

DOLORES T. VILLARTA, PETITIONER, VS. SPOUSES ROMUALDO JUADIONG AND WILMA JUADIONG, RESPONDENTS,

Ponente: INTING, J.

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INTING, J.:

Before Us is a Petition for Review under Rule 42 of the 1997 Rules of Civil Procedure praying that the Decision[1] of the Regional Trial Court, Branch 16, dated September 2, 2011, in Civil Case No. 33,878-11, be reversed and set aside.

The facts[2] of the case are as follows:

Respondent Romualdo Juadiong was the registered owner of the subject property, consisting of a parcel of land located in the District of Toril, Davao City, covered by Transfer Certificate of Title (TCT) No. 163776, particularly described as follows:

"A parcel of land (Lot 9, Blk. 50, of the consolidation subdivision plan Pcs-4790, being a portion of the consolidation of Lot 192-B, Psd-39842, Lot 193-A-1, Psd-11403 and Lot 186-B-2, Bsd-20144, LRC Cad. Record No.), situated in the District of Toril, City of Davao, Island of Mindanao. Bounded on the NW., along line 1-2 by Lot 6, Block 50; on the NE, along line 1-2 by Lot 6, Block 50; on the N.E., along line 2-3 by Lot 8, Block 50; on the SE., along line 3-4 by Road Lot 10; and on the SW., along line 4-1 by Lot 10, Blk. 50 x x x Containing an area of FIVE HUNDRED SIXTY EIGHT (568) SQUARE METERS, more or less. x x x"[3]

On November 8, 2006, Romualdo, together with his wife, Respondent Wilma Juadiong, executed two (2) Memorandum of Agreements (MOA) in favor of Petitioner Dolores T. Villarta. Based on the MOA, Villarta agreed to lend money to the Spouses Juadiong in the amount of Four Hundred Seven Hundred Two Pesos and Eighty Centavos (P435,702.80) with an interest rate of 7% per month, and Six Hundred Thousand Pesos (P600,000.00) with an interest rate of 2% per month, both payable within one (1) year from the date of execution. In return, the Spouses Juadiong offered the subject property as security/collateral.

The terms and conditions of the MOA include the following:

"x x x

3. The term of this loan shall be for one year x x x

4. Since the original owner's copy of the above-described real property is still with the Metrobank, Toril Branch, Davao City, the SECOND PARTY hereto undertakes and promises to surrender the said title to the FIRST PARTY immediately upon the release of the same by the said bank without any demand whatsoever.

5. Should the SECOND PARTY fail to pay the FIRST PARTY the principal amount x x x the SECOND PARTY shall execute the necessary documents to effect the transfer of the said properties in favor of the FIRST PARTY without any other consideration thereof.

6. However, despite the provision in paragraph 4, the SECOND PARTY may ask the FIRST PARTY that the period of this loan be extended for another terms so long as the monthly interest be paid on time.

x x x"[4]

According to the Spouses Juadiong, they procured the loan from Villarta in a desperate attempt to redeem the subject property from Metrobank and to pay their children's tuition fees. They allege that they had no intention of selling the subject property to the petitioner or to effect its automatic transfer in the latter's favor, in the absence of foreclosure proceedings.

Upon payment by the Spouses Juadiong of their loan obligation to Metrobank, the latter cancelled the mortgage annotated in the title of the subject property and released the owner's duplicate copy to the Spouses Juadiong, who, in turn, surrendered it to Villarta.

On March 13, 2008, petitioner, through counsel, sent respondents a formal demand letter notifying them to pay their loan obligation which already became due for payment since November 8, 2007, otherwise the former will transfer the subject property in her name without any consideration pursuant to the MOA. Nevertheless, respondents were unable to pay their loan obligation to petitioner.

Consequently, the petitioner effected the transfer of the subject property in her name through a Deed of Absolute Sale dated November 25, 2008 signed by the parties.

Respondents claim that they were required to sign the assailed Deed of Absolute Sale even before the proceeds of the loan were released to them. They allege that they were left with no choice but to affix their respective signatures in the prepared deed of absolute sale because petitioner would not release the money if they would not sign the document. They assert that the Deed of Absolute Sale presented to them by the petitioner contained only their names as respective Vendors and Vendee and the subject property, with the consideration thereof and the date of the instrument left blank and unnotarized.

On the other hand, petitioner maintains that the Deeds of Absolute Sale were executed on November 25, 2008 and January 7, 2009, respectively, or two (2) years after the execution of the MOAs, in compliance with the conditions stipulated therein that upon failure of the respondents to pay the amount loaned within one year from execution thereof, the respondents shall execute the proper documents to transfer the subject property to petitioner.

Thereafter, on February 25, 2009, TCT No. T-443419 was issued in the name of petitioner.

When respondents refused to leave the subject premises upon demand of the petitioner, the latter was constrained to file a complaint for unlawful detainer against the respondents before the Municipal Trial Court in Cities (MTCC), 11[th] Judicial Region, Branch 1 in Davao City.

On November 15, 2010, the MTCC rendered a Decision in favor of petitioner. The pertinent portion of which reads:

"WHEREFORE, foregoing considered, judgment is hereby rendered in favor of the plaintiff, DOLORES T. VILLARTA, against defendant spouses ROMUALDO JUADIONG and WILMA JUADIONG, their heirs, assigns and all persons claiming rights under them, ordering them to vacate and restore or peacefully turn over physical possession of the subject property covered by Transfer Certificate of Title No. 443419, registered in the name of the herein plaintiff.

Defendants are likewise directed to pay plaintiff the following amounts:

1. Thirty Thousand (P30,000.00) pesos, attorney's fees; and
2. Five Thousand Nine Hundred and Forty pesos (P5,490.00) as litigation expenses; and
3. Cost."

On March 17, 2011, upon motion of the petitioner, the MTCC issued a Writ of Execution of the aforementioned Decision.

However, the respondents filed a separate case for Certiorari against the petitioner, which was raffled to the Regional Trial Court, Branch 16, Davao City. The RTC then issued an injunction order to restrain the Decision of the MTCC.

On September 2, 2011, RTC-16 reversed the MTCC's November 15, 2010 Decision on appeal. The assailed Decision held that the deed of sale is actually one of equitable mortgage. It ruled, thus:

"Since the issue of ownership on the property in dispute was raised by the defendants-appellants in their Answer, and the previous ownership of defendant-appellant was admitted by plaintiff-appellee, the lower court should have provisionally determined the issue of ownership in deciding the case, during which process the lower court (sic) would have discovered that the Deed of Sale was actually one of equitable mortgage and not of sale.

WHEREFORE, premises considered, the instant appeal is GRANTED and the case for Ejectment against herein defendants-appellants is hereby DISMISSED."[6]

Petitioner sought the reconsideration of the Decision. However, it was denied by the RTC-16 on October 10, 2011.[7]

Undeterred, petitioner filed a Petition for Review before this Court with the following assignment of errors:

I.THE COURT A QUO ERRED IN INTERPRETING THE AGREEMENTS BETWEEN THE PARTIES, DECLARING THE SALE OVER THE SUBJECT LAND AS EQUITABLE MORTGAGE, ALLOWING A COLLATERAL ATTACK OF TITLE IN AN EJECTMENT PROCEEDING;

II.GRANTING, WITHOUT ADMITTING, THAT THE COURT A QUO MAY INTERPRET THE AGREEMENTS BETWEEN THE PARTIES, IN THIS PRESENT SUIT FOR EJECTMENT, THE REGIONAL TRIAL COURT STILL ERRED IN FINDING THAT EQUITABLE MORTGAGE EXISTS.[8]

Our Ruling

The petition is meritorious.

An action for unlawful detainer is governed by Rule 70 of the Rules of Court. Section 1, Rule 70 lays down the requisites to warrant a complaint for unlawful detainer, to wit:

"Section 1. Subject to the provisions of the next succeeding section, a person deprived of the possession of any land or building by force, intimidation, threat, strategy, or stealth, or a lessor, vendor, vendee, or other person against whom the possession of any land or building is unlawfully withheld after the expiration or termination of the right to hold possession, by virtue of any contract, express or implied, or the legal representatives or assigns of any such lessor, vendor, vendee, or other person, may, at any time within one (1) year after such unlawful deprivation or withholding of possession, bring an action in the proper Municipal Trial Court against the person or persons unlawfully withholding or depriving of possession, or any person or persons claiming under them, for the restitution of such possession, together with damages and costs."

Petitioner claims that he is entitled to the possession of the subject property as its rightful owner. On the other hand, private respondents assail the validity of the Deed of the Sale for inadequacy of the selling price and that the MOA is null and void for being pactum commissorium since it resulted in the automatic transfer of the subject property.

Unlawful detainer is an action to recover possession of real property from one who unlawfully withholds possession after the expiration or termination of his right to hold possession under any contract, express or

implied.[9] The sole issue to be resolved is the question as to who is entitled to the physical or material possession of the premises or possession de facto.[10] Being a summary proceeding intended to provide an expeditious means of protecting actual possession or right to possession of property, the question of title is not involved and should be raised by the affected party in an appropriate action in the proper court.[11]

Where the issue of ownership is raised by any of the parties, the courts may pass upon the same in order to determine who has the right to possess the property.[12] The adjudication is, however, merely provisional and would not bar or prejudice an action between the same parties involving title to the property. [13] The MTC was correct in ruling that the petitioner had a better right of possession over the subject property.

As registered owner of the subject property, petitioner has a right to possess it. As held in *Maligaso v. Encinas*:

"The respondents' title over such area is evidence of their ownership thereof. That a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein and that a person who has a Torrens title over a land is entitled to the possession thereof are fundamental principles observed in this jurisdiction." [14]

The Supreme Court in the *Maligaso* ruling also reiterated the long-settled rule that a Torrens title cannot be collaterally attacked in an ejectment proceeding:

"In *Soriente v. Estate of the Late Arsenio E. Concepcion*, a similar allegation — possession of the property in dispute since time immemorial — was met with rebuke as such possession, for whatever length of time, cannot prevail over a Torrens title, the validity of which is presumed and immune to any collateral attack.

In this case, the trial court found that respondent owns the property on the basis of Transfer Certificate of Title No. 12892, which was 'issued in the name of Arsenio E. Concepcion, x x x married to Nenita L. Songco.' It is a settled rule that the person who has a Torrens title over a land is entitled to possession thereof. Hence, as the registered owner of the subject property, respondent is preferred to possess it.

The validity of respondent's certificate of title cannot be attacked by petitioner in this case for ejectment. Under Section 48 of Presidential Decree No. 1529, a certificate of title shall not be subject to collateral attack. It cannot be altered, modified or cancelled, except in a direct proceeding for that purpose in accordance with law. The issue of the validity of the title of the respondents can only be assailed in an action expressly instituted for that purpose. Whether or not petitioner has the right to claim ownership over the property is beyond the power of the trial court to determine in an action for unlawful detainer.

In *Salandanan*, the prohibition against the collateral attack of a Torrens title was reiterated:

In *Malison*, the Court emphasized that when [a] property is registered under the Torrens system, the registered owner's title to the property is presumed and cannot be collaterally attacked, especially in a mere action for unlawful detainer. In this particular action where petitioner's alleged ownership cannot be established, coupled with the presumption that respondents' title to the property is legal, then the lower courts are correct in ruling that respondents are the ones entitled to possession of the subject premises.

Given the foregoing, the petitioners' attempt to remain in possession by casting a cloud on the respondents' title cannot prosper.

Neither will the sheer lapse of time legitimize the petitioners' refusal to vacate the subject area or bar the respondents from gaining possession thereof." [15]

Moreover, the RTC overstepped and went beyond the bounds of its authority when it ruled against the validity of the deed of sale. The RTC, as appellate court, is limited to the issue of physical possession, albeit the issue of ownership can also be decided provisionally.

Thus, in *Tubo v. Rodriguez*, the Supreme Court ruled:

"Moreover, at the time the deed of sale was executed in favor of the petitioner, Juanito Rodriguez remained the owner thereof since ownership would only pass to his heirs at the time of his death. Thus, as owner of the property, he had the absolute right to dispose of it during his lifetime. Now, whether or not the disposition was valid is an issue that can be resolved only in Civil Case No. 01-1641, an action instituted by the respondents for that purpose.

We are, thus, left with the deed of sale and the certificate of title over the property to consider.

We agree with the RTC that a certificate of title is a conclusive evidence of ownership of the land described therein; the validity of which shall not be subject to a collateral attack, especially in an ejectment case which is summary in nature.

In *Ross Rica Sales Center, Inc. v. Ong*, the Court held that:

The long settled rule is that the issue of ownership cannot be subject of a collateral attack.

In *Apostol v. Court of Appeals*, this Court had the occasion to clarify this:

. . . Under Section 48 of Presidential Decree No. 1529, a certificate of title shall not be subject to collateral attack. It cannot be altered, modified or cancelled, except in a direct proceeding for that purpose in accordance with law. The issue of the validity of the title of the respondents can only be assailed in an action expressly instituted for that purpose. Whether or not the petitioners have the right to claim ownership over the property is beyond the power of the court a quo to determine in an action for unlawful detainer.

Further, in *Co v. Militar*, it was held that:

[T]he Torrens System was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized.

It is settled that a Torrens Certificate of title is indefeasible and binding upon the whole world unless and until it has been nullified by a court of competent jurisdiction. Under existing statutory and decisional law, the power to pass upon the validity of such certificate of title at the first instance properly belongs to the Regional Trial Courts in a direct proceeding for cancellation of title.

As the registered owner, petitioner had a right to the possession of the property, which is one of the attributes of ownership. x x x

We emphasize, however, that our ruling on the issue of ownership is only provisional to determine who between the parties has the better right of possession. It is, therefore, not conclusive as to the issue of ownership, which is the subject matter of Civil Case No. 01-1641. Our ruling that petitioner has a better right of possession was arrived at on the basis of evidence without prejudice to the eventual outcome of the annulment case, where the issue as to who has title to the property in question is fully threshed out. As the law now stands, in an ejectment suit, the question of ownership may be provisionally ruled upon for the sole purpose of determining who is entitled to possession de facto." [16]

The validity of the deed of sale cannot therefore be assailed in an ejectment proceeding but must be threshed out in a proper action for that purpose.

WHEREFORE, the Decision and the Order of the Regional Trial Court, Branch 16, dated September 2, 2011 and October 10, 2011 are REVERSED and SET ASIDE. The Decision of the Municipal Trial Court dated November 15, 2010 in Civil Case No. 21,678-10 is hereby REINSTATED.

SO ORDERED.

Camello, (Chairperson), and Perez, JJ., concur.

[1] Rollo, pp. 116-135.

[2] As culled from the records.

[3] Rollo, p. 41.

[4] Supra, pp. 64-67.

[5] Supra, pp. 77-85.

[6] See footnote 1.

[7] Rollo, p. 132.

[8] Supra, p. 18.

[9] Union Bank v. Maunlad Homes; G.R. No. 190071; August 15, 2012.

[10] Rodriguez v. Rodriguez; G.R. No. 175270; September 11, 2007

[11] Ibid.

[12] Barrientos v. Rapal; G.R. No. 169594; July 20, 2011.

[13] Ibid.

[14] G.R. No. 182716; June 20, 2012.

[15] Ibid.

[16] G.R. No. 175720; September 11, 2007.

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