

FELIX DE VILLA, PLAINTIFF-APPELLEE, VS. ANACLETO TRINIDAD, ETC., ET AL., DEFENDANTS, DEVELOPMENT BANK OF THE PHI-LIPPINES AND MARIANO S. TRINIDAD, DEFENDANTS-APPELLANTS.

G.R. No. L-24918. March 20, 1968

Ponente: BENGZON, J.P., J.

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BENGZON, J.P., J.:

Cesario Fabricante owned 5,724,415 square meters of land designated as Lot No. 9, Plan PSU, located in Sitio Salog, Barrio San Agustin, Municipality of Iriga, Camarines Sur, covered by Transfer Certificate of Title No. 50, decree No. 86989, issued in his name.

To secure a loan of P150,000, Japanese currency, he mortgaged on April 18, 1944 this land, together with another lot,[1] in favor of Felix de Villa to whom he surren-dered his duplicate certificate, and with whom it remained until it was lost. The mortgage was for a period of four years, redeemable within two years thereafter.

On November 3, 1945, Cesario Fabricante petitioned[2] the Court of First Instance of Camarines Sur for the is-suance or a new duplicate of Transfer Certificate of Ti-tle No. 50 upon the alleged ground that his duplicate was lost. Felix de Villa, the mortgage creditor was not no-tified. The petition was granted on November 10, 1945, and a new duplicate certificate of Transfer Certificate of Title No. 50, was issued to Fabricante.[3]

Several days after, on November 27, 1945, Fabricante sold the land for P10,000 to Eustaquio Palma who, on the same day, secured in his name Transfer Certificate of Ti-tle No. 12 covering said lot.[4]

In 1946, to secure two loans of P10,000 each, Palma mortgaged the property covered by Transfer Certificate of Title No. 12 in favor of the Agricultural and Industrial Bank, which later became the Rehabilitation Finance Cor-poration and is now the Development Bank of the Philippines (DBP). When Palma failed to pay the loan, DBP foreclosed the mortgage extrajudicially pursuant to Act No. 3135 and, as highest bidder at the public auction held on April 17, 1951, bought the land and possessed it by virtue of a writ of possession issued on September 26, 1951 in its favor. Later, it obtained Transfer Certificate of Title No. 1115 covering said land.

On October 11, 1951, Palma assigned his right of re-demption to Anacleto Trinidad who, though he failed to pay, was allowed by the DBP later to buy the land in consideration of P27,005.11 payable on installments.[5] Tri-nidad then took possession of the land.

Meanwhile, Felix de Villa, having lost the duplicate of Transfer Certificate of Title No. 50 surrendered to him by Fabricante and learning that the original was lost in the Register of Deeds, filed before the Court of First Instance of Camarines Sur,[6] on June 12, 1948 a petition to reconstitute Transfer Certificate of Title No. 50, pur-suant to Republic Act No. 26, in favor of Cesario Fabri-cante with the annotation of the mortgage in his favor as was allegedly contained in the original lost.[7] After hearing, notice of which was served on Fabricante, the Court of First Instance ordered[8] the reconstitution, with the annotation of the mortgage in De Villa's favor. Said

reconstitution was based on the photostatic copy of the deed of mortgage[9] in which the copy of Transfer Certificate of Title No. 50 appeared.

Seven days later, the Register of Deeds moved for re-consideration and cancellation of the orders of reconstitution on the ground that Transfer Certificate of Title No. 50 was found intact in the office but was already cancelled by Transfer Certificate of Title No. 12 in the name of Eustaquio Palma who had mortgaged the same to the Agricultural and Industrial Bank.[10] The Register of Deeds also pointed out that in Transfer Certificate of Title No. 50, was not annotated the mortgage alleged by Felix de Villa.[11]

From the records of the hearing of the motion for reconsideration,[12] it appears that the Transfer Certificate of Title found to be "intact" designated the land to be Lot No. 2 which certificate originated from Original Certificate of Title No. 34. The title sought to be reconstituted covered Lot No. 9 originating from Original Certificate of Title No. 183. The Court of First Instance denied the motion for reconsideration on February 26, 1949, ruling that Transfer Certificate of Title No. 50 which was found to be "intact" in the Registrar's office covered Lot No. 2 and originated from Original Certificate of Title No. 34 and was therefore different from the title certificate sought to be reconstituted, which covered Lot No. 9 and originated from Original Certificate of Title No. 183. Thus, reconstituted Transfer Certificate of Title No. RT-29(50) was issued in the name of Cesario Fabricante, with the mortgage in De Villa's favor annotated thereon.[13]

When Fabricante failed to redeem the land, De Villa foreclosed the mortgage[14] and bought the land in public auction as highest bidder. He obtained a writ of possession in his favor[15] January 6, 1961 and took possession of the land three days later from the incumbent possessor, Anacleto Trinidad. On January 30, 1961 De Villa secured Transfer Certificate of Title No. 3347 in his name[16] and Transfer Certificate of Title No. RT-29(50) was cancelled.

Subsequently, Anacleto Trinidad filed a forcible entry case against Felix de Villa[17] resulting in the issuance of a writ of preliminary injunction by the Justice of the Peace of Iriga against De Villa and in his consequent dispossession of the property in favor of Anacleto Trinidad who, since March 2, 1961, repossessed the land.[18]

On January 26, 1962, Felix de Villa filed the present complaint in the Court of First Instance of Camarines Sur[19] against Anacleto Trinidad for declaration of ownership, recovery of the land, and payment of P500 a day - the value of products allegedly being received by Trinidad - as well as P10,000 worth of abaca plants alleged to have been improperly cut, and the costs of the suit. Later, the complaint was amended to include the Development Bank of the Philippines.

In answer, Anacleto Trinidad alleged his sale[20] from DBP, which had Transfer Certificate of Title No. 1115 in its favor, and his possession of the land by virtue thereof, since December 29, 1951, until De Villa dispossessed him of it; that De Villa's claim is barred by estoppel and res judicata, as the issue was already decided in Special Proceeding No. 258; that the Transfer Certificate of Title No. 3347 of De Villa was null and void. As a counterclaim he alleged the purchase price of the land which was P27,005.11; P60,000 spent in planting abaca, P35,000 for coconuts, P2,000 for buildings, P1,500 as settlement of squatters' claim, P1,200 for relocation, P8,000 for taxes or a total of P134,705.11; that when the plaintiff took possession, the latter gathered P5,500 worth of abaca and coconuts and destroyed P30,000 worth of plants; that to preserve the plants, defendants spent P50 per hectare a year for 300 hectares or P15,000 annually; that plaintiff cut timber worth P5,944. Recovery of litigation expenses worth P5,000 and P10,000 as moral damages, were further sought.

The Development Bank of the Philippines also answered asserting its right resulting from the foreclosure of Palma's mortgage, and claiming that the Transfer Certificate of Title No. 3347 of De Villa was void; that the claim was barred by laches, as plaintiff had not done anything from 1948 to 1962; that plaintiff was barred from

asserting; the lot covered by Transfer Certificate of Title No. 1115 of the DBP is the same as the lot covered by Transfer Certificate of Title No. 3347 because he claimed otherwise when he petitioned for reconstitution. DBP prayed for the dismissal of the complaint plus P5,000 as expenses of litigation.

On January 10, 1963, Anacleto Trinidad died and the complaint was amended to substitute in his place his children as his heirs - Romulo, Corazon, Gloria, Regina, Mariano and Leon. However, Romulo, Corazon, Gloria, Regina and Leon disclaimed interest on June 29, 1963 over the land, stating that the same had been adjudicated in the extrajudicial partition of the estate of their deceased father, to Mariano Trinidad.[21]

The Court of First Instance, in its decision of June 5, 1964, found that the mortgage in De Villa's favor had been annotated at the back of both the original and the duplicate of Transfer Certificate of Title No. 50; that Transfer Certificate of Title No. RT-29(50), the reconstituted title from which De Villa derived Transfer Certificate of Title No. 3347, covers Lot No. 9, Plan PSU 1185, and originated from Original Certificate of Title No. 183, issued on January 30, 1920, while the duplicate title issued to Fabricante on which Palma's Transfer Certificate of Title No. 12 was based, as well as the Transfer Certificate of Title No. 1115 of DBP, covers Lot No. 2, Plan PSU 11885, and originated from Original Certificate of Title No. 34, issued on November 25, 1920; that the two title certificates were issued covering the same land and the rule is that the earlier in date - Original Certificate of Title No. 183 - prevails; that the heirs of Trinidad acquired only whatever rights DBP had acquired; that the stigma of Fabricante's bad faith extended to Palma and to DBP; that there was no prescription, for plaintiff's action was not one for recovery of title or possession but for a judicial determination of ownership - as to which of them, both with valid certificates of title, really owns the land. Accordingly, it stated in the dispositive portion:

"WHEREFORE, judgment is hereby rendered declaring the plaintiff the exclusive and absolute owner of the property described in paragraph 2 of the amended complaint and ordering the defendants to vacate and deliver the same to the plaintiff, to pay to the plaintiff damages at the sum of P48,000.00 per annum representing the value of the abaca fibers derived from the land plus the further sum of P360,00 every two months representing the value of the harvests from coconuts, starting from the period beginning March 2, 1961 until possession of the property is restored to the plaintiff and to pay the costs.

"The value of the useful improvements introduced on the land by the defendants shall be appraised and deducted from the value of the damages to be paid."

The defendants appealed this decision to the Court of Appeals which in turn certified the case to Us on the ground that the amount involved is more than P200,000.

The main points at issue for Our consideration is the ownership of the land, the presence of lanes or easements and the propriety of the award of damages by the lower court.

Upon a misrepresentation, Cesario Fabricante was able to obtain a duplicate certificate. The order[22] granting such certificate expressly stated that the original of the title was still kept in the office of the Register of Deeds and ordered the issuance of a new duplicate covering the land as described in the petition. Unfortunately, the new duplicate issued is not in the records. However, its contents may be known from Transfer Certificate of Title No. 12 issued in favor of Eustaquio Palma which was based on Fabricante's newly-issued duplicate certificate. Transfer Certificate of Title No. 12 covers and describes 5,724,415 square meters of land, designated as Lot No. 2, Plan PSU 11885 surveyed on October 29 to November 11, 1917 and is indicated to originate from Original Certificate of Title No. 34, Decree No. 89686, registered on November 25, 1920. Upon the other hand, the reconstituted Transfer Certificate of Title RT-29(50) on which Transfer Certificate of Title No. 3347 was based, also describes the same 5,724,415 square meters of land but designated it as Lot No. 9, Plan PSU 11885 surveyed also on October 29 to November 11, 1917, but said certificate is shown to originate from Original Certificate of Title No. 183, Decree No. 89686, registered on January 30, 1920. While it is possible that a mistake could have

been made with regard to the lot numbers, it is unlikely that a mis-take as to origin of the titles and their dates of registration could also have been made. This is undoubtedly a case where two certificates of title were issued over the same land in the name of different persons who were both in good faith in their acquisition. There having been two titles, it is understandable that the original upon which Fabricante's newly-issued duplicate certificate was based did not contain the mortgage annotation in favor of De Villa.

We have laid the rule that where two certificates of title are issued to different persons covering the same land in whole or in part, the earlier in date must prevail as between original parties and in case of successive re-registrations where more than one certificate is issued over the land, the person holding under the prior certificate is entitled to the land as against the person who rely on the second certificate. The purchaser from the owner of the later certificate and his successors, should resort to his vendor for redress, rather than molest the holder of the first certificate and his successors who should be permitted to rest secure in their title.[23] Consequently, since Original Certificate of Title No. 183 was registered on January 30, 1920, De Villa's claim which is based on said title should prevail, as against Trinidad's whose original title was registered on November 25, 1920. And from the point of equity, this is the proper solution, considering that unlike the titles of Palma and the DBP De Villa's title was never tainted with fraud.

When, as a result of the sale at public auction, Felix de Villa was able to secure Transfer Certificate of Title No. 3347 in his name, his rights were already protected and he had the right to feel secure in them. Upon his dispossession by Anacleto Trinidad, he had all the right to come to the courts to seek redress and We do not see any reason why he should be estopped from doing so. Nor has his right of action been barred by laches. He possessed the land from January 9, 1961 until Trinidad obtained possession on March 2, 1961. Within a reasonable time thereafter, on January 26, 1962, De Villa filed the present case for determination of ownership with damages. These facts do not show that De Villa slept on his rights.

With regard to appellants' claim that the lower court erred in holding that the mortgage was properly annotated and registered, suffice it to say that the matter is one of fact over which We find no strong reason for reversing the lower court which gave credence to De Villa's testimony to that effect.

The facts and circumstances, however, do not call for assessment of damages against appellants until after the filing of the present suit on January 26, 1962 for only then could they be positively adjudged in bad faith in view of their knowledge that there was an adverse claimant to the land.

Trinidad's repossession of the land on March 2, 1961 cannot be deemed in bad faith as it was pursuant to a court order legally obtained, and as his possession before that time was in good faith.

Appellant does not question the specific amounts of the damages awarded in De Villa's favor and the same, at any rate, is borne out by the records. Said damages, however should be offset against the value of whatever necessary and useful expenses and improvements were made or incurred by Trinidad with respect to the land, provided that in the case of useful expenses or improvements these were made or incurred prior to the filing of the present action. Such reimbursable amount due to Trinidad must, therefore, first be determined before the aforesaid award of damages in De Villa's favor can be executed. And its determination shall be by way of supplementary proceedings in aid of execution in the lower court.

WHEREFORE, with the modification that the damages recoverable by De Villa against Trinidad should date from and after the filing of the complaint on January 26, 1962 until the property is restored to the plaintiff, the judgment appealed from is hereby affirmed in all other respects; and, accordingly, prior to the payment of the damages in De Villa's favor, supplementary proceedings in aid of execution are hereby ordered to be forthwith by the court a quo, to appraise and determine the value of improvements and expenses reimbursable to Trinidad, and

thereafter to offset the two amounts respectively due to the parties to the extent that one covers the other. No costs.

SO ORDERED.

Reyes, Acting C.J., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

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- [1] Covered by T.C.T. No. 15.
 - [2] Exhibit 7-Trinidad, p. 33, folder of exhibits.
 - [3] Exhibit 1-A-DBP, certified true copy, p. 44, folder of exhibits.
 - [4] Exhibit 2-DBP, p. 48, folder of exhibits.
 - [5] Exhibit 2-Trinidad, p. 23, folder of exhibits.
 - [6] Special Proceeding No. 258.
 - [7] Exhibit 12-i-Trinidad, p. 52, folder of Exhibits.
 - [8] The signed copy of the deed of mortgage in De Villa's favor was secured from the notary public who notarized the deed of mortgage.
 - [9] CFI order in Special Proceeding No. 258, p. 63 of folder of records.
 - [10] Then Rehabilitation Finance Corporation, now Development Bank of the Philippines.
 - [11] Petition for reconsideration, pp. 66, folder of exhibits.
 - [12] Pp. 68-85, folder of exhibits.
 - [13] Exhibit H, p. 15, folder of exhibits, a certified copy upon request of the Department of Justice.
 - [14] Civil Case No. 1501, filed March 22, 1950. See p. 27, TSN, Elorpe.
 - [15] Exhibit D, p. 7, folder of exhibits.
 - [16] Exhibit E, p. 9, folder of exhibits.
 - [17] Civil Case No. 251.
 - [18] P. 6, TSN, Elope.
 - [19] Civil Case No. 5354.
 - [20] Date of Deed of Sale by DBP to Trinidad, p. 19, folder or Exhibits.
 - [21] Exhibit 6-Trinidad, p. 32, folder of exhibits.
 - [22] Exhibit 1-A-DBP, p. 44, folder of exhibits.
 - [23] Legarda v. Saleeby, 31 Phil. 590.

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