a half. John W. Legare occasionally visited them there. In one of said occasional visits the plaintiff told John that she wanted to go home. The latter told her that it was not yet safe for her to go home. On May 7, 1953, however, John W. Legare came to the hotel, gave the plaintiff a five peso bill, and told her that she could use the amount for transportation expenses if she wanted to leave the hotel. On the following morning the plaintiff and Purita Tarrosa left the hotel and went direct to her house at Sta. Mesa Boulevard Extension. When they arrived at the house, however, they found that it was occupied by strangers, and that all her furniture and personal belongings had disappeared. Inquiring from those strangers how they happened to occupy the house, the latter told her that John W. Legare had sold the house to them and that it was no longer hers. The plaintiff thereupon sought the help of her attorney. It was then discovered that the paper which John W. Legare had the plaintiff and Purita Tarrosa sign in the evening of March 29, 1953 was a deed of sale of the lot and house in question in favor of John W. Legare for the sum of P12,000.00, and that it was supposed to have been executed on the 7th day of April 1953, and acknowledged before a notary public on that date Exhibit X.

"It further appears that sometime prior to May 9, 1953, John W. Legare approached Elias B. Fermin, the real estate broker who intervened in the securing of the loan contracted by the plaintiff from Tomas Q. Soriano, and sought said broker's help to sell the lot and house in question. Elias B. Fermin accepted the commission and offered the property in sale to defendants spouses Conrado C. Fule and Lourdes F. Aragon. Conrado C. Fule read the title papers in the hand of John W. Legare and inspected the premises, and satisfied with the result of his inspection, he agreed to purchase the property for P12,000.00 on condition that the sum of P7,000, the unpaid balance of plaintiff's indebtedness to Tomas Q. Soriano secured by a mortgage thereon, would be deducted from the price, and that he would assume said mortgage. The terms offered by Conrado C. Fule being acceptable to John W. Legare and Tomas Soriano, the parties proceeded to formalize the contract. Accordingly, on May 9, 1953, defendant Tomas Q. Soriano executed a deed of absolute sale thereof, free of all liens and encumbrances, in favor of defendant spouses Conrado C. Fule and Lourdes F. Aragon, Exhibit X-2, and said spouses in turn executed in favor of Tomas Q. Soriano a deed of mortgage covering the property for the sum of P7,000.00. Exhibit X-3. These three deeds, together with transfer certificate of Title No. 21253, issued in the name of the plaintiff, were on that same date presented for registration in the Office of the Register of Deeds of the province of Rizal. The latter, following the usual procedure, recorded, first, the deed of sale executed by the plaintiff in favor of defendant John W. Legare (Exhibit 1) and issued in the name of the latter transfer certificate of title No. 30126 which cancelled transfer for certificate of title No. 21253 (Exhibit Y), then the deed of sale executed by John W. Legare in favor of the spouses Conrado C. Fule and Lourdes F. Aragon (Exhibit X-2) and issued in favor of the latter transfer certificate of title No. 30127 (Exhibit Y-1), which cancelled transfer certificate of title No. 30126, and then annotated on the memorandum of encumbrances of transfer certificate of title No. 30127 the deed of mortgage (Exhibit X-1) executed in favor of Tomas Q. Soriano by said spouses. Once these were accomplished,

Elias B. Fermin and John W. Legare went back to the house of the spouses Conrado C. Fule and Lourdes F. Aragon and gave the transfer certificate of title No. 30127. Thereupon said spouses delivered to John W. Legare the balance of the purchase price of the property, after deducting therefrom the amount of the mortgage constituted thereon in favor of Tomas Q. Soriano, the brokerage fees and the expenses incident to the execution and registration of said deeds and issuance of new certificates of title, which amounted to a little over P4,000.00.

Upon the evidence, the trial court rendered judgment, the dispositive part of which reads as follows:

"IN VIEW OF ALL THE FOREGOING, this Court hereby orders:

"1) the cancellation of Certificate of Title Nos. 30127 and 30126, thereby leaving valid TCT No. 21253 in the name of Emilia E. de Lograre together with the encumbrance thereon in favor of Tomas Q. Soriano;

"2) the delivery of the possession of the premises to the plaintiff and the monthly rental of P150.00 a month from May 9, 1953, up to and including the date on which the delivery is to be made, this obligation being understood to be joint and several insofar as the defendants Fule and Aragon are concerned:

"3) the award of P5,000.00 as moral damages in favor of the plaintiff and enforceable against John W. Legare for the fraud perpetrated by the latter on the former;

"4) the award of P1,000.00 as attorney's fees enforceable against the defendants Fule and Aragon;

"And on the cross-claim the court orders—

"1) John W. Legare to refund to the spouses Fule and Aragon the amount paid by the latter on account of the sale contained in Exhibit X-2 plus interest thereon at the legal rate from the date of the cross-claim;

"2) the award of P5,000.00 as moral damages in favor of the spouses Fule and Aragon and enforceable against John W. Legare for the misrepresentation made by him;

"3) the reimbursement to the spouses Fule and Aragon by John W. Legare of all amounts which may be paid by the former to the plaintiff by way of rentals for the premises involved herein, as well as attorney's fees in the amount of P1,000.00,

"SO ORDERED."

The Court of Appeals, in deciding the appeal, entered a judgment the dispositive portion of which follows:

"WHEREFORE, modified as indicated above, i.e., the transfer certificate of title No. 21253 issued in the name of Emilia E. de Legare is revived with the mortgage in favor of appellee Tomas Q. Soriano annotated on its memorandum of encumbrances but reduced to the amount of P7,000.00, and that the award of attorney's fees in the amount of P1,000.00 to be paid by the spouses Conrado C. Fule and Lourdes F. Aragon, in favor of the plaintiff, is eliminated therefrom the judgment appealed from is hereby affirmed in all other respects, without special pronouncement as to costs in this instance.

"IT IS SO ORDERED."

In elevating the judgment of the Court of Appeals to this Tribunal for review, herein petitioners discussed 6 assignments of error. However, this Court is of the view that, in effect and substance, only one issue was raised. We have always refrained from reviewing factual findings of the Court of Appeals and the first two errors assigned were but attempts at disputing the same. The other four were simply detailed aspects of the one, sole issue, to wit:

Were the herein petitioners purchasers in good faith and for value of the properties here contested?

Guided by the facts found by the Court of Appeals, We hold the herein petitioners innocent purchasers for value of the house and lot here disputed. In consequence, they are here adjudged the lawful owners thereof.

A purchaser in good faith is one who buys property of another, without notice that some other person has a right to or interest in, such property and pays a full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property. Good faith consists in an honest intention to abstain from taking any unconscientious advantage of another (*Cui and Joven vs. Henson*, 51 Phil., 606). We have measured the conduct of the petitioner spouses by this yardstick.

These facts were uncontroverted. The negotiation and transaction which eventually caused the certificate of title to be transferred from the herein respondent to the petitioner spouses were conducted by a real estate broker licensed since 1938. Nothing in John W. Legare's person or behaviour suggested anything suspicious. He was the adopted son of the herein respondent, and, to the time that he was contracting with the petitioner spouses, he had not been known to commit crime or dishonesty. On the contrary John had previous dealings with the real estate broker during which he exhibited the expected degree of trustworthiness.

It should be noted that the deed of sale was regular on its face, and no one would have questioned its authenticity since it was duly acknowledged before a notary public. Moreover, even if the petitioners had the opportunity to compare the signature of the respondent on the deed of conveyance with a specimen of her genuine signature, the effort, nonetheless, would have been in vain since the respondent's signature on the document was admittedly hers. Lastly, it should not be overlooked that the respondent, during the whole period of the negotiation, was nowhere available to confirm or deny the execution of the deed. She was then in hiding, or, hidden, at the Windsor Hotel in Manila.

The diligence and precaution observed by the petitioners, themselves could hardly have been wanting. The records show that they did not rely solely and fully upon the deed of sale in favor of John W. Legare and the fact that John had then in his possession the corresponding certificate of title of the registered owner. They demanded more. They insisted that the sale in favor of John W. Legare be first registered and that the transfer in their favor be thereafter likewise registered. It was only after all these were complied with that they paid the purchaser price. In other words, the petitioner spouses relied not really on the documents exhibited to them by John W. Legare, but, on the registerability of those documents. This in our view, satisfies the measure of good faith contemplated by law.

It is true that at the time the herein petitioners purchased the properties from John W. Legare, he was not yet the registered owner of the same. This fact alone, however, could not have caused the herein petitioners to lose their status as innocent purchasers for value. It should be recalled that although the title was in the name of the respondent Emilia E. de Legare, the certificate of title was in the possession of her adopted son, John. Under Section 5 of Act 496, as amended, John's possession of the certificate and his subsequent production of it to the herein petitioners operated as a "conclusive authority from the registered owner to the register of deeds to enter a new certificate."

"Sec. 55. * * *

"The production of the owner's duplicate certificate whenever any voluntary instrument is presented for registration shall be conclusive authority from the registered owner to the register of deeds to enter a new certificate or to make a memorandum or registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith. * * *"

While it was true that the transfer in favor of John was still unregistered when he sought to sell the property to the

herein petitioners, it was not true that the latter observed no precaution whatsoever from the complication of such non-registration. As already discussed above, the petitioners required that the registration of the previous sale (from the respondent to John W. Legare) be first attended to and completed. After that was done and the certificate of title was issued to John by the Register of Deeds, they still withheld payment till the second sale (from John to the petitioners) was in turn registered and the corresponding certificate of title therefor was issued in their names. It was only after all these were followed that the entire negotiation was terminated with the payment of the balance of the purchase price. All these, we hold, were adequate safeguards against the objection interposed. A contrary conclusion would operate to weaken the reliance of the general public on the indefeasibility of titles registered under the Torrens System.

We have so far demonstrated the good faith of the petitioner spouses. By the very facts established by the Court of Appeals, however, there is still another reason why the property here in question should be adjudged to the petitioners.

Although the deed of sale in favor of John W. Legare was fraudulent, the fact remains that he was able to secure a registered title to the house and lot. It was this title which he subsequently conveyed to the herein petitioners. We have indeed ruled that a forged or fraudulent deed is a nullity and conveys no title (*Director of Lands vs. Addison*, 49 Phil., 19). However, we have also laid down the doctrine that there are instances when such a fraudulent document may become the root of a valid title. One such instance is where the certificate of title was already transferred from the name of the true owner to the forger, and while it remained that way, the land was subsequently sold to an innocent purchaser. For then, the vendee had the right to rely upon what appeared in the certificate (*Inquimboy vs. Cruz*, 108 Phil., 1054).

We have been constrained to adopt the conclusion here set forth because under the Torrens system, "registration is the operative act that gives validity to the transfer or creates a lien upon the land (Sees. 50 and 51, Land Registration Act). Consequently, where there was nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore farther than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens system seeks to insure would entirely be futile and nugatory. (*Reynes vs. Barrera*, 68 Phil., 656; *De Lara and De. Guzman vs. Ayroso*, 95 Phil., 185; 50 Off. Gaz., No 10, 4838). The public shall then be denied of its foremost motivation for respecting and observing the Land Registration Act. In the end, the business community stands to be inconvenienced and prejudiced immeasurably. Furthermore, when the Register of Deeds issued a certificate of title in the name of John W. Legare, and thereafter registered the same, John W. Legare, insofar as third parties were concerned, acquired a valid title to the house and lot here disputed. When, therefore, he transferred this title to the herein petitioners, third persons, the entire transaction fell within the purview of Article 1434 of the Civil Code. The registration in John W. Legare's name effectively operated to convey the properties to him.

"Art. 1434. When a person who is not the owner of a thing sells or alienates and delivers it, and later the seller or grantor acquires title thereto, such title passes by operation of law to the buyer or grantee."

This Court sympathizes with the respondent. It is aware of the treacherous, painful fraud committed on her by her adopted son. But positive provisions of law and settled jurisprudence cannot be subordinated to that feeling.

Besides, the records of this case reveal that the herein respondent is herself not entirely free from blame. We note that when John presented to her the document which turned out to be a deed of conveyance in his favor, she readily affixed her signature thereto upon the simple representation of John that it was a document pertaining to her claim with the U.S. Veterans Administration. She could have asked her maid to read the contents of the same for

her and yet she did not. These, We believe, amount to a lack of prudence and precaution on the part of Mrs. Emilia de Legare.

In view of the foregoing, the decision of the Court of Appeals is hereby reversed and set aside. A new one is here entered dismissing the respondent's complaint and declaring the petitioners herein the lawful owners of the properties here involved. Without pronouncement as to costs.

Padilla, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., and Dizon, JJ., concur.

Bengzon, C.J., concurs in the result.

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