

ALFREDO ROA, JR., LETICIA ROA DE BORJA, RUBEN ROA, CORNELIO ROA AND ELSIE ROA-CACNIO (AS HEIRS OF THE LATE ALFREDO ROA, SR.), PETITIONERS, VS. HON. COURT OF APPEALS AND THE SPOU...*G.R. No. L-27294. June 28, 1983*

Ponente: GUERRERO, J.

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Appeal by way of certiorari from the Decision of the Court of Appeals[1] in CA-G.R. No. 34746-R entitled "Alfredo Roa, Plaintiff-Appellant, versus Joaquin Casiño, et al., Defendants-Appellees," and from the Resolution of the said Court[2] denying plaintiff-appellant's motion for reconsideration of the said Decision.

On September 1, 1955, an action for recovery of possession of a parcel of land was filed before the Court of First Instance of Misamis Oriental by Alfredo Roa, Sr. (now deceased and subsequently substituted by his heirs, the herein petitioners) against respondent spouses, Joaquin Casiño and Custodia Valdehuesa (real name appears to be Teodosia Valdehuesa), successors-in-interest of one Pablo Valdehuesa, now deceased.

In his complaint, Alfredo Roa, Sr. alleged that the said land is agricultural; that it is situated in Bugo, formerly within the municipality of Tagoloan, Misamis Oriental, now comprised within the limits of the City of Cagayan de Oro; that it is registered in his name under Original Certificate of Title No. T-21D; that he found the private respondents occupying said land. He prayed that possession of the same be returned to him and that he be awarded actual and moral damages in the sum of P10,000.00.

In answer to the complaint, respondent spouses alleged that the land in question formerly belonged to one Pablo Valdehuesa, father of respondent Custodia (Teodosia) Valdehuesa and now deceased; that it was however titled in the name of Alfredo Roa, Sr., Trinidad Reyes Roa, Esperanza Roa de Ongpin, Concepcion Roa and her husband Zosimo Roa in Land Registration Case No. 12, G.R.L.O. Record No. 10003 of the Court of First Instance of Misamis Oriental by virtue of an agreement entered into between the Roas and said Pablo Valdehuesa; that the conditions of the said compromise agreement were never complied with by the Roas, notwithstanding the death of Pablo Valdehuesa in 1928 and despite repeated demands for compliance thereof; that the heirs of said Pablo Valdehuesa sold the land in question to them on April 30, 1930, after rescinding the aforementioned compromise agreement; and that they now enjoy the privileges of absolute ownership over said land by reason of their continuous and adverse possession thereof since time immemorial. By way of counterclaim, the respondents prayed for the reconveyance of the said parcel of land contending that the compromise agreement created an implied trust between the parties to it, and for damages in the amount of P10,000.00.

In answer to private respondent's counterclaim, Alfredo Roa, Sr. maintained that the heirs of Pablo Valdehuesa cannot rescind the compromise agreement by their own act alone or without going to court; and that the alleged sale of the said heirs to private respondents was null and void, in view of the fact that respondent spouses knew that the land was then titled in the name of the Roas under Act 496.

On December 22, 1959, the parties submitted to the Court a quo an agreed Stipulation of Facts, to wit:

"STIPULATION OF FACTS

That parties herein, assisted by their respective attorneys, have agreed on the following facts:

- That the plaintiff and the defendants are all of age and with capacity to sue and be sued.
- That the plaintiff and his brothers and sisters Trinidad Reyes Roa, Esperanza Roa de Ongpin, Concepcion Roa and Zosimo Roa, husband of the latter, were the owners pro-indiviso of a parcel of land located in Tagoloan, Misamis Oriental, containing an area of several hundred hectares, and sometime in 1925, and for the purpose of registering their title to said parcel of land, the said co-owners filed an application with the Court of First Instance of Misamis Oriental, and said application was docketed in said Court as Expediente No. 12, G.L.R.O. Record No. 10003.
- That in the application as well as in the plans accompanying said application in Expediente No. 12, G.L.R.O. No. 10003, was included a parcel of land which is now the portion in litigation in this case.
- That one Pablo Valdehuesa filed an opposition in said Expediente No. 12, G.L.R.O. Record No. 10003, claiming absolute and exclusive ownership over a portion which is now the property under litigation.
- That sometime during the year 1925, the co-owners, said Concepcion Roa, Esperanza Roa de Ongpin and Trinidad Reyes Roa and Zosimo Roa entered into an agreement with the said Pablo Valdehuesa, and the terms of their agreement are contained in the document hereto attached, made a part hereof, and marked as Exhibit "1".
- That in compliance with his obligation under and by virtue of said Exhibit "1" the said Pablo Valdehuesa withdrew the opposition filed by him in said case Expediente No. 12, G.L.R.O. Record No. 10003, and as the result of said withdrawal, the plaintiff and his co-owners succeeded in registering their title to their property, including the portion owned by Pablo Valdehuesa as claimed in his opposition.
- That the said Pablo Valdehuesa died in May of 1928, and upon his death his estate passed to the ownership of his widow and legitimate children including all his rights under said Exhibit "1" to the property in question.
- That since then the property in question has been in the possession of the defendants, and their possession together with the possession of their predecessors in said property has been open, continuous and uninterrupted to this date.
- That sometime after the issuance of title in favor of the plaintiff (Transfer Certificate of Title No. 21-A) and his aforementioned brothers and sisters covering the parcel of land subject matter of the application filed by them in Expediente No. 12, G.L.R.O. Record No. 10003, the said plaintiff and his brothers and sisters partitioned among themselves said property, and plaintiff was adjudicated a share in said property, of which the parcel of land covered by the opposition of Pablo Valdehuesa withdrawn under the terms of Exhibit "1" is a part or portion of said charge, and covered by T-21-D (copy attached as Exh. "A").
- That the portion in litigation as correctly described in paragraph 3 of the complaint is covered by the certificate of title referred to above.
- That in 1955 the plaintiff had a surveyor relocate the corners and boundaries of his land as described in his title and that the portion of about 2 hectares on the eastern end of the land is in the possession and is actually occupied by the defendant. This is the portion in litigation described in par. 3 of the complaint.
- That Expediente No. 12, G.L.R.O. Record No. 10003 have been totally destroyed during the last World War, and the parties reserve the right to present additional evidence during the hearing of this case.

Cagayan de Oro City, December 22, 1959.

(Sgd.) ALFREDO ROA

(Plaintiff)

(Sgd.) HERNANDO PINEDA

(Attorney for Plaintiff)

(Sgd.) JOAQUIN CASIÑO

(Sgd.) CUSTODIA VALDEHUESA

(Defendants)

(Sgd.) MANUEL C. FERNANDEZ

(Sgd.) CONCORDIO C. DIEL

(Attorney for Defendants)"

The aforesaid compromise agreement mentioned in paragraph 5 of the agreed Stipulation of Facts was thereafter ratified on May 11, 1927 as shown in Exhibit "1" as follows:

"SEPAN TODOS LOS QUE LA PRESENTE VIEREN:

Que nosotros, los abajo firmantes, mayores de edad hacemos constar:

- Que somos los dueños mancomunados de la propiedad conocida por Terrenos de Bugu, en el municipio de Tagoloan, provincia de Misamis.

- Que en la tramitacion del Exp. No. 12, G.L.R.O., Record No. 10003, para el registro de dicha propiedad, el Sr. Pablo Valdehuesa del municipio de Tagoloan, que era uno de los opositores, consintio en retirar su oposicion contra nuestra citada solicitud de registro a condicion de que le reconozcamos su dominio y propiedad sobre una parcela de terreno dentro de la comprension de Bugu que el ocupaba, o se le compre, y de otro modo se le compense al reintegramos dicha parcela en tiempo oportuno. La descripcion del terreno referido, cuya extension es de una hectarea, cuarenta y nueve areas y cincuenta y nueve centiareas, aparece en el escrito de oposicion que obra en el referido Exp. 12, y que luego fue retirado por convenio de partes.

- Por tanto, en cumplimiento de dicho convenio, y como consecuencia del mismo, ratificamos lo que tenemos prometido, para lo cual autorizamos al Sr. Zosimo Roa a que busque y adquiera otro pedazo de terreno fuera de la comprension de Bugu, de una hectarea, cuarenta y nueve areas y cincuenta y nueve centiareas, poco mas o menos, y que sea aceptable para el Sr. Pablo Valdehuesa, como canje or permuta con la parcela que el ocupa; en la inteligencia de que el valor de compra no exceda de P400.00 en su defecto, si no se encuentra un terreno que sea satisfactorio para el Sr. Pablo Valdehuesa, se le compensara el reintegro arriba citado en la mencionada cantidad de P400.00.

- Por su parte, el Sr. Pablo Valdehuesa, acepta todo lo establecido en este documento, obligandose a respetarlo y acatarlo.

En testimonio de todo lo cual, firmamos el presente documento en Cagayan de Misamis, hoy, 11 de Mayo de 1927.

(Sgd.) Trinidad Roa de Reyes (Sgd.) Esperanza Roa de Ongpin

(Sgd.) Concepcion Roa (Sgd.) Zosimo Roa

Alfredo Roa

Pablo Valdehuesa

Pursuant to said Exhibit "1", Concepcion, Esperanza, Trinidad and Zosimo, all surnamed Roa, agreed to replace the land of Pablo Valdehuesa with another parcel of land with an area of 1.4959 hectares to be given to Pablo Valdehuesa in exchange for the land occupied by him, or if said land was not acceptable to him, to pay him the amount of P400.00. Neither of these undertakings was complied with by the Roas and Pablo Valdehuesa continued in possession of the land occupied by him until the same was sold by the heirs of Pablo Valdehuesa to the respondent spouses on April 30, 1930.

On March 6, 1964, the lower court rendered the decision ordering the plaintiff Alfredo Roa to reconvey the land in dispute to the defendants, now the respondent spouses, on the ground that same could not have been registered in the name of the plaintiff and his brother and sisters if not for the compromise agreement aforesaid and further to pay said defendants the amount of P1,000.00 as attorney's fees plus costs.

On appeal taken by Alfredo Roa, the appellate court affirmed the decision of the lower court and declared that (a) the compromise agreement created an express trust between the Roa brothers and sisters, including Alfredo, Sr., (b) that the respondent spouses' action for reconveyance was imprescriptible on the authority of *Mirabiles, et al. v. Quito, et al.*, L-14008, October 18, 1956; and (c) that Alfredo Roa cannot invoke the indefeasibility and imprescriptibility of the Torrens title issued in his name for the land in dispute since the said title was secured by him in breach of an express trust, and thus, the Court ordered the reconveyance of the property within fifteen (15) days from the finality of the decision.

Alfredo Roa, now substituted by his heirs, the herein petitioners Alfredo Roa, Jr., Leticia Roa de Borja, Ruben Roa, Cornelio Roa and Elsie Roa-Cacnio, moved to reconsider the adverse decision. Acting on this motion for reconsideration, the Court of Appeals in a majority resolution denied the said motion, and while conceding that "the creation of an express trust leaves room for doubt," the said Court ruled that the compromise agreement, at the least, gave rise to an implied trust under Art. 1456 of the New Civil Code. Hence, petitioners filed this present petition on the following assignment of errors:

- The respondent Court of Appeals erred when it ruled that Alfredo Roa, the petitioners' predecessor-in-interest, was bound by the compromise agreement (Exh. "I") in the execution of which, according to the Stipulation of Facts, said Alfredo Roa neither participated nor signed.
- On the assumption that the aforementioned compromise agreement was binding upon Alfredo Roa, the respondent Court of Appeals erred when it held the said agreement, which stipulated the conveyance of the property in dispute for a consideration, as having established a trust relationship between the parties to it.
- The respondent Court of Appeals erred when it held that the ruling in the case of *Gerona, et al. vs. De Guzman*, G.R. No. L-19060, May 29, 1964, is inapplicable to the case at bar.

On the first assigned error, We reject the contention of the petitioners that Alfredo Roa, Sr. was not bound by the compromise agreement for not being a participant or signatory thereto. It may be true that Alfredo Roa, Sr. did not sign the compromise agreement, Exh. "1", for he was then in Manila working as a newspaperman but he certainly benefited from the effects of the compromise agreement which obliged Pablo Valdehuesa to withdraw, as he did withdraw his opposition to the registration of the Roa property under the Torrens system. The Roa property was subsequently registered without opposition and title was issued thereto in the name of Alfredo Roa, his brother Zosimo and his sisters Trinidad, Esperanza and Concepcion, all surnamed Roa as co-owners thereof. Certainly,

the Roas may not escape compliance from their obligation under the compromise agreement by partitioning the property and assigning the property in dispute as part of the share of the petitioners. Moreover, it will be a pure and simple case of unjust enrichment for petitioners to acquire and own the property of Pablo Valdehuesa, without paying the value thereof or exchanging the land with another with an equal area as originally agreed.

With respect to the second assignment of error, We do not agree with the holding of the respondent appellate court that an express trust was created between the parties by reason of the compromise agreement entered into between them. Express trusts are created by the intention of the trustor or one of the parties (Article 1441, New Civil Code). While no particular words are required for the creation of an express trust, it being sufficient that a trust is clearly intended (Article 1444, New Civil Code), in the case at bar, We find no direct and positive intent to create a trust relationship between the parties to the compromise agreement under which Pablo Valdehuesa agreed to withdraw his opposition to the application for registration upon the commitment of the Roas to give Valdehuesa another piece of land of equal area or pay its price of P400.00. It seems clear to Us that the Roas under the compromise agreement did not commit themselves to hold the lot claimed by Pablo Valdehuesa for Pablo Valdehuesa and in Pablo Valdehuesa's name.

If the compromise agreement did not result to an express trust relationship, did it, however, give rise to an implied trust? Private respondents claim that under the terms of the compromise agreement, the land claimed by Pablo Valdehuesa should be deemed held in trust by the Roas when the latter failed to relocate him or pay the price therefor. The respondent appellate court took private respondents' position, and opined,[3] thus—

"It could thus be gleaned that had it not been for the promise of the Roas contained in Exhibit I, Valdehuesa would not have been induced to withdraw his opposition in the land registration case. When, therefore, the Roas turned their back to a solemn agreement entered in a court proceedings, they were guilty of fraud.

"Fraud is every kind of deception, whether in the form of insidious machinations, manipulations, concealments or misrepresentations, for the purpose of leading another party into error and then execute a particular act. It must have a determining influence on the consent of the victim." (4 Tolentino, Civil Code, p. 462)

"It results from the foregoing that although the creation of an express trust leaves room for doubt, by operation of law, an implied trust is created.

"Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes. (N.C.C.)"

We cannot sustain the holding of the respondent appellate court in its Resolution denying petitioners' motion for reconsideration that by operation of law an implied trust was created under the terms of the compromise agreement in the light of Article 1456 of the New Civil Code cited above. We rule that Art. 1456 is not applicable because it is quite clear that the property of Pablo Valdehuesa was acquired by the Roas not through mistake or fraud but by reason of the voluntary agreement of Valdehuesa to withdraw his opposition to the registration of the land under the Torrens system.

There is incontrovertible evidence that the Roas intended to abide by the compromise agreement at the time of the execution of the same. The private respondents themselves introduced additional evidence which showed that on May 11, 1927, Trinidad Roa, Esperanza Roa de Ongpin, Concepcion Roa and Zosimo Roa confirmed in writing the terms and conditions of the agreement they had entered into with Pablo Valdehuesa in the land registration proceedings. Even the respondent appellate court expressly determined the aforesaid failure of the Roas to comply with the terms of the compromise agreement to be an afterthought; thus,

"The change of mind of the plaintiff-appellant later is of no moment in the case at bar." [4]

While it is Our ruling that the compromise agreement between the parties did not create an express trust nor an implied trust under Art. 1456 of the New Civil Code, We may, however, make recourse to the principles of the general law of trusts, insofar as they are not in conflict with the New Civil Code, Code of Commerce, the Rules of Court and special laws which under Art. 1442 of the New Civil Code are adopted. While Articles 1448 to 1456 of the New Civil Code enumerates cases of implied trust, Art. 1447 specifically stipulates that the enumeration of the cases of implied trust does not exclude others established by the general law of trusts, but the limitation laid down in Art. 1442 shall be applicable.

In American law and jurisprudence, We find the following general principles:

"A constructive trust, otherwise known as a trust ex maleficio, a trust ex delicto, a trust de son tort, an involuntary trust, or an implied trust, is a trust by operation of law which arises contrary to intention and in invitum, against one who, by fraud, actual or constructive, by duress or abuse of confidence, by commission of wrong, or by any form of unconscionable conduct, artifice, concealment, or questionable means, or who in any way against equity and good conscience, either has obtained or holds the legal right to property which he ought not, in equity and good conscience, hold and enjoy. It is raised by equity to satisfy the demands of justice. However, a constructive trust does not arise on every moral wrong in acquiring or holding property or on every abuse of confidence in business or other affairs; ordinarily such a trust arises and will be declared only on wrongful acquisitions or retentions of property of which equity, in accordance with its fundamental principles and the traditional exercise of its jurisdiction or in accordance with statutory provision, takes cognizance. It has been broadly ruled that a breach of confidence, although in business or social relations, rendering an acquisition or retention of property by one person unconscionable against another, raises a constructive trust. (76 Am. Jur. 2d, Sec. 221, pp. 446-447)"

And specifically applicable to the case at bar is the doctrine that "A constructive trust is substantially an appropriate remedy against unjust enrichment. It is raised by equity in respect of property, which has been acquired by fraud, or where, although acquired originally without fraud, it is against equity that it should be retained by the person holding it." (76 Am. Jur. 2d, Sec. 222, p. 447)

The above principle is not in conflict with the New Civil Code, Code of Commerce, Rules of Court and special laws. And since We are a court of law and of equity, the case at bar must be resolved on the general principles of law on constructive trust which basically rest on equitable considerations in order to satisfy the demands of justice, morality, conscience and fair dealing and thus protect the innocent against fraud. As the respondent court said, "It behooves upon the courts to shield fiduciary relations against every manner of chicanery or detestable design cloaked by legal technicalities."

The next point to resolve is whether the counterclaim of private respondents for the reconveyance of the property in dispute has already prescribed in the light of established jurisprudence that the right to enforce an implied trust prescribes in ten years.

Admittedly, Pablo Valdehuesa and his heirs remained in possession of the property in question in 1925 when by reason of the compromise agreement Valdehuesa withdrew his opposition to the registration applied for by the Roas, for which reason the latter were able to obtain a Torrens title to the property in their name. However, Valdehuesa and his heirs continued their possession of the land until he sold the property in question to private respondents herein on April 30, 1930 and the latter remained in possession and were never disturbed in their occupancy until the filing of the original complaint for recovery of possession on Sept. 1, 1955 after demand was made upon them when a relocation survey initiated by petitioners established that private respondents were actually occupying about 2 hectares on the eastern end of the property. Upon these facts, the prescriptive period may only be counted from the time petitioners repudiated the trust relation in 1955 upon the filing of the complaint for recovery of possession against private respondents so that the counterclaim of the private

respondents contained in their amended answer of June 12, 1956 wherein they asserted absolute ownership of the disputed realty by reason of their continuous and adverse possession of the same is well within the ten-year prescriptive period.

Finally, the case at bar is quite similar to the case of Dolores Pacheco vs. Santiago Arro, 85 Phil. 505, wherein the claim to the lots in the cadastral case was withdrawn by the respondents relying upon the assurance and promise made in open court by Dr. M. Y. in behalf of J. Y. y R., the predecessor-in-interest of the petitioners and the Court held that a trust or a fiduciary relation between them arose, or resulted therefrom, or was created thereby and the trustee cannot invoke the statute of limitations to bar the action and defeat the right of the cestuis que trustent. (Cited also in Tolentino, Civil Code of the Philippines, Vol. IV, p. 627)

WHEREFORE, IN VIEW OF THE FOREGOING, the judgment appealed from is hereby **AFFIRMED**.

SO ORDERED.

Concepcion Jr., De Castro, and Escolin, JJ., concur.

Makasiar (Chairman), and Abad Santos, JJ., took no part.

Aquino, J., in the result.

[1] Third Division: Yatco, J., ponente; Capistrano, J. and Cañizares, J., concurring.

[2] Special Division of Five: Yatco, J., ponente; Cañizares, J., concurring; Gatmaitan, J., concurs in a separate opinion; Capistrano, J., and Alvendia, J., dissenting.

[3] Rollo, p. 77.

[4] Decision, C.A., p. 7.

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