

**CANDIDO FRANCISCO, PETITIONER, VS. THE COURT OF APPEALS,
ONOFRE ESPIRITU, POTENCIANA ESPIRITU, FELIX ESPIRITU, RITA
ESPIRITU, CASIMIRO ESPIRITU, AND HEIRS OF DEOGRACIAS
ESPIRITU...***G.R. No. L-30162. August 31, 1987*

Ponente: NARVASA, J.

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The controversy at bar had its origin in the sale to two (2) different persons of the same property comprised of three (3) parcels of land. The contending parties are: the transferees of the first vendee of a portion of the property, on the one hand, and on the other, the persons to whom the second vendee conveyed the entire property thirty-one years after buying it. The successors-in-interest of the first vendee ground their claim on the deed of sale by which two of the three lots were sold to them, registered under Act No. 3344, and the fact of continuous occupancy of the property for more than thirty (30) years. The buyers of the second vendee, on the other hand, rely on their predecessor's Transfer Certificate of Title as well as that subsequently issued in their own names by the Register of Deeds. Between them, there is no dispute about the essential facts, hereunder briefly narrated.

The two sales were made by Nicolasa Resurreccion. She was the owner in fee simple of the three (3) parcels of land in question, located at Taytay, Rizal, covered by Transfer Certificate of Title No. 90-45 in her name. The parcels are inter alia described in the title as follows: Lot No. 1, containing an area of 54,321 square meters; Lot No. 3, with an area of 86 square meters; and Lot No. 9, with an area of 21 square meters, more or less.[1]

On August 19, 1925, Nicolasa Resurreccion sold Lots Numbered 3 and 9 to one Agustin Esguerra. Some months later, or more precisely on March 16, 1926, Esguerra sold the same two (2) parcels to the spouses, Pedro Francisco and Francisca Tolentino. Afterwards, the property was declared in the name of their son, Candido Francisco, the petitioner in this case, who continued in possession of the property after his parents' demise.[2]

Three (3) years later, Nicolasa Resurreccion executed another deed of sale dated August 16, 1928, this time conveying all the three (3) parcels of land covered by her title, TCT No. 9045, in favor of a certain Felisa Afafe. The sale included, in other words, not only Lot No. 1, described in the title as having an area of 54,321 square meters but also Lots Numbered 3 and 9 already sold to Agustin Esguerra. Felisa Afafe registered the sale under the Torrens Act and obtained title in her own name, numbered 14256.[3]

Thirty-one (31) years afterwards, or on September 22, 1959, Felisa Afafe sold the property to the persons now private respondents in this case, to wit: Casimiro Espiritu, Onofre Espiritu, Potenciana Espiritu, etc., who will hereafter be simply referred to as the Espiritus. The Espiritus obtained a Torrens title in their names, numbered 70517.

Shortly after the sale, the Espiritus asked Candido Francisco to vacate lots Numbered 3 and 9, which the latter was occupying and on which was in fact standing a house that he had constructed. As might be expected, Candido

refused. The Espiritus thereupon sued him for recovery of title and possession in the Court of First Instance of Rizal.[4]

The Trial Court's verdict went against the Espiritus. It dismissed their action and declared Candido Francisco the rightful owner of Lots No. 3 and 9. The Court pointed out that while a Torrens title is indefeasible, the reality could not be ignored that it could be issued by mistake;[5] the registration of the sale by Nicolasa Resurreccion to Agustin Esguerra the (immediate predecessor of Candido Francisco's parents) was binding on third parties and specially on the parties to the sale themselves, so that when Resurreccion executed a second deed of sale in favor of Felisa Afable, conveying not only Lot No. 1 but also Lots Numbered 3 and 9, the sale could not have been valid as regards the latter two (2) lots because Resurreccion was no longer the owner thereof.[6]

The Court of Appeals reversed the decision of the Trial Court, on appeal taken by the Espiritus. By judgment promulgated on December 19, 1968, the Appellate Court declared Candido Francisco to have no right over Lots Numbered 3 and 9, and ordered him to vacate the same.[7] It ruled that registration by Candido's parents (or their predecessor) of the deed of sale in their favor under Act No. 3344 was ineffectual to bind registered land, such as that subject of the case at bar (citing Soriano, et al. v. Heirs of Magali, L-15133, May 31, 1963, at p. 396, The Phil. Torrens System, F.D. R. Ponce); that the Espiritus must be deemed purchasers in good faith considering that no annotation regarding the prior sale of the property appeared in either the title of their immediate predecessor, Felisa Afable (No. 142561) or that of the latter's own predecessor, Nicolasa Resurreccion (No. 9045), awareness of the alleged prior conveyance of Lots Numbered 3 and 9 to the Franciscos having come to them only after their acquisition of the property from Afable; and that the principle – that as between two innocent purchasers of the same property the party negligent must suffer – must be applied adversely to Candido Francisco, since his parents and their predecessor (as first vendee) were negligent in omitting to have the sale in their favor annotated on TCT No. 9045.

Candido Francisco has filed with us a petition for review on certiorari urging us to reverse the decision of the Court of Appeals because of what he submits to be serious errors committed by it, viz (1) applying the general principle that a person dealing with registered land need not go beyond the certificate of title, (2) holding the Espiritus to be purchasers in good faith; (3) applying the rule that as between two innocent purchasers, the one negligent must suffer the loss; (4) not adjudging that Felisa Afable (the Espiritus' predecessor) had no title to transfer to the Espiritus and not applying the law on double sale embodied in Article 1478 (now Article 1544) of the Civil Code and (5) not recognizing Candido Francisco's title to the property under general principles of equity, laches and prescription, in light of their actual, continuous, peaceful and open possession of the property under a bona fide claim of ownership, for no less than thirty-six (36) years.

The whole controversy ultimately boils down to the question, whether or not under the admitted facts, the Espiritus are buyers in good faith, and therefore entitled to the full protection of the Torrens Act. The Court of Appeals declared them to be so, as already earlier stated. It said that the Espiritus –

“x x purchased the lots in question in good faith and for a valuable consideration. Good faith is presumed (Art. 527, New Civil Code) Defendant-appellee (Candido Francisco) did not present: any evidence to rebut this legal presumption.”[8]

We find that there are facts on record of which unaccountably the Court of Appeals did not take account.

There is evidence, for instance, that Casimiro Espiritu and Candido Francisco had known each other for “quite a long time, x x even before the war;” that Lots 3 and 9 are residential lots adjacent to each other and are situated at Rizal Avenue, Poblacion, only a few meters away from the municipal building,[9] and said lots are about fifty meters (50 m.) away from his (Casimiro's) house.[10]

There is evidence, not disputed, that Candido and his family had been occupying that property at Rizal Avenue for more than thirty years, and that Candido was residing in a house built thereon, and it is not unreasonable to assume that these facts were at least in a general way known to Casimiro Espiritu since he had known Candido for “quite a long time x x even before the war.”[11]

There is evidence, too, that Casimiro Espiritu, a businessman of no little experience, was one of those who negotiated with Felisa Afafe for the purchase of the property; that the latter showed to Casimiro and his sister, Potenciana, the plan of the property, specifically indicating the bigger lot – Lot 1 x x (the) one containing an area of more than 5 hectares;[12] and they had “agreed to buy x x (the property) after we saw it,”[13] and that “after the sale x x (the [Casimiro]) happened to see that Lots 3 and 9 are included in the total area x x (they) paid to Mrs. Felisa Afafe,”[14] again, it is not unreasonable to assume that having actually seen Lots 3 and 9 before agreeing to buy the property, Casimiro also saw Candido Francisco’s house there.

Considered in context, the evidence shows quite persuasively that Casimiro Espiritu knew definitely where his friend of many years, Candido Francisco was residing and that indeed Candido and his family had been living in that place for many, many years, that when he viewed the property then being sold to him and his brothers and sisters by Felisa Afafe, he could not but have noticed that Candido’s house was in the area, that when Felisa Afafe pointed out the three (3) lots to them: one big lot, and two smaller ones, Casimiro could not but have become aware, if not of the actuality, at least of the possibility, that the smaller contiguous lots adjacent to the main streets (Rizal), and presumably through or beside which they had passed to view the bigger lot, appeared to be that in which his friend, Candido, was living. At any rate, it taxes credulity to think that Casimiro and his sister had limited themselves to viewing and asking questions about the big lot only, and had completely refrained from inquiring about the location and condition of the two (2) other lots subject of the projected sale, preferring to place total exclusive and unquestioning reliance on Felisa Afafe’s certificate of title. The only plausible explanation for such a singular absence of curiosity would be their awareness that the two (2) other lots were not included in the sale.

There were in a word sufficiently strong indications to impel a closer inquiry into the location, boundaries and condition of the two (2) smaller lots embraced in the purchase on the part of Casimiro Espiritu and his co-vendees. That inquiry is in truth dictated by common sense, expected of a man of ordinary prudence. “The earth,” it has been said, is “that universal manuscript open to the eyes of all. When a man proposes to buy or deal with realty his first duty is to read this public manuscript, that is, to look and see who is there upon it, and what are his rights.”[15] We ourselves stressed this duty several decades ago:

“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 the 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 would have led to its discovery had he acted with the measure of precaution which may reasonably be required of a prudent man in a like situation.”[16]

Had that inquiry been made, the adverse claim of Candido Francisco over the two (2) small lots would have immediately come to light, and the controversy would have died a-borning. The Espiritus’ failure to undertake such an inquiry precludes their successful invocation of the character of purchasers in good faith. “(A) want to caution and diligence which an honest man of ordinary prudence is accustomed to exercise in making purchases is, in contemplation of law, a want of good faith.”[17] The buyer who could not have failed to know or discover that the land sold to him was in the adverse possession of another, is a buyer in bad faith, such knowledge being

equivalent to registration.[18]

On the other hand, while the registration of the deed of acquisition of the lots in question (Numbered 3 and 9) under Act No. 3344 could not and never operated to bind the land, or third persons,[19] the bona fides of that purchase by Candido Francisco's parents and by their predecessor has not at all been put at issue, nor the fact of the Franciscos' possession of said two lots for more than thirty (30) years.

It thus results that not being buyers in good faith as regards said Lots Numbered 3 and 9, the Espiritus cannot set up their certificate of title to defeat the adverse claim thereto of Candido Francisco whose good faith, in contrast, and that of his predecessors, is not and has not been placed in question.[20]

WHEREFORE, the decision of the Court of Appeals in CA-G.R. No. 34328-R is reversed and set aside. Petitioner Candido Francisco is hereby declared to be the owner in fee simple of the lots in question, Numbered 3 and 9, and the respondents are ordered to reconvey said lots to Candido Francisco in an appropriate registrable deed. Costs against respondents.

Teehankee, C.J., Cruz, Paras and Gancayco, JJ., concur.

[1] Record on Appeal, pp. 27-28

[2] Id., p. 28.

[3] Id., Rollo, p. 30.

[4] Id., pp. 28-29.

[5] Id., p. 29.

[6] Id., pp. 29-30.

[7] Rollo, pp. 29-37.

[8] Rollo, p. 33.

[9] TSN, Aug. 12, 1963, pp. 7, 3 (Casimiro Espiritu).

[10] TSN, Sept. 9, 1963, p. 12 (Candido Francisco).

[11] See TSN, Aug. 12, 1963, p. 7.

[12] TSN, id., pp. 4-5.

[13] TSN, id., p. 6.

[14] Id., p. 7.

[15] *Luther Oil Co. v. Miller Sibley Co.*, 44 SE 433, 438, citing *Frame & Frame*, 9 SE 901, 207.

[16] *Leung Lee v. Strong*, 37 Phil. 644, see also *Emos v. Zuzuaarregui*, 53 Phil. 197, 203-204.

[17] 55 Am Jur. 069 footnote No. 5 citing *Allen & McCella*, 25 Iowa 454, 96 Am Jur. and other cases.

[18] SEE *St. Peter Memorial Park, Inc. v. Cleofas*, 92 SCRA 390, 403.

[19] *Soriano v. Magali*, 8 SCRA 490, 492-495.

[20] SEE Sec. 35, Land Registration Act (now Sec. 44, FD 1529), *Ignacio v. Chua*, 52 Phil. 940, 945, and *Gatioen*

v. Gaffuc, 27 SCRA 707-708.

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