

AVELINO REVILLA AND ELENA FAJARDO, PLAINTIFFS AND APPELLANTS, VS. GODOFREDO GALINDEZ, DEFENDANT AND APPELLEE.*G.R. No. L-9940. March 30, 1960*

Ponente: GUTIERREZ DAVID, J.

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In the complaint they filed in the Court of First Instance of Nueva Ecija, Avelino Revilla, and Elena Fajardo are seeking to recover the possession of a parcel of land, now known as Lot No. 659-A, subdivision plan Psd-28954, but which used to be the southwestern portion of Lot No. 659 of the cadastral survey of Rizal, Nueva Ecija. This latter lot was formerly registered in the name of Alipio Gasmuña as per T.C.T. No. 7454 (Exhibit 4). On May 18, 1938, Alipio Gasmuña donated to Florencio Gasmuña said southwestern portion of the lot, with an area of 1.8144 hectares (Exhibit 5). The donation was duly annotated on the certificates of title. On May 21, 1938, Florencio Gasmuña mortgaged his unsegregated portion to Godofredo Galindez, defendant-appellee herein, for the sum of P350.00 (Exhibit 8); and on October 5, 1938 sold it outright to defendant-appellee (Exhibit 7). The mortgage was registered and a memorandum thereof entered on T.C.T. No. 7454, but the subsequent sale was never registered. However, from the date of the mortgage, defendant-appellee had been in possession of the property.

Several years after Florencio Gasmuña's death in 1941, the portion which he had conveyed to defendant-appellee was segregated and designated as Lot No. 659-A. On August 28, 1950, T.C.T. No. NT-7782, covering Lot No. 659-A, was issued in the name of the already deceased Florencio Gasmuña. This certificate of title carried no annotation of the registered mortgage in favor of defendant-appellee. On September 20, 1950, the widow and heirs of Florencio Gasmuña executed a deed of extrajudicial partition with sale (Exhibit B) wherein they declared that on November 15, 1941, Florencio Gasmuña died intestate, without debts and possessed solely of Lot No. 659-A, which lot they adjudicated to themselves and then sold for P2,000.00 to plaintiffs-appellants. Before they purchased the land, plaintiffs-appellants had examined Florencio Gasmuña's title and had found no encumbrance noted thereon. The deed of extrajudicial partition with sale was registered, so T.C.T. No. NT-7782 in the name of Florencio Gasmuña was cancelled, and in lieu thereof T.C.T. No. NT-7938 was issued to plaintiffs-appellants subject to the provisions of Sections 4 and 5 of Rule 74, Rules of Court. Plaintiffs-appellants attempted to take possession of the land, but defendant-appellee's overseer informed them that defendant-appellee had previously purchased it from Florencio Gasmuña. Defendant-appellee's refusal to relinquish possession of the lot prompted plaintiffs-appellants to commence this action.

The lower court, after trial, rendered judgment declaring the deed of extrajudicial partition with sale (Exhibit B) null and void and ordering the Register of Deeds to cancel T.C.T. No. NT-7938.

Raising questions purely of law, plaintiffs have appealed directly to this Court.

We have here a case of registered land which had been sold to two different persons. Where the same immovable property is sold to different vendees, the property shall belong to the one who first recorded it in the Registry of

Deeds (Article 1544, N.C.C., Article 1473, O.C.C.). This rule covers all kinds of immovables, including land, and makes no distinction as to whether the immovable is registered or not. But in so far as registered land is concerned said rule is in perfect accord with the Land Registration Act, Section 50 of which provides that no deed, mortgage, lease or other voluntary instrument except a will, purporting to convey or affect registered land shall take effect as a conveyance or bind the land until its registration.

The first sale was in favor of defendant-appellee, and was never registered, although from the time the land was mortgaged to him up to the present, he has been in uninterrupted possession of the land. But since we are dealing with registered land, title to which is imprescriptible (Section 46, Act 496), defendant-appellee certainly cannot claim title by acquisitive prescription. To successfully bind the land, he should have registered the sale in his favor. By reason of his failure to do so, the sale operated only as a contract between him and the vendor, Florencio Gasmeña, and as evidence of authority to the Register of Deeds to make registration (Section 50, Act 496; *Buzon vs. Licauco*, 13 Phil., 354; *Worcester vs. Ocampo* 34 Phil., 646; *Fidelity and Surety Co. vs. Conejero*, 41 Phil., 396). Florencio Gasmeña and his heirs were bound to respect the contract, but innocent third persons cannot be affected thereby. From the time Florencio Gasmeña acquired the questioned lot up to the time of his death (and even for nine years thereafter), there was an annotation on Alipio Gasmeña's certificate of title to the effect that said portion of land had been conveyed to Florencio Gasmeña. Hence, from the viewpoint of third persons, Florencio Gasmeña was still the owner even after the unregistered sale to defendant-appellee. And it follows that if Florencio Gasmeña had been of a mind to sell the land, he could have subsequently sold it and could still have passed good title to an innocent purchaser for value, subject, of course, to the registered mortgage in favor of defendant-appellee.

One of the main features of the Torrens system of registration is that all encumbrances on the land or special estates therein shall be shown, or at least intimated upon the certificate of title and a person dealing with the owner of the registered land is not bound to go behind the certificate and inquire into transactions, the existence of which is not there intimated (*Quimson vs. Suarez*, 45 Phil., 901); but he is only charged with notice of the burdens on the property which are noted on the face of the register or on the certificate of title (*Anderson and Co. vs. Garcia*, 64 Phil., 506). The Torrens system seeks to insure the efficacy and conclusiveness of the certificate of title. To enhance this aim we thus have the provision that every person receiving a certificate of title in pursuance of a degree of registration, and every subsequent purchaser of registered land who takes certificate of title for value in good faith shall hold the same free of all incumbrances except those noted on said certificate (Section 39, Act 496).

Unquestionably, the sale in favor of plaintiffs-appellants was a registered one, and a certificate of title was issued to them. The point of inquiry is whether they are purchasers in good faith. It is true that before they bought the lot they had first examined the certificate of title of Florencio Gasmeña and had found it absolutely clean in the sense that there was no annotation of any encumbrance. But one fact stands out just as clearly. Plaintiffs-appellants did not buy the land from the registered owner, Florencio Gasmeña. They bought it from his heirs.

The law protects to a greater degree a purchaser who buys from the registered owner himself. Corollarily, it requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is not the registered owner is expected to examine not only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land.

This Court has consistently applied the stricter rule when it comes to deciding the issue of good faith of one who buys from one who is not the registered owner, but who exhibits a certificate of title.

This is well illustrated in *Veloso and Rosales vs. La Urbana and Del Mar* (58 Phil., 681) where this Court declared that one who deals with the supposed attorney in fact of a registered owner, has the duty of ascertaining the genuineness of the deed purporting to be a power of attorney, and that should he fail to determine whether such attorney in fact has the power to dispose of the land, then he must suffer the consequences and damages resulting from the transaction. One who intends to purchase registered land, must first make sure that the persons selling it to him is the person named as owner in the certificate of title, and not an impostor. If he should neglect to ascertain the identity of the seller, the law will not protect him, should such seller turn out to be an impostor (*De lara and De Guzman vs. Ayroso*, 95 Phil., 185; 50 Off. Gaz., No. 10, 4838). Where a person buys land not from, the registered owner but from one whose right to the land has been merely annotated on the certificate of title, and such purchaser merely had his deed of sale annotated on the certificate of title, he is not considered a "subsequent purchaser of registered land who takes certificate of title for value and in good faith and who is protected against any encumbrance except those noted on said certificate" (*Mirasol vs. Gerochi*, 93 Phil., 480).

The problem before us finds a parallel in the case of *Mari vs. Bonilla* (83 Phil., 137; 46 Off. Gaz., 4258) where a question also arose respecting the vendees' good faith. In said case, the property was still in the name of the already deceased *Casimiro Evangelista* at the time the vendees purchased it from one of *Casimiro's* son. This son, *Deogracias Evangelista*, posing as sole heir of the deceased, had adjudicated the land to himself and had then sold it to the vendees without first acquiring a certificate of title in his name. It turned out later that the deceased had other heirs who sought to recover the property from the vendees. In resolving the question presented, this Court declared that:

"Good faith affords protection only to purchasers for value from the registered owner. *Deogracias Evangelista*, defendants' grantor, was not a registered, owner. The land was and still is registered in the name of *Casimiro Evangelista*. In no way does the certificate state that *Deogracias* owned the land; consequently defendants cannot summon to their aid the theory of indefeasibility of *Torrens Title*. There is nothing in the certificate and in the circumstances of the transaction which warrant them in supposing that they need not look beyond the title. If anything, it would have put them on their guard, cautioned them to ascertain and verify that the vendor was the only heir of his father, that there was no debt, and that the latter was the sole owner of the parcel of land."

The above pronouncement may well be made here. Plaintiffs-appellants did not buy the lot from the registered owner. Thus they were bound at their peril to investigate their transferors' right to sell the property. Ordinary prudence called for a scrutiny of the deed of extrajudicial partition with sale (Exhibit B) as well as the transfer certificate in the name of *Florencio Gasmeña*. Such an examination would have inevitably revealed to plaintiffs-appellants that *Florencio Gasmeña's* heirs allowed almost a decade to pass before they attempted to adjudicate the lot unto themselves, and, more important, that *Florencio Gasmeña* had been dead nine years before the lot was segregated from Lot No. 659 and T.C.T. No. NT-7782 issued in his name. With these facts on hand, any prospective buyer of the land would have examined the previous transfer certificate of title in the name of *Alipio Gasmeña*, T.C.T. No. 7454, and would thus have discovered that at no time during his life was *Florencio Gasmeña* ever the registered owner of said portion of land. The memorandum of conveyance to him in the certificate of title of *Alipio Gasmeña* served merely as a notice to third parties of the fact that said portion had been transferred to *Florencio Gasmeña* (Section 58, Act No. 496, as amended by Act No. 4029), but it did, not have the same effect as a certificate of title issued to *Florencio Gasmeña* himself. The doctrine therefore in the *Bonilla* case applies with more force herein for neither plaintiffs-appellants transferors nor the latter's predecessor was ever the registered owner of the lot.

An examination of *Alipio Gasmeña's* certificate of title would likewise have yielded the fact that said portion of land had been mortgaged to defendant-appellee. All these circumstances were sufficient to warn

plaintiffs-appellants that their transferors did not have clean title to the land. Their failure to make the investigations required by the circumstances constitutes lack of good faith. They cannot now plead ignorance because they had before them facts which would have reasonably impelled an ordinarily prudent buyer to make an inquiry and to exercise due care.

"A purchaser 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 the vendor. 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 his vendor's title, will not make him an innocent purchaser for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defect as would have led to its discovery had he acted with that measure of precaution which may reasonably be required of a prudent man in like situation." (Leung Yee vs. F. L. Strong Machinery Co., and Williamson, 87 Phil., 644).

Not being purchasers in good faith, plaintiffs-appellants are clearly not entitled to the rights of a registered owner.

Neither of the vendees having registered their respective sales in good faith, their right to the property must be determined by the priority of possession. Where the same immovable property was sold to two different persons neither of whom recorded the transfer in good faith, ownership shall pertain to the person who in good faith was first in the possession (Article 1544, N.C.C.; Article 1473, O.C.C.). The lot, therefore properly belongs to defendant-appellee.

Having arrived at the foregoing conclusions, we find it unnecessary to discuss the other points raised by the parties.

Wherefore, the appealed judgment is hereby affirmed with costs against appellants.

Paras, C. J., Bengzon, Montemayor, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., and Barrera, JJ., concur.

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