

**MAXIMINO CARANTES (SUBSTITUTED BY ENGRACIA MABANTA CARANTES), PETITIONER, VS. COURT OF APPEALS, BILAD CARANTES, LAURO CARANTES, EDUARDO CARANTES AND MICHAEL TUMPAO, RESPONDENTS.**

*G.R. No. L-33360. April 25, 1977*

Ponente: CASTRO, C.J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/d88f68cfd15c/>

---

**CASTRO, C.J.:**

This is an appeal by certiorari from the decision of the Court of Appeals in CA-G.R. 36078-R promulgated on December 23, 1970 reversing the judgment of the Court of First Instance of Baguio City, Branch II, in Civil Case 804, and from the appellate court's resolution dated March 7, 1971 denying herein petitioner's motion for reconsideration.

Mateo Carantes was the original owner of Lot No. 44 situated at Loakan, Baguio City, as evidenced by Original Certificate of Title No. 3 issued in his name on September 22, 1910 by virtue of Free Patent No. 5 granted to him on the same date. In 1913 Mateo died. He was survived by his widow Ogasia and six children, namely, Bilad, Lauro, Crispino, Maximino, Apung and Sianang, all surnamed Carantes.

In 1930 construction of the Loakan Airport was commenced by the Government. Because a portion of Lot No. 44 was needed for the landing field, the Government instituted proceedings (Civil Case 338) for its expropriation. For the purpose, Lot No. 44 was subdivided into Lots Nos. 44-A, 44-B, 44-C, 44-D and 44-E. The portion expropriated by the Government was Lot No. 44-A.

In 1933 Special Proceedings Nos. 409 to 413 were filed with the court for the settlement of the estate of the late Mateo Carantes. One of his sons, herein petitioner Maximino Carantes, was appointed and qualified as judicial administrator of the estate. In his capacity as administrator, Maximino filed on June 20, 1939 a project of partition wherein he listed as the heirs of Mateo Carantes who were entitled to inherit the estate, himself and his brothers and sisters, or the latter's surviving children. Apparently because negotiations were, by that time, under way for the purchase by the Government of Lots Nos. 44-B and 44-C for the purpose of widening the Loakan Airport, the only property listed by Maximino in the project of partition was the remaining portion of Lot No. 44.

On October 23, 1939 a deed denominated "Assignment of Right to Inheritance" was executed by four of Mateo Carantes' children, namely, Bilad, Sianang, Lauro and Crispino, and the heirs of Apung Carantes (also a son of Mateo who died in 1923), namely, Pitag, Bill, Alson, Eduardo and Juan, assigning to Maximino Carantes their rights to inheritance in Lot No. 44. The stated monetary consideration for the assignment was P1.00. However, the document contains a recital to the effect that the said lots, "by agreement of all the direct heirs and heirs by representation of the deceased Mateo Carantes as expressed and conveyed verbally by him during his lifetime, rightly and exclusively belong to the particular heir, Maximino Carantes, now and in the past in the exclusive, continuous, peaceful and notorious possession of the same for more than ten years."

On the same date Maximino Carantes sold to the Government Lots Nos. 44-B and 44-C and divided the proceeds of the sale among himself and the other heirs of Mateo.

On February 6, 1940, upon joint petition of the heirs of Mateo Carantes, the Court of First Instance of Baguio City issued an Order in another proceeding - Administrative Case No. 368 - cancelling O.C.T. No. 3. Pursuant thereto the said title was cancelled, and in its place Transfer Certificate of Title No. 2533 was issued in the joint names of the five children of Mateo Carantes and the children of Apung Carantes (representing their deceased father) as co-owners pro indiviso, or one-sixth share for each child.

On March 16, 1940 Maximino Carantes registered the deed of "Assignment of Right to Inheritance." Accordingly, T.C.T. No. 2533 in the names of the heirs was cancelled, and in lieu thereof Transfer Certificate of Title No. 2540 was issued on the same date in the name of Maximino Carantes. Also on the same date, Maximino, acting as exclusive owner of the land covered by T.C.T. No. 2540, executed a formal deed of sale in favor of the Government over Lots Nos. 44-B and 44-C.

On February 21, 1947, as a result of the approval of the Subdivision Survey Plan psd-16786, and pursuant to the deed of sale executed in 1940 by Maximino Carantes in favor of the Government, T.C.T. No. 2540 in Maximino's name was cancelled, and in lieu thereof Transfer Certificate of Title No. T-98, covering Lots Nos. 44-A, 44-B and 44-C, was issued in the name of the Government, while Transfer Certificate of Title No. T-99, covering the remaining Lots Nos. 44-D (100, 345 square meters) and 44-E (10,070 square meters) was issued in the name of Maximino Carantes, who has up to the present remained the registered owner of said lots.

On September 4, 1958 the present complaint was filed by three children of the late Mateo Carantes, namely, Bilad, Lauro and Crispino, and by some of the surviving heirs of Apung and of Sianang (also children of Mateo Carantes). Maximino Carantes was named principal defendant, and some of the heirs of Apung and Sianang were impleaded as parties-defendants in view of their alleged reluctance to join as parties-plaintiffs.

In their complaint the plaintiffs alleged inter alia that they and/or their predecessors-in-interest executed the deed of "Assignment of Right to Inheritance" on October 23, 1939, only because they were made to believe by the defendant Maximino Carantes that the said instrument embodied the understanding among the parties that it merely authorized the defendant Maximino to convey portions of Lot No. 44 to the Government in their behalf to minimize expenses and facilitate the transaction; and that it was only on February 18, 1958, when the plaintiffs secured a copy of the deed, that they came to know that the same purported to assign in favor of Maximino their rights to inheritance from Mateo Carantes. The plaintiffs prayed that the deed of "Assignment of Right to Inheritance" be declared null and void; that Lots Nos. 44-D and 44-E covered by T.C.T. No. T-99 be ordered partitioned into six (6) equal shares and the defendant Maximino Carantes be accordingly ordered to execute the necessary deeds of conveyance in favor of the other distributees; and that the said defendant be ordered to pay the plaintiffs the sum of P1,000 as attorney's fees and the sum of P200 as costs of suit.

On September 10, 1958 the defendants filed a motion to dismiss on the grounds (1) that the plaintiffs' cause of action is barred by the statute of limitations because the deed of assignment was recorded in the Registry of Property at the latest on February 21, 1947, hence, plaintiffs' cause of action accrued from the said date, and since pursuant to article 1144 of the new Civil Code an action based on a written contract must be brought within ten years from the time the right of action accrues, plaintiffs' right to file the complaint had already prescribed on September 4, 1958; and (2) that the complaint states no cause of action because ownership over the property became vested in Maximino Carantes by acquisitive prescription ten years from its registration in his name on February 21, 1947.

In an Order dated September 30, 1958, the trial court denied the motion to dismiss on the grounds that there are

allegations of co-ownership and trust in the complaint, and, therefore, prescription did not lie, and that the complaint alleges that the plaintiffs discovered the alleged fraud only in February, 1958.

In their answer filed on October 7, 1958, the defendants traversed the material averments of the complaint and alleged inter alia that the property of the deceased Mateo Carantes and his wife had been divided and distributed among their six children; that the deed of "Assignment of Right to Inheritance" was an acknowledgment of the fact of designation of the property therein described as specifically pertaining or belonging by right of inheritance to the defendant Maximino Carantes; that there was never any agreement between the assignors and the assignee authorizing the latter to merely represent his co-heirs in negotiations with the Government; and that the assignors knew fully well that the deed of assignment contained what, on its face, it represented. By way of special defenses, the defendants alleged that any supposed agreement between the plaintiffs and/or their predecessors-in-interest and the defendant Maximino Carantes, other than the deed of assignment, is barred by the statute of frauds and is null and void because not in writing, much less, in a public instrument; that the only agreement between the parties is what appears in the deed of assignment; that the plaintiffs' right of action has already prescribed; that the defendant Maximino Carantes acquired absolute ownership over the property in question by acquisitive prescription and registration; and that any obligation on the part of the defendants in relation to the property had been discharged by novation, condonation and compensation. The defendants set up the counterclaim that in the event the rights of the heirs are disturbed, the produce from the lands inherited by the plaintiffs from Mateo Carantes as well as the real estate taxes on the land paid by the defendant Maximino Carantes should be collated; and that the filing of the complaint being malicious, the defendants should be awarded the sum of P4,500 by way of nominal, compensatory, moral and corrective damages, including attorney's fees and expenses of litigation. The defendants prayed for the dismissal of the complaint and payment of damages to them.

An answer to the counterclaim was filed by the plaintiffs on November 7, 1958 denying the material allegations of the counterclaim.

After trial, the court rendered its decision on January 28, 1965. It was the trial court's opinion that since an action based on fraud prescribes in four years from the discovery of the fraud, and in this case the fraud allegedly perpetrated by the defendant Maximino Carantes must be deemed to have been discovered on March 16, 1940 when the deed of assignment was registered, the plaintiffs' right of action had already prescribed when they filed the action in 1958; and even assuming that the land remained the common property of the plaintiffs and the defendant Maximino Carantes notwithstanding the execution of the deed of assignment, the co-ownership was completely repudiated by the said defendant by performance of several acts, the first of which was his execution of a deed of sale in favor of the Government on October 23, 1939, hence, ownership had vested in the defendant Maximino Carantes by acquisitive prescription. The court accordingly dismissed the complaint. It likewise dismissed the counterclaim.

The plaintiffs moved for reconsideration. Their motion having been denied in an Order dated March 8, 1965, they appealed to the Court of Appeals.

As adverted to above, the Court of Appeals reversed the judgment of the trial court, hence the present recourse.

#### - I -

In her brief filed with this Court, the petitioner argues that the private respondents' action is not actually one for annulment of the deed of "Assignment of Right to Inheritance" but for the reformation thereof, hence, the said action has prescribed long before the filing of the complaint.

The petitioner's theory that the private respondents' action is for reformation of an instrument is a new one, adopted by the petitioner for the first time on appeal to this Court. Her husband did not raise it as a defense in his answer filed with the trial court, where, consequently, trial proceeded on the theory that the action sought the declaration of nullity of the deed of assignment. When the case reached the respondent court the petitioner likewise did not raise this issue, although in truth, even had she done so, it would have been a belated and futile exercise. She cannot be allowed to change her theory of the case at this stage of the proceedings.

The settled rule is that defenses not pleaded in the answer may not be raised for the first time on appeal.[1] A party cannot, on appeal, change fundamentally the nature of the issue in the case.[2] When a party deliberately adopts a certain theory and the case is decided upon that theory in the court below, he will not be permitted to change the same on appeal, because to permit him to do so would be unfair to the adverse party.[3]

Consequently, we have to disregard the petitioner's theory that the action is for reformation of an instrument, and must proceed on the basis of the issues properly raised and ventilated before the trial court.

## - II -

We do not agree with the respondent court's legal conclusion that the deed of "Assignment of Right to Inheritance" is void ab initio and inexistent on the grounds that real consent was wanting and the consideration of P1.00 is so shocking to the conscience that there was in fact no consideration, hence, the action for the declaration of the contract's inexistence does not prescribe pursuant to article 1410 of the new Civil Code.

Article 1409 (2) of the new Civil Code relied upon by the respondent court provides that contracts "which are absolutely simulated or fictitious" are inexistent and void from the beginning. The basic characteristic of simulation is the fact that the apparent contract is not really desired or intended to produce legal effects or in any way alter the juridical situation of the parties.[4]

The respondents' action may not be considered as one to declare the inexistence of a contract for lack of consideration. It is total absence of cause or consideration that renders a contract absolutely void and inexistent.[5] In the case at bar consideration was not absent. The sum of P1.00 appears in the document as one of the considerations for the assignment of inheritance. In addition - and this of great legal import - the document recites that the decedent Mateo Carantes had, during his life-time, expressed to the signatories to the contract that the property subject-matter thereof rightly and exclusively belonged to the petitioner Maximino Carantes. This acknowledgment by the signatories definitely constitutes valuable consideration for the contract.

## - III -

The present action is one to annul the contract entitled "Assignment of Right to Inheritance" on the ground of fraud.

Article 1390 of the new Civil Code provides that a contract "where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud," is voidable or annulable. Even article 1359, which deals on reformation of instruments, provides in its paragraph 2 that "If mistake, fraud, inequitable conduct, or accident has prevented a meeting of the minds of the parties, the proper remedy is not reformation of the instrument but annulment of the contract." When the consent to a contract was fraudulently obtained, the contract is voidable.[6] Fraud or deceit does not render a contract void ab initio, and can only be a ground for rendering the contract voidable or annulable pursuant to article 1390 of the new Civil Code by a proper action in court.[7]

The present action being one to annul a contract on the ground of fraud, its prescriptive period is four years from the time of the discovery of the fraud.[8]

The next question that must be resolved is: from what time must fraud, assuming that there was fraud, be deemed to have been discovered in the case at bar? From February, 1958, when, according to the private respondents, and as found by the respondent court, the private respondents actually discovered that they were defrauded by the petitioner Maximino Carantes when rumors spread that he was selling the property for half a million pesos? Or from March 16, 1940, when, as admitted by the parties and found by both the trial court and the respondent court, the deed of "Assignment of Right to Inheritance" was registered by the petitioner in the Office of the Register of Deeds?

The weight of authorities is to the effect that the registration of an instrument in the Office of the Register of Deeds constitutes constructive notice to the whole world, and, therefore, discovery of the fraud is deemed to have taken place at the time of the registration.[9] In this case the deed of assignment was registered on March 16, 1940, and in fact on the same date T.C.T. No. 2533 in the names of the heirs of Mateo Carantes was cancelled, and T.C.T. No. 2540 in the name of the petitioner was issued in lieu thereof. The four-year period within which the private respondents could have filed the present action consequently commenced on March 16, 1940; and since they filed it only on September 4, 1958, it follows that the same is barred by the statute of limitations.

The respondent court refused to accord recognition to the rule of constructive notice, because, according to it, there was a fiduciary relationship between the parties. Upon this premise it concluded that the four-year prescriptive period should be deemed to have commenced in February, 1958 when private respondents had actual notice of the fraud. Without resolving the question of whether or not constructive notice applies when a fiduciary relationship exists between the parties - a point which is not in issue in this case - we hold that the respondent court's conclusion, lacking the necessary premise upon which it should be predicated, is erroneous.

Definitely, no express trust was created in favor of the private respondents. If trust there was, it could only be - as held by respondent court - a constructive trust, which is imposed by law. In constructive trusts there is neither promise nor fiduciary relation; the so-called trustee does not recognize any trust and has no intent to hold the property for the beneficiary.[10] In at least two cases, the rule of constructive notice was applied by this Court although a constructive trust had been created. Thus, in *Lopez, et al. vs. Gonzaga, et al.*, [11] where the plaintiffs and the defendants were co-heirs and the decedent owner of the lands had merely allowed the principal defendant to use the products and rentals of the lands for purposes of coconut oil experimentation, but said defendant later caused the transfer of the certificates of title in his own name through the registration of certain judicial orders, this Court held that the recording of the judicial orders sufficed as notice to the other heirs, for the rule is that knowledge of what might have been revealed by proper inquiry is imputable to the inquirer. In *Gerona, et al. vs. De Guzman, et al.*, supra, the petitioners and the private respondents were co-heirs, and the petitioners' action for partition and reconveyance was based upon a constructive trust resulting from fraud. This Court held that the discovery of the fraud "is deemed to have taken place, in the case at bar, on June 25, 1948, when said instrument was filed with the Register of Deeds and new certificates of title were issued in the name of respondents exclusively, for the registration of the deed of extrajudicial settlement constituted constructive notice to the whole world."

#### - IV -

The decision under review found that a constructive trust was created in favor of the private respondents, and, holding that an action for reconveyance based on constructive trust is imprescriptible, recognized the right of the private respondents to file an action for reconveyance regardless of the lapse of time, citing *Gayandato vs. Treasurer of the Philippine Islands, et al.*[12]

We have examined *Gayandato*, and have failed to find support therein for the holding of the re-spondent court. In

any event, it is now settled that an action for reconveyance based on implied or constructive trust is prescriptible; it prescribes in ten years.[13] In this case the ten-year prescriptive period began on March 16, 1940, when the petitioner registered the deed of "Assignment of Right to Inheritance" and secured the cancellation of the certificate of title in the joint names of the heirs of Mateo Carantes, and, in lieu thereof, the issuance of a new title exclusively in his name.[14] Since the present action was commenced only on September 4, 1958, it is clear that the same is barred by extinctive prescription.

- V -

It was also held by the respondent court that the petitioner was merely holding the property in trust for the benefit of his co-heirs as administrator, hence, there was a continuing and subsisting trust, and pursuant to section 38 of the Code of Civil Procedure, the provisions of the said Code on prescription (Secs. 40-41) do not apply. It is our view, however, that there was no continuing and subsisting trust.

From March 16, 1940, when the petitioner registered the deed of assignment and had the certificate of title in the names of the heirs cancelled and a new certificate of title issued in his own name, he began to hold the property in open and clear repudiation of any trust.[15] It will be noted that on the same date, the petitioner also executed a formal deed of sale over portions of Lot No. 44 in favor of the Government. In 1948 he mortgaged Lot No. 44-D with the Philippine National Bank as his exclusive property. The petitioner's exercise of such rights of dominion is anathema to the concept of a continuing and subsisting trust. The circumstances, found by the respondent court, that the name of Mateo Carantes still appeared in the tax declaration as owner of the land and the name of the petitioner as administrator, that the real estate taxes were shared by the other heirs with the petitioner, and that some of the heirs are living in houses erected by them on the land, wane in legal significance in the face of the petitioner's aforesaid uncontroverted acts of strict dominion. In connection with the payment of real estate taxes, it is to be noted that the respondent court also found that all the receipts were issued in the name of the petitioner. The circumstances mentioned above do not make out a case of a continuing and subsisting trust.

ACCORDINGLY, the judgment of the Court of Appeals appealed from is set aside, and another entered dismissing the complaint in Civil Case No. 804 of the Court of First Instance of Baguio. No costs.

Makasiar, Muñoz Palma, and Martin, JJ., concur.

Teehankee, J., concurs on the ground that respondents' action based on constructive trust prescribed after ten years.

---

[1] Central Bank of the Philippines vs. Court of Appeals, et al., L-33022, April 22, 1975, 63 SCRA 431, 442.

[2] Republic vs. Venturanza, et al., L-20417, May 30, 1966, 17 SCRA 322, 325.

[3] Philippine Rabbit Bus Lines, Inc., et al. vs. Philippine American Forwarders, Inc., et al., L-25142, March 25, 1975, 63 SCRA 231, 234.

[4] Vda. de Rodriguez vs. Rodriguez, et al., L-23002, July 31, 1967, 20 SCRA 908, 914.

[5] Garanciang, et al. vs. Garanciang, et al., L-22351, May 21, 1969, 28 SCRA 229, 230.

[6] Mapalo, et al. vs. Mapalo, et al., L-21489 & L-21628, May 19, 1966, 17 SCRA 114, 118.

[7] Tumulad, et al. vs. Vicencio, et al., L-30173, September 30, 1971, 41 SCRA 143, 151.

[8] Art. 1391, new Civil Code.

[9] De Guinoo vs. Court of Appeals, 97 Phil. 235, 238; Avelilla, etc. vs. Yatco, et al., 103 Phil. 666, 670; Gerona, et al. vs. De Guzman, et al., L-19060, May 29, 1964, 11 SCRA 153, 157.

[10] Diaz, et al. vs. Gorricho, et al., 103 Phil. 261, 266.

[11] L-18788, January 31, 1964, 10 SCRA 167, 169, 178.

[12] 49 Phil. 244.

[13] Escay, et al. vs. Court of Appeals, et al., L-37504, December 18, 1974, 61 SCRA 369, 387-388, citing Boñaga vs. Soler, et al., L-15717, June 30, 1961; J.M. Tuason & Co., Inc. vs. Magdangal, L-15539, January 30, 1962; Alzona vs. Capunitan, L-10228, February 28, 1963; Bueno vs. Reyes, L-22587, April 28, 1969, 27 SCRA 1179.

[14] Castrillo, et al. vs. Court of Appeals, et al., L-18046, March 31, 1964, 10 SCRA 549, 555.

[15] Lopez, et al. vs. Gonzaga, et al., supra, p. 179.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.