

LEONILA MALLORCA, SOTERA MALLORCA, ACCOMPANIED BY HER HUSBAND CIRIACO MALLORCA, MAURICIO GUANGA, SOFRONIA GUANGA, PEDRO DANIEL, BIBIANA DANIEL, ACCOMPANIED BY HER HUSBAND CIRIAC...*G.R. No. L-26852. March 25, 1970*

Ponente: REYES, J.B.L., J.

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Direct appeal, on a question of law, by co-defendant, appellant Development Bank of the Philippines, from the decision of the Court of First Instance of Iloilo, in its Civil Case No. 4684, declaring as null and void a mortgage executed in favor of the Bank by its co-defendant Alfredo V. Deocampo, over a 6/8 portion of cadastral lot No. 2199 of Dingle, Iloilo; setting aside the subsequent sale thereof at public auction by the Provincial Sheriff of Iloilo, also in favor of the said appellant bank; and ordering the Register of Deeds to issue a new transfer certificate of title reflecting thereon the names of the former registered owners, Paulo Mallorca (married to Pascuala Bantod), Maria Mallorca and Ciriaca Mallorca, as the co-owners of said 6/8 portion, at 2/8th portion for each of them, and to register the remaining 2/8th portion in the name of appellant bank.

The complaint in said Civil Case No. 4684 was instituted by the heirs of the former registered owners of the 6/8 portion of Lot 2199 for the annulment, on the ground of fraud and forgery, of a deed of sale of the said portion of land, purportedly executed on 15 August 1955 by the registered owners in favor of defendant Alfredo Deocampo. By an amended complaint, the appellant Development Bank of the Philippines was included as a party defendant, for being the transferee of the land.

After trial, the court a quo found the following facts, which are not disputed.

As shown by Original Certificate of Title No. 69176 of the Office of the Register of Deeds for the Province of Iloilo, Cadastral Lot No. 2199 of Dingle, Iloilo, was originally registered, before the outbreak of the last war, in the names of "Paulo Mallorca, married to Pascuala Bantod, 2/8 share; Maria Mallorca, a widow, 2/8 share; Ciriaca Mallorca, a widow, 2/8 share; Juan Mallorca, married to Pastora Prevenido, 1/8 share; and Sofronio Mallorca, married to Consolacion Azucena, 1/8 share; . . .".

Paulo Mallorca died in 1937 and his wife, Pascuala Bantod, died in 1946. Before the end of World War II, Maria Mallorca and Ciriaca Mallorca also died in 1942, in Dinalupihan, Bataan, where they had evacuated. A niece, Oliva Daniel, one of the plaintiffs-appellees, went with her aunts to Bataan, but returned to Dingle, Iloilo in 1955; she remained in possession of the lot, through a tenant, Ernesto Pefiarubia, who had built a house thereon. Through the years, the owners' copy of Original Certificate of Title No. 69176 was left in the Office of the Register of Deeds, and the owners and their heirs did not bother to obtain possession of it. The lot remained declared, for tax purposes, in the name of the heirs of Santiago Mallorca, and Oliva had been paying the taxes and gathering the products of the land.

On 30 July 1955, Juan Mallorca and Sofronio Mallorca leased their portions of the land to defendant Alfredo Deocampo. The lease was registered.

On 15 August 1955, three impostors, posing as Paulo, Maria and Ciriaca, surnamed Mallorca, (the real ones having already died) executed a deed of sale of the 6/8 portion of the lot in favor of defendant Deocampo. The deed was registered and a new Transfer Certificate of Title, No. T-19001, was issued in the name of Deocampo and the remaining original co-owners, Juan Mallorca and Sofronio Mallorca. Then, on 3 September 1955, Juan and Sofronio Mallorca sold their shares to defendant Deocampo. The sale was registered and a new Transfer of Certificate of Title, No. 19256, was issued to and in the name of Deocampo for the entire lot.

Deocampo then sold the lot to Primo Labiaga and Transfer Certificate of Title No; 19277 was issued in the name of Labiaga; it was mortgaged to the Philippine National Bank, redeemed and then Deocampo bought it back and obtained Transfer Certificate of Title No. 23416 in lieu of the Certificate of Labiaga.

On 1 August 1957, Deocampo obtained a loan from the appellant, Development Bank of the Philippines, secured by a mortgage on the lot. The mortgage was registered on 14 August 1957. Deocampo failed to pay the loan and the bank foreclosed the mortgage. In the ensuing auction sale, the lot was awarded to the bank as the highest bidder.

Before the loan was granted by the bank, it sent its appraiser, Mauro Gabuelo, to inspect the property, who found Deocampo in possession and saw a lime factory which was not functioning.

Upon the foregoing facts, the trial court annulled the contract of sale pertaining to the 6/8 portion of the lot executed by the impostors in favor of defendant Deocampo, without prejudice to any action that he may file against the impersonators of the original owners, and annulled also the mortgage and foreclosure sale to the bank but reserving to the latter the right to institute action against its co-defendant, Deocampo.

The sole issue in this appeal is whether or not the appellant bank is an innocent mortgagee for value.

At the time the lot was mortgaged to appellant bank, the Torrens title covering the said lot stood in the name of mortgagor Deocampo; there was nothing to indicate on the face of the title any vice or infirmity. The mortgagee bank relied on the certificate itself. There was no evidence that the bank was aware that the mortgagor's title was defective or that the mortgagor acquired the lot by means of a forged deed of sale. The bank, therefore, accepted the mortgage in good faith; and, as the lot involved is registered land, it was not bound to go behind the certificate to look for flaws in the mortgagor's title, [1] the doctrine of innocent purchaser for value being applicable to an innocent mortgagee for value (*Roxas v. Dinglasan*, L-27234, 30 May 1969, 28 SCRA 430). As between himself and the forgers, Deocampo's title is null and void as regards the 6/8 portion of the lot that formerly belonged to the plaintiffs' predecessors; but it does not follow that the mortgage rights of the bank was also null and void, for a forged deed may be the root of a valid title when an innocent purchaser for value intervenes.[2]

The present case is not at par with *De Lara, et al. vs. Ayroso*, 95 Phil. 185, for in the latter case, relied upon by the appellees, the certificate of title was still in the name and in the custody of the real owner, from whom it was stolen when the land was mortgaged by the impostor to the plaintiffs and the mortgagees were defrauded because they did not verify the identity of the person with whom they were dealing. In the present case, there is no question that the mortgagor is the title holder Deocampo himself and the bank did not deal with someone impersonating Deocampo. Moreover, the original registered owners' negligence in leaving the duplicate of their title with the office of the Register of Deeds undoubtedly facilitated the work of the impersonators.

The basic rule on the matter has been laid by this Court as far back as 1935 in *Blondeau vs. Nano*, 61 Phil. 625, where it was declared (page 631) that:

" ' . . . The (Registration) Act has erected in favor of the owner, as a safeguard against a forged transfer being perpetrated against him, the requirement that no voluntary transfer shall be registered unless the owner's certificate is produced along with the instrument of transfer. Therefore, if the owner has voluntarily or carelessly allowed the forger to come into possession of his owner's certificate he is to be judged according to the maxim, that when one of two innocent persons must suffer by the wrongful act of a third person the loss fall on him who put it into the power of that third person to perpetrate the wrong. Furthermore, even if the forger stole the owner's certificate, the owner is up against no greater hardship than is experienced by one whose money or negotiable paper payable to bearer is stolen and transferred by the thief to an innocent purchaser.' "

Therefore, even if Deocampo had obtained in bad faith the registration of the lot in his name, the Bank's good faith and lack of negligence would protect it against the original owners and their successors in interest.

For the foregoing reasons, the appealed decision is hereby modified and reversed to the extent that it annulled the mortgage and foreclosure sale of Lot 2199 of the cadastral survey of Dingle, Iloilo, in favor of appellant Development Bank of the Philippines, which mortgage and foreclosure sale are hereby declared valid. Accordingly, all the terms and orders in the dispositive portion of the appealed decision which are inconsistent herewith are set aside. Costs against the appellees.

Concepcion, C.J., Dizon, Makalintal, Zaldivar, Ruiz Castro, Fernando, Teehankee, Barredo, and Villamor, JJ., concur.

Decision modified.

[1] Section 39, Act 496; Director of Lands v. Abache, et al., 73 Phil. 606.

[2] Cruz v. Fabie, 35 Phil. 144.

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