

THE TREASURER OF THE PHILIPPINES, PETITIONER, VS. THE COURT OF APPEALS AND SPOUSES EDUARDO OCSON AND NORA E. OCSON, RESPONDENTS.

G.R. No. L-42805. August 31, 1987

Ponente: CRUZ, J.

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CRUZ, J.:

The petitioner asks us to reverse a decision of the respondent court affirming that of the trial court holding the Assurance Fund subsidiarily liable for damages sustained by the private respondents under the following established facts.

Sometime in 1965, a person identifying himself as Lawaan Lopez offered to sell to the private respondents a parcel of land located in Quezon City and consisting of 1,316.8 square meters, which he claimed as his property. His asking price was P85.00 per square meter but after a month's haggling the parties agreed on the reduced price of P76.00 per square meter. The sale was deferred, however, because the prospective vendor said his certificate of title had been burned in his house in Divisoria, and he would have to file a petition with the court of first instance of Quezon City for a duplicate certificate of title. He did so and the petition was granted after hearing without any opposition. Following the issuance of the new duplicate certificate of title, the said person executed a deed of sale in favor of the private respondents, who paid him the stipulated purchase price of P98,700.00 in full. The corresponding transfer certificate of title was subsequently issued to them after cancellation of the duplicate certificate in the name of Lawaan Lopez.[1]

Trouble began two years later when another person, this time a woman, appeared and, claiming to be the real Lawaan Lopez, filed a petition in the court of first instance of Quezon City to declare as null and void the transfer of her land in favor of the private respondents, on the ground that it had been made by an impostor.[2] After trial, the questioned deed of sale was annulled, (together with the duplicate certificate of title issued to the impostor and the transfer certificate of title in the name of the private respondents) and the real owner's duplicate certificate of title was revalidated.[3] Neither the Solicitor General nor the private respondents appealed the decision, but Lawaan Lopez did so, claiming that the defendants should have been required to pay damages to her and the costs. The appeal was dismissed, with the finding by Justices Jose Leuterio, Magno Gatmaitan and Luis B. Reyes of the Court of Appeals that there was no collusion between the private respondents and the impostor.[4]

Subsequently, the private respondents filed a complaint against the impostor Lawaan Lopez and the Treasurer of the Philippines as custodian of the Assurance Fund for damages sustained by the plaintiffs as above narrated. Both the trial court* and the respondent court** ruled in their favor; holding the Assurance Fund subsidiarily liable for the sum of P138,264.00 with legal interest from the date of filing of the complaint, in case the judgment could not be enforced against the other defendant who had been defaulted and could not be located.[5] The petitioner, disclaiming liability, is now before us and prays for relief against the decision of the respondent court which he says is not in accord with law and jurisprudence.

The applicable law is Section 101 of Act No. 496 (before its revision by P.D. No. 1529) providing as follows:

"Sec. 101. Any person who without negligence on his part sustains loss or damage through any omission, mistake or misfeasance of the clerk, or register of deeds, or of any examiner of titles, or of any deputy or clerk or of the register of deeds in the performance of their respective duties under the provisions of this Act, and any person who is wrongfully deprived of any land or any interest therein, without negligence on his part, through the bringing of the same under the provisions of this Act or by the registration of any other person as owner of such land, or by any mistake, omission, or misdescription in any certificate or owner's duplicate, or in any entry or memorandum in the register or other official book, or by any cancellation and who by the provisions of this Act is barred or in any way precluded from bringing an action for the recovery of such land or interest therein, or claim upon the same, may bring in any court or competent jurisdiction an action against the Treasurer of the Philippine Archipelago for the recovery of damages to be paid out of the Assurance Fund."

Commenting on this provision, Commissioner Antonio H. Noblejas, in his book on Land Titles and Deeds,[6] notes that recovery from the Assurance Fund could be demanded by:

"1) Any person who sustains loss or damage under the following conditions:

'a) that there was no negligence on his part; and

'b) that the loss or damage was sustained through any omission, mistake, or misfeasance of the clerk of court, or the register of deeds, his deputy or clerk, in the performance of their respective duties under the provisions of the Land Registration Act; ' or

"2) Any person who has been deprived of any land or any interest therein under the following conditions:

'a) that there was no negligence on his part;

'b) that he was deprived as a consequence of the bringing of his land or interest therein under the provisions of the Property Registration Decree; or by the registration by any other persons as owner of such land; or by mistake, omission or misdescription in any certificate or owner's duplicate, or in any entry or memorandum in the register or other official book, or by any cancellation; and

'c) that he is barred or in any way precluded from bringing an action for the recovery of such land or interest therein, or claim upon the same.'"

A careful reading of the above provision will readily show that the private respondents do not come under either of the two situations above mentioned.

The first situation is clearly inapplicable as we are not dealing here with any omission, mistake or malfeasance of the clerk of court or of the register of deeds or his personnel in the performance of their duties.

The second situation is also inapplicable. The strongest obstacle to recovery thereunder is that the private respondents acquired no land or any interest therein as a result of the invalid sale made to them by the spurious Lawaan Lopez.

The petition correctly points out that such sale conveyed no title or any interest at all to them for the simple reason that the supposed vendor had no title or interest to transfer. He was not the owner of the land. He had no right thereto he could convey. Manifestly, the deception imposed upon them by the impostor deprived the private respondents of the money they delivered to him as consideration for the sale. But there is no question that the subsequent cancellation of the sale did not deprive them of the land subject thereof, or of any interest therein, for they never acquired ownership over it in the first place.

The private respondents argue that from the time the new transfer certificate of title was issued in their name on January 28, 1965, until it was canceled on October 12, 1967, they were the true and exclusive owners of the disputed property. Hence, the cancellation of their title on the latter date had the effect of depriving them of the said land and so entitles them now to proceed against the Assurance Fund.

The flaw in this posture is that the real Lawaan Lopez had her own genuine certificate of title all the time and it remained valid despite the issuance of the new certificate of title in the name of the private respondents. That new certificate, as the trial court correctly declared, was null and void ab initio, which means that it had no legal effect whatsoever and at any time. The private respondents were not for a single moment the owner of the property in question and so cannot claim to have been unlawfully deprived thereof when their certificate of title was found and declared to be a total nullity.

Additionally, the Court observes that the private respondents were not exactly diligent in verifying the credentials of the impostor whom they had never met before he came to them with his bogus offer. The fact alone that he claimed to have lost his duplicate certificate of title in a fire, not to mention the amount of the consideration involved, would have put them on their guard and warned them to make a more thorough investigation of the seller's identity. They did not. Oddly, they seemed to be satisfied that he had an Ilongo accent to establish his claim to be the Visayan owner of the property in question. They were apparently not concerned over the curious fact that for his residence certificate B the supposed owner had paid only P1.00 although the property he was selling was worth to him no less than P98,700.00.[7] Moreover, his address in that certificate was Mandaluyong, Rizal, whereas the address indicated in the records of the Register of Deeds of the owner of the land in question was Fara-on, Fabrica, Negros Occidental.[8]

As for the proceedings for the issuance of a duplicate certificate of title, the private respondents themselves state in their complaint that the evidence of the petitioner therein was received by the clerk of court only, without any opposition, and his report was thereafter accepted by the trial judge who thereupon granted the relief sought by the impostor.[9] It is not likely, given the summary nature of these proceedings, that the necessary care was taken by the court to establish the real identity of the person who claimed to be the owner of the property in question.

While we may agree that there was no collusion between the private respondents and the vanished vendor, we are not prepared to rule under the circumstances of this case that they are entitled to even claim the status of innocent purchasers of the land. On the contrary, we find that for failure to exercise the necessary diligence in ascertaining the credentials and bona fides of the false Lawaan Lopez, and as a result of his deception, they never acquired any title to the said land or any interest therein covered by Section 101 of Act No. 496.

As this Court held in *La Urbana v. Bernardo*[10] "it is a condition sine qua non that the person who brings an action for damages against the Assurance Fund be the registered owner and as the holders of transfer certificates of title, that they be innocent purchasers in good faith and for value." Being neither the registered owners nor innocent purchasers, the private respondents are not entitled to recover from the Assurance Fund.

They are, of course, not entirely without recourse, for they may still proceed against the impostor in a civil action for recovery and damages or prosecute him under the Revised Penal Code, assuming he can be located and arrested. The problem is that he has completely disappeared. That difficulty alone, however, should not make the Assurance Fund liable to the private respondents for the serious wrong they have sustained from the false Lawaan Lopez. The Government - like all governments, and for obvious reasons - is not an insurer of the unwary citizen's property against the chicanery of scoundrels.

WHEREFORE, the petition is GRANTED. The decision of the respondent court dated January 26, 1976 is set aside, and Civil Case No. 12426 of the then Court of First Instance of Rizal is dismissed. No costs

SO ORDERED.

Teehankee, C.J., Narvasa, and Paras, JJ., concur.

Gancayco, J., no part.

[1] Rollo, pp. 25-26.

[2] Record on Appeal, pp. 18-20.

[3] Ibid.

[4] Ibid., p. 29.

* Judge Walfrido de los Angeles.

** Justices Emilio A. Gancayco, ponente, and Justices Mama Busran and Samuel F. Reyes.

[5] Id., p. 27, 34.

[6] 1955 Edition, p. 105.

[7] Rollo, pp. 17-18.

[8] Rec. on Appeal, pp. 37-38.

[9] Ibid., pp. 106-116.

[10] 62 Phil. 790.

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