

**CAPITOL SUBDIVISION, INC., PLAINTIFF AND APPELLANT, VS.
PROVINCE OF NEGROS OCCIDENTAL, DEFENDANT AND APPELLEE.***G. R. No. L-16257. January 31, 1963*

Ponente: CONCEPCION, J.

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Plaintiff, Capitol Subdivision, Inc., seeks to recover from defendant, the Province of Negros Occidental, the possession of Lot 378 of the cadastral survey of Bacolod, Negros Occidental, and a reasonable compensation for the use and occupation of said lot by the defendant from November 8, 1935, in addition to attorney's fees and costs. On June 28, 1951, the Court of First Instance of Negros Occidental rendered judgment for the plaintiff. On appeal taken by the defendant, this judgment was, however, set aside by the Supreme Court (see G.R. No. L-6204, decided on July 31, 1956), which, likewise, ordered the case remanded to the lower court "for further trial", after which another decision was rendered by said court of first instance dismissing plaintiff's complaint and ordering plaintiff to execute a deed conveying Lot 378 to the defendant. The case is, once again, before us, this time on appeal by the plaintiff, the subject matter of litigation being worth more than P200,000, exclusive of interest and costs.

The main facts are not in dispute. Said Lot 378 is part of Hacienda Mandalagan, consisting of Lots 378, 405, 407, 410, 1205, 1452 and 1641 of the aforementioned cadastral survey, with an aggregate area of over 502 hectares, originally registered in the name of Agustin Amenabar and Pilar Amenabar. Lot 378 has an area of 22,783 sq. meters, more or less, and was covered by Original Certificate of Title No. 1776 (Exhibit 4), issued on August 25, 1916, in the name of the Amenabars. On November 30, 1920, the latter sold the aforementioned Hacienda to Jose Benares (also referred to in some documents as Jose Benares Montelibano) for the sum of P300,000, payable in instalments, as set forth in the deed of sale, Exhibit 21. On February 8, 1924, said Original Certificate of Title No. 1776 was cancelled and Jose Benares obtained, in lieu thereof, Transfer Certificate of Title No. 6295 in his name. Meanwhile, or on March 12, 1921, the Hacienda, including Lot 378, had been mortgaged by Jose Benares to the Bacolod-Murcia Milling Co. for the sum of P27,991.74 (Exhibit Y-2). On December 6, 1926, Jose Benares again mortgaged the Hacienda, including said Lot 378, to the Philippine National Bank, subject to the first mortgage held by the Bacolod-Murcia Milling Co. (Exhibit Y-1). These transactions were duly recorded in the office of the Register of Deeds of Negros Occidental and annotated on the corresponding certificates of title, including said Transfer Certificate of Title No. 6295, covering Lot 378.

The mortgage in favor of the Bank was subsequently foreclosed, in pursuance of a decision of the Court of First Instance of Negros Occidental dated September 29, 1931 (Exhibit U-1), and the Bank acquired the Hacienda, including Lot 378, as purchaser at the foreclosure sale. Accordingly, said Transfer Certificate of Title No. 6295 was cancelled and, in its stead, Transfer Certificate of Title No. 17166—which, owing to its subsequent loss, had to be reconstituted as Transfer Certificate of Title No. RT-1371—in the name of the Bank, was issued on March 14, 1934 (Exhibit P). Soon, later, or on November 8, 1935, the Bank agreed to sell the Hacienda to Carlos P. Benares, son of Jose Benares, for the sum of P400,000, payable in annual instalments, subject to the condition

that, until full payment thereof, title would remain in the Bank (Exhibit R). Thereafter, Carlos P. Benares transferred his rights, under this contract with the Bank, to plaintiff herein, which completed the payment of the instalments due to the Bank in 1949. Hence, on September 29, 1949, the Bank executed the corresponding deed of absolute sale to the plaintiff (Exhibit Q) and Transfer Certificate of Title No. 1798, covering Lot 378 was issued, in lieu of Transfer Certificate of Title No. 17166 (or reconstituted Transfer Certificate of Title RT-1371), in plaintiff's name (Exhibit O).

At this juncture, it should be noted that, despite the acquisition of the Hacienda in 1934 by the Bank, the latter did not take possession of the property for Jose Benares claimed to be entitled to retain it under an alleged right of lease. For this reason, the deed of promise to sell, executed by the Bank in favor of Carlos P. Benares, contained a caveat emptor stipulation. When, upon the execution of the deed of absolute sale (Exhibit Q) by the Bank, on September 29, 1949, plaintiff took steps to take possession of the Hacienda, it was discovered that Lot 378 was the land occupied by the Provincial Hospital of Negros Occidental. Immediately, thereafter, or on October 4, 1949, plaintiff made representations with the proper officials to clarify the status of said occupation and, not being satisfied with the explanations given by said officials, it brought the present action on June 10, 1950.

In its answer dated June 24, 1950, defendant maintained that it had acquired Lot 378 in the year 1924-1925, through expropriation proceedings; that immediately after the commencement of said proceedings in 1924, it took possession of said lot and began the construction thereon of the provincial hospital, which was completed in 1926; that since then it had occupied said lot publicly, adversely, notoriously and continuously as owner thereof; that, "for some reason or other and for cause beyond comprehension of the defendant title thereto was never transferred in the name of said defendant"; that said lot had been placed in defendant's name for assessment purposes under Tax Declaration No. 16269 (dated December 31, 1937); and that plaintiff had acted in bad faith in purchasing said lot from the Bank in 1935, for plaintiff knew then that the provincial hospital was where it is up to the present, and did not declare said lot in its name for assessment purposes until 1950, aside from the fact that Alfredo Montelibano, the controlling stockholder, president and general manager of plaintiff corporation, was the first City Mayor of Bacolod, which contributed to the support, operation and maintenance of said hospital. In an amended answer, dated November 8, 1950, defendant alleged, also, that the aforementioned expropriation ease was "amicably settled as between the parties herein, in the sense that tho * * * Province of Negros Occidental would pay * * * and did in fact pay to Jose Benares the assessed value of Lot 378 * * * and whatever consideration pertaining to said lot in excess of its assessed value which was paid by the Province would be donated and was in fact donated by said * * * Jose Benares in favor of the Province purposely for Hospital site".

The main question for determination in this case is whether or not defendant herein had acquired Lot 378 in the aforementioned expropriation proceedings. The decision appealed from in effect decided this question in the affirmative and declared that plaintiff merely holds it in trust for the defendant, in view of which it ordered the former to convey said lot to the latter. This conclusion is predicated, substantially, upon the following premises, namely; that case No. 3041 of the Court of First Instance of Negros Occidental, for the expropriation of the hospital site of said province, was actually commenced on January 26,

1924; that, among the lands sought to be expropriated in said case was Lot 377 of the aforementioned cadastral survey, belonging to one Anacleto Aksam, who sold it, on July 10, 1926, to the defendant (Exhibit BB), in whose favor the corresponding transfer certificate of title (Exhibit BB-2) was issued on July 12, 1926; that, according to the testimony of Jose Benares, the expropriation of Lot 378 was settled amicably upon payment to him of the sum of P12,000; and that defendant's failure to secure the corresponding transfer certificate of title to Lot 378 was due to "the mistaken notion or belief that said lot forms part of Lot No. 405-B" in the plan Exhibit X.

The testimony of Jose Benares does not deserve, however, full faith and credence, because:

1. Jose Benares appears to be strongly biased and prejudiced against the plaintiff and its president, for the former believes that the latter had "manipulated" to exclude him from plaintiff corporation, and there have been four (4) litigations between Jose Benares and plaintiff, all of which have been finally decided against the former;

2. The testimony of Jose Benares is extremely contradictory. Thus: (a) he testified to having been paid P12,000 by the Government, although, at the rate of P1,000 a hectare at which, he would have us believe, he agreed to sell Lot 378, he should have received less than P3,000 for its 22,783 sq. meters; (b) he claimed to have received said sum of P12,000.00 "in the year 1924 or 1925", about "2 or 3 days" after the Government had taken possession of the land, and to have sent the money the next day to Pilar Amenabar, but the latter acknowledged to have received said sum of P12,000 on November 7, 1928;

3. Said testimony was contradicted by that of defendant's witness Jose Marco, former deputy clerk of court of Negros Occidental, for: (a) Jose Benares asserted that there was a written compromise agreement between him and the Government, whereas Marco averred that agreement was merely oral; and (b) Marco stated that Benares had agreed to accept, as compensation for Lot 378, the assessed value thereof, which was P430, and to donate to the Government the difference between this sum and the true value of the property, but Benares affirmed that he was first offered P300 per hectare which he rejected, and that he later demanded P1,000 a hectare, which the Government, agreed to pay, although, subsequently, he said that Rafael Alunan and Mariano Yulo had prevailed upon him to accept P1.000 per hectare;

4. Jose Benares was, also, contradicted by defendant's witness Ildefonso Coscolluela, the provincial treasurer of Negros Occidental' at the time of the expropriation, who positively assured the Court that the expropriation case "was not yet terminated" and that "negotiations were still pending" for the acquisition of Lot 378 by the Government when he retired from the service in 1934.

Upon the other hand, several circumstances strongly indicate that no compromise agreement for the acquisition of the land by the Government had been reached and that the expropriation had not been consummated. For instance:

1. The only entries in the docket relative to the expropriation case refer to its filing and the publication in the newspaper of the corresponding notices (Exhibit 1);

2. The registration of the deed of sale of Lot 377 by Anaclea Aksam to the Government, followed by the cancellation of the certificate of title in her name and the issuance, in lieu thereof, of another title in the name of the Province, when contrasted with the absence of a similar deed of assignment and of a transfer certificate of title in favor of the Province as regards Lot 378, strongly suggest that no such assignment or agreement with respect to Lot 378 had been made or reached;

3. The property was mortgaged to the Bacolod-Murcia Milling Co. since March 12, 1921, and this mortgage, duly registered and annotated, inter alia, on Transfer Certificate of Title No. 1776, in the name of Jose Benares, was not cancelled until September 28, 1935. Moreover, Lot 378 could not have been expropriated without the intervention of the Milling Co. Yet, the latter was not made a party in the expropriation proceedings;

4. On December 26, 1926, Jose Benares constituted a second mortgage in favor of the Bank, which would not have accepted the mortgage had Lot 378 not belonged then to the mortgagor. Neither could said lot have been expropriated subsequently thereto without the Bank's knowledge and participation. What is more, in the deed executed by the Bank, on November 8, 1935 (Exhibit R), promising to sell the Hacienda Mandalagan to Carlos P. Benares, it was explicitly stated that portions of Lots 405, 407 and 410, forming part of said Hacienda and designated as Lots 405-A, 407-A, 407-B and 410-A, had been expropriated by the Provincial Government of Negros Occidental, thus indicating, by necessary implication, that Lot 378 had not been expropriated.

The decision appealed from says:

“* * * it is evident that there were no further proceedings in connection with the expropriation case and the

chances are that the case was dismissed. The Court had to examine carefully and minutely every single piece of evidence adduced by both parties in order to arrive at the correct solution of the mystery. The Court believes that the failure of the government to secure the corresponding transfer of title to Lot 378 lies in the mistaken notion or belief that said lot forms a part of Lot 405—B. This conclusion was arrived at after examining closely the plan, Exhibit X. The plan shows that while all the subdivided lots were properly identified by lot numbers, that particular portion at the lower corner of the plan encircled with red pencil, marked Exhibit X—1, is not labelled with the corresponding lot number and that portion is precisely lot No. 378, now in question, where the hospital building" was constructed. This plan was prepared for the government on May 12, 1927 by public land surveyor, Mr. Formento, embracing lots covering over 22 hectares for the Capitol and hospital sites. The fact that this particular portion was not labelled with the corresponding lot number might have misled the authorities to believe that it formed a part of lot 405-B, which adjoins it, altho separated by the creek. This lack of reasonable explanation why the government failed to secure the corresponding certificate of title to lot 378, when there is sufficient proof that Jose Benares was paid and he executed the deed of sale in favor of the government."

Although said decision appears to have been prepared with the conscientiousness and moral courage that account for the well earned reputation and prestige of the Philippine judiciary, we find ourselves unable to concur in the foregoing view. To begin with, there is no evidence, and defendant has not even tried to prove, that the expropriation case had ever been dismissed insofar as Lot 378 is concerned. Hence, the lower court merely speculated about the "chances that the (expropriation) case was dismissed." By the way, the contrary was intimated by defendant's witness, Ildefonso Coscolluela, for he testified that the expropriation case was still pending in 1934, when he ceased to be the provincial treasurer, and the record before us suggests that since the Province took possession of the land in 1924 or 1925 and completed the construction of the hospital in 1926, there were no further proceedings in said case.

With respect to the plan Exhibit X, there is, likewise, no evidence whatsoever that the authorities had been 'misled * * * to believe" that the portion at the lower corner of said plan—which was enclosed, during the trial, within a circle in red pencil, and marked as Exhibit X-1—formed part of Lot 405-B, which had been expropriated by the Province of Negros Occidental. In fact, said portion Exhibit X-1 is not part of the land covered by the plan Exhibit X. A close examination of the latter shows that the boundaries of said portion are not delimited on the plan. More important still, on the right hand side of Exhibit X, the following appears in bold letters: "Subdivision & Consolidation PLAN of Lots Nos. 400, 401, 403, 405, 406, 407 and 410 Bacolod Cadastre as surveyed for the Provincial Government of Bacolod, Negros Occidental (Capitol site)". The absence of Lot 378 from said enumeration and the explicit statement in Exhibit X to the effect that it refers to the "Capitol Site", negates the possibility of its being mistaken by any body, much less by government engineers, as including the hospital site, and, hence, said Lot 378. Lastly, the very evidence for the defendant herein, specially the assessor's field sheets and declarations of real property for tax purposes (Exhibits 9, 10, 11, 12 and 13) show that the Government had always regarded Lot 378, not Lot 405, as part of the Provincial Hospital Site. In any event, said possibility of mistake, if any which would be remote, cannot suffice to warrant—in the face of documentary evidence to the contrary the conclusion that Lot 378 has already been acquired by the Government.

How about the P12,000 received by Jose Benares from the Government and applied by him to the payment of his debt to Pilar Amenabar? Said amount could not possibly be the price of Lot 378, for, at the rate of P1,000 a hectare allegedly agreed therefor, its price could not have exceeded P3,000.00 in this connection, it should be noted that, aside from the expropriation proceedings for the hospital site, another expropriation case for the Capitol site, affecting another property of Jose Benares, appears to have been instituted in the Court of First Instance of Negros Occidental. Jose Benares may have mistaken the payment for his land included in the Capitol Site, as one intended for Lot 378, which was affected by the hospital site. And this possibility may amount to a

probability when we consider that he erroneously believed that there had been only one expropriation case, instead of two cases, against him, and that Lot 378 was not included in the mortgage constituted by him in favor of the Philippine National Bank. Evidently, he did not have, at least, an accurate recollection of the events or transactions affecting his properties, and, hence, his testimony may not be relied upon.

Thus, the evidence on record is far from sufficient to establish the alleged acquisition by the defendant of Lot 378, which must be held, therefore, to be the exclusive property of plaintiff herein.

The lower court entertained no doubts about the veracity of the testimony of plaintiff's president to the effect that he did not know until 1949 that the land on which the Provincial Hospital Building stands is Lot 378. Yet, it held that plaintiff was "not a purchaser in good faith for having constructive knowledge of defendant's possession of the property at the time it was bought by the plaintiff", because Carlos P. Benares—whose right to buy the Hacienda Mandalagan from the Bank was acquired by plaintiff—"is a part owner of the Capitol Subdivision and holds a responsible position therein", because "the hospital was already constructed in Lot 378 since 1926 and the lot was declared in the name of the Government" and "when plaintiff bought the lot in 1935, the purchaser should have inquired as to its location and improvements"; because "it took the plaintiff 14 years to sleep over their supposed rights to take possession of Lot No. 378"; and because "of the overwhelming fact that Lot No. 378 was erroneously or inadvertently included by the deeds of sale (Exhibits Q & R) executed by the Philippine National Bank in favor of the plaintiff subdivision and that same lot was occupied by the defendant government for the provincial hospital for the last 34 years, as owner thereof."

As above stated, however, and the lower court conceded, plaintiff's president did not know until 1949 that Lot 378 was the very land occupied by the provincial hospital. Moreover, there is a total absence of evidence that this fact was known to Carlos P. Benares before 1949. Neither may such knowledge be deduced from the circumstances that he is a son of its former owner, Jose Benares, for even the latter appears not to be well-posted on the status of his properties. Indeed, Jose Benares did not apparently know that there were two (2) expropriation proceedings affecting said properties; that the P12,000 received by him from the Government was not meant for Lot 378; and that this lot was one of the properties mortgaged by him to the Bank.

Upon the other hand, the main purpose of the Torrens System is to avoid possible conflicts of title in and to real estate, and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further, except when the party concerned has actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry (Tiburcio vs. PHHC, L-13479, October 31, 1959; Revilla vs. Galindez, G.R. No. L-19940, March 30, 1960 ; Mañacop, Jr. vs. Cansino, G.R. No. L-13971, February 27, 1961). In the case at bar plaintiff had no such actual knowledge, it being an established fact that he was not aware until 1949 that the land on which the provincial hospital stood was Lot 378. Furthermore, since the year 1921, or before the expropriation case for the hospital site had begun, said lot was mortgaged to the Bacolod-Murcia Milling Co., and the mortgage, duly registered, as well as annotated on the corresponding, certificate of title, was not cancelled until September 28, 1935. Prior to this date, or on December 26, 1926, Lot 378 was subjected to a second mortgage in favor of the Bank, which acquired title thereto, thru foreclosure proceedings, in 1934. When the Bank agreed on November 8, 1935 , to sell the property to Carlos P. Benares and the latter, subsequently, conveyed his rights to plaintiff herein, as well as when the Bank executed the deed of absolute sale in plaintiff's favor on September 20, 1949, the title to the property was in the name of the Bank. Considering that sugar centrals as well as banks are known to have an array of experienced and competent lawyers, it cannot be said that plaintiff was not justified in assuming that said institutions had scrutinized the background of Lot 378 and were satisfied that the same belonged to the mortgagor when said mortgages were constituted, and to the Bank when said deed of sale was executed. In short, we find

that plaintiff herein is a purchaser in good faith and for value.

As regards the compensation that, as such, it may collect from the defendant, we are of the opinion, and so hold, that, since the latter's right to expropriate Lot 378 is not contested, and is seemingly conceded, the plaintiff may demand what is due by reason of the expropriation of said lot. In short, plaintiff is entitled to recover from the defendant the fair and full equivalent of Lot 378, as of the time when possession thereof, was actually taken by the defendant, plus consequential damages—including attorney's fees—from which consequential damages the consequential benefits, if any, should be deducted, with interest, at the legal rate, on the aggregate sum due to the plaintiff, from and after the date of said actual taking. The case should be remanded, therefor, to the lower court for the reception of evidence on the date of said actual taking and the amount of compensation collectible from the defendant, and the rendition, thereafter, of the corresponding decision thereon.

WHEREFORE, the decision appealed from is hereby reversed and the records remanded to the lower court for further proceedings, as above stated, with costs against the defendant. It is so ordered.

Bengzon, C.J., Padilla, Bautista Angelo, Labrador , Reyes, J.B.L., Barrera, Paredes, Dizon and Regala, JJ., concur.

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