

CONSORCIA TENIO-OBSEQUIO, ORLANDO OBSEQUIO, AND MANUEL, REGINA, TUNAY AND MELITON, ALL SURNAMED OBSEQUIO, PETITIONERS, VS. COURT OF APPEALS, EUFRONIO ALIMPOOS AND PONCIANA ALIMP...

G.R. No. 107967. March 01, 1994

Ponente: REGALADO, J.

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REGALADO, J.:

This petition for review on certiorari seeks to annul and set aside the decision of the Court of Appeals in CA-G.R. CV No. 22990, dated July 9, 1992, which reversed the judgment of the trial court, as well as its resolution of November 6, 1992 denying the motion for reconsideration of its aforesaid decision.

The subject matter of the present petition is a parcel of land, designated as Lot No. 846, Pls-225 located at Andanan, Bayugan, Agusan del Sur. This lot was previously covered by Original Certificate of Title No. P-1181 registered in the name of herein respondent Eufronio Alimpoos and which he acquired through a homestead application.[1] The said land is now registered in the name of herein petitioner, Consorcia Tenio-Obsequio, as evidenced by Transfer Certificate of Title No. T-1421.[2]

On September 10, 1986, private respondents filed a complaint in the court a quo against herein petitioners Consorcia Tenio and her husband, Orlando Obsequio, and the heirs of Eduardo Deguro for recovery of possession and ownership, alleging that sometime in 1964, they mortgaged the land to Eduardo Deguro for P10,000.00; that to guaranty the loan they delivered to the latter the original certificate of title to the land; that in the meantime, they continued to cultivate the same and, at the end of the harvest season, they gave two-thirds (2/3) of the harvest to Eduardo Deguro; that on June 25, 1965, Eduardo Deguro and his wife, without the knowledge and consent of herein private respondents, prepared a document of sale and through misrepresentation and other manipulations made it appear that private respondents sold the land to them.

This deed of sale was annotated at the back of the said certificate of title as Entry No. 16007. By virtue thereof, Original Certificate of Title No. P-1181 in the name of Eufronio Alimpoos was cancelled and Transfer Certificate of Title No. T-1360 was correspondingly issued in favor of Eduardo Deguro. After the death of Eduardo Deguro, his heirs sold the land to Consorcia Tenio-Obsequio. On September 22, 1970, Transfer Certificate of Title No. T-1421 was issued in her name. It was allegedly only in 1982, when Eufronio Alimpoos received a Certificate of Agricultural Leasehold of his land from the Department of Agrarian Reform (DAR), that he learned that the land was already titled in the name of another.

In their answer, the heirs of Eduardo Deguro claimed that respondent Alimpoos spouses sold the land to their late parents on June 25, 1965 for a consideration of P10,000.00, as evidenced by the deed of absolute sale; that as a result thereof, Transfer Certificate of Title No. T-1360 was issued in favor of their parents; that on April 23, 1970, after the death of their parents, they sold the said land to Consorcia Tenio-Obsequio; that on September 22, 1970, a new Transfer Certificate of Title No. T-1421 was issued in the name of the latter. Consorcia Tenio-Obsequio, on

the other hand, maintains that she purchased the land in question from the heirs of Deguro in good faith, for valuable consideration and without knowledge of any flaw or defect whatsoever.

The trial court, giving credence to the evidence presented by herein petitioners, defendants therein, ruled in their favor and rendered judgment disposing as follows:

- "1) dismissing the herein complaint;
- 2) declaring defendant Consorcio Tenio Obsequio as the true and absolute owner of the land in litis;
- 3) ordering plaintiffs to pay P10,000.00 by way of moral damages;
- 4) ordering plaintiffs to pay P10,000.00 by way of exemplary damages;
- 5) ordering plaintiffs to pay the expenses of litigation in the amount of P5,000.00;
- 6) ordering plaintiffs to pay (a)ttorney's fees in the amount of P5,000.00; and
- 7) to pay the costs.

In like manner, the money deposited in the Municipal Treasurer's Office of Bayugan in the amounts of P2,724.95, covered by Official Receipt No. 0442623 dated September 7, 1988 and P1,658.10 covered by Official Receipt No. 5497715 dated September 14, 1988, as well as the sum of P3,927.00 deposited in Court pursuant to the Court's Orders of January 16, 1987 and March 13, 1987, consisting of the proceeds from the sale of the harvest taken from the area involved, is awarded to defendant Consorcio Tenio Obsequio, as owner thereof after deducting the necessary expenses and Clerk of Court(s) commission fee."[3]

On appeal, respondent Court of Appeals reversed the decision of the lower court and rendered judgment:

- "1) Declaring the plaintiff Eufonio Alimpoos as the true and legal owner of the property subject of this case;
- 2) Declaring null and void the Deed of Absolute Sale marked as Annex 'C' or Exhibit 'D' and ordering the cancellation of TCT Nos. T-1360 and T-1421 in the names of Eduardo Deguro and Consorcio Tenio Obsequio, respectively;
- 3) Ordering the heirs of Eduardo Deguro and Laureana Rabuya, namely; Gonzalo Deguro, Manuel Deguro, Tunay Deguro and Regina Deguro to reconvey the said property to the plaintiffs;
- 4) Ordering the Register of Deeds to cancel the annotation of the Deed of Absolute Sale at the back of TCT P-1181 in favor of Consorcio Tenio Obsequio and to clear said TCT of all encumbrances executed by Eduardo Deguro and/or his heirs.

In addition, the defendants are ordered to pay the plaintiffs, jointly and severally, the sum of P50,000.00 by way of moral damages; P30,000.00 by way of compensatory damages and P5,000.00 by way of attorney's fees and costs of litigation."[4]

Petitioners then filed a motion for reconsideration of the said decision which was denied by the Court of Appeals in its resolution dated November 6, 1992,[5] hence the instant recourse by petitioners.

After a careful review of the records of this case and the legal considerations applicable to the proven facts thereof, we find the petition at bar to be meritorious. Reconveyance of the land in question to the original owner is not in order.

Herein respondent Alimpoos, as the original owner of the said land, is assailing the title of petitioner on the ground that their original certificate of title over the said land was cancelled by virtue of a forged deed of absolute sale.

Under Section 55 of the Land Registration Act, as amended by Section 53 of Presidential Decree No. 1529, an original owner, of registered land may seek the annulment of a transfer thereof on the ground of fraud. However, such a remedy is without prejudice to the rights of any innocent holder for value with a certificate of title.

A purchaser in good faith and for value is one who buys the property of another, without notice that some other person has a right to or interest in such property, and pays a full and fair price for the same at the time of such purchase or before he has notice of the claim or interest of some other person in the property.[6] In consonance with this accepted legal definition, petitioner Consorcio Tenio-Obsequio is a purchaser in good faith. There is no showing whatsoever nor even an allegation that herein petitioner had any participation, voluntarily or otherwise, in the alleged forgery.

Nor can we charge said petitioner with negligence since, at the time of the sale to her, the land was already registered in the name of Eduardo Deguro[7] and the tax declaration was also issued in the latter's name.[8] It was also clearly indicated at the back of the original certificate of title that Eduardo Deguro acquired ownership over the said land by virtue of the deed of sale executed in his favor.[9] In fact, it is not disputed that one of his heirs was actually residing therein.[10] There is no annotation, defect or flaw in the title that would have aroused any suspicion as to its authenticity. Such being the case, petitioner has the right to rely on what appears on the face of the certificate of title.

The main purpose of the Torrens system is to avoid possible conflicts of title 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.[11] Where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights and order the total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing with property registered under the Torrens system would have to inquire in every instance as to whether the title has been regularly or irregularly issued by the court. Every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.[12]

The 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. If a person purchases a piece of land on the assurance that the seller's title thereto is valid, he should not run the risk of being told later that his acquisition was ineffectual after all. This would not only be unfair to him. What is worse is that if this were permitted, public confidence in the system would be eroded and land transactions would have to be attended by complicated and not necessarily conclusive investigations and proof of ownership. The further consequence would be that land conflicts could be even more numerous and complex than they are now and possibly also more abrasive, if not even violent. The Government, recognizing the worthy purposes of the Torrens system, should be the first to accept the validity of titles issued thereunder once the conditions laid down by the law are satisfied.[13]

Moreover, there is no reason to doubt the authenticity of the deed of sale which constituted the basis for the issuance of the transfer certificate of title in the name of Eduardo Deguro, considering that not only was the contract notarized but that it was also approved by the Secretary of Agriculture and Natural Resources in compliance with Section 118 of the Public Land Act.[14]

There is no indubitable, legal and convincing reason for nullifying the deed of sale. Herein private respondents

have not presented any cogent, complete and convincing proof to override the evidentiary value of the duly notarized deed of sale. A notarial document is evidence of the facts in the clear unequivocal manner therein expressed. It has in its favor the presumption of regularity. To contradict all these, there must be evidence that is clear, convincing and more than merely preponderant.[15]

The fact alone that the signature of private respondent Eufonio Alimpoos appearing on the deed of sale to Deguro differs in certain points from his signature appearing in the "Kasabutan sa Prenda" is not enough to warrant the conclusion that the signature in said deed of sale is not genuine. The records show that the signatures of private respondent Eufonio Alimpoos in one of the cash advance receipts[16] and in the notice of the trial court's order dated March 4, 1988[17] are similar to the signature appearing in the deed of sale. It is, therefore, not improbable that, as claimed by herein petitioners, private respondents could have deliberately and purposely altered their signatures on the mortgage contract to thereafter make it appear that a discrepancy actually exists.

Forgery cannot be presumed; it must be proved by clear, positive and convincing evidence. Those who make the allegation of forgery have the burden of proving it since a mere allegation is not evidence.[18] Private respondents in this case ruefully failed to substantiate with sufficient evidence their claim that their signatures appearing on the deed of sale were forged.

At any rate, there are several reasons to doubt the authenticity of the "Kasabutan sa Prenda." Firstly, it has not been sufficiently explained why, although it should normally be with the mortgagee, the original mortgage contract remained in the possession of the mortgagor and it was only after the death of the alleged mortgagee that the same was presented, which was more than twenty years from the date of its alleged execution. Secondly, the consideration of P10,000.00 for a mortgage in 1964 of a piece of rural land consisting of only 81,822 square meters, with the mortgagee paying the taxes thereon, is too high or excessive, considering that the same piece of land was coetaneously mortgaged with the Development Bank of the Philippines for only P1,900.00.[19] Thirdly, the texture of the paper on which it was written and the clarity of the writing show that the document, supposedly executed on July 25, 1964, is of recent vintage and could not be more than twenty years old, even as of this late date.[20]

Yet, even on the implausible assumption, *ex gratia argumenti*, that the deed of sale in favor of Eduardo Deguro was forged and is, therefore, null and void, such fact cannot be successfully invoked to invalidate the title subsequently issued to herein petitioner who, as earlier stated, is an innocent purchaser for value and in good faith.

It has been consistently ruled that a forged deed can legally be the root of a valid title when an innocent purchaser for value intervenes.[21] A deed of sale executed by an impostor without the authority of the owner of the land sold is a nullity, and registration will not validate what otherwise is an invalid document. However, where the certificate of title was already transferred from the name of the true owner to the forger and, while it remained that way, the land was subsequently sold to an innocent purchaser, the vendee had the right to rely upon what appeared in the certificate and, in the absence of anything to excite suspicion, was under no obligation to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate.[22]

The Torrens Act, in order to prevent a forged transfer from being registered, erects a safeguard by requiring that no transfer shall be registered unless the owner's certificate of title is produced along with the instrument of transfer. However, an executed document of transfer of registered land placed by the registered owner thereof in the hands of another operates as a representation to a third party that the holder of the document of transfer is authorized to deal with the land.[23] In the case at bar, it was even private respondents who made the allegation that they further delivered their certificate of title to Eduardo Deguro, allegedly to secure the loan extended to

them. Consequently, petitioner cannot be faulted and, as a matter of fact, she is vested with the right to rely on the title of Eduardo Deguro.

Furthermore, it was the very act of the respondent Alimpoos spouses in entrusting their certificate of title to Eduardo Deguro that made it possible for the commission of the alleged fraud, if indeed there was such a fraudulent conduct as imputed to the latter. Hence, the rule of law and justice that should apply in this case is that as between two innocent persons, one of whom must suffer the consequences of a breach of trust, the one who made it possible by his act of confidence must bear the loss.[24]

The right of the innocent purchaser for value must be respected and protected, even if the seller obtained his title through fraud. The remedy of the person prejudiced is to bring an action for damages against those who caused or employed the fraud, and if the latter are insolvent, an action against the Treasurer of the Philippines may be filed for recovery of damages against the Assurance Fund.[25]

It is also significant and worth noting that herein respondents filed the instant complaint only after twenty-two years from the execution of the supposedly forged deed of absolute sale, and after sixteen years from the date the title was transferred in the name of herein petitioner. An action for reconveyance is a legal remedy granted to a landowner whose property has been wrongfully or erroneously registered in another's name, but then the action must be filed within ten years from the issuance of the title since such issuance operates as a constructive notice.[26]

WHEREFORE, the decision and resolution of respondent court now under review are hereby REVERSED and the decision of the court a quo is accordingly REINSTATED.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Nocon, and Puno, JJ., concur.

[1] Original Record, 5.

[2] *Ibid.*, 95.

[3] Decision of the Regional Trial of Bayugan, Agusan del Sur, in Civil Case No. 45, per Judge Zenaida P. Placer; Original Record, 265-277.

[4] Annex D; Rollo, 36-41; penned by Justice Jose C. Campos, Jr., with Justices Celso L. Magsino and Salome A. Montoya, concurring.

[5] Rollo, 50-51.

[6] *De Santos vs. Intermediate Appellate Court, et al.*, G.R. No. L-69591, January 25, 1988, 157 SCRA 295; *Co, et al. vs. Court of Appeals, et al.*, G.R. No. 93687, May 6, 1991, 196 SCRA 705; *Casupit, et al. vs. Court of Appeals, et al.*, G.R. No. 96829, December 9, 1991, 204 SCRA 684.

[7] Original Record, 49-50.

[8] *Ibid.*, 100-101.

[9] *Ibid.*, 6; Entry No. 16007.

[10] TSN, March 4, 1988, 22; May 2, 1988, 13.

[11] *Gonzales vs. Intermediate Appellate Court, et al.*, G.R. No. L-69622, January 29, 1988, 157 SCRA 587;

Rural Bank of Sariaya, Inc. vs. Yacon, et al., G.R. No. 78011, July 5, 1989, 175 SCRA 62; Fernandez, et al. vs. Court of Appeals, et al., G.R. No. 83141, September 21, 1990, 189 SCRA 780.

[12] Director of Lands vs. Abache, et al., 73 Phil. 606 (1942); Lopez, et al. vs. Court of Appeals, et al., G.R. No. L-49739, January 20, 1989, 169 SCRA 271.

[13] Republic, et al. vs. Umali, et al., G.R. No. 80687, April 10, 1989, 171 SCRA 647.

[14] Original Record, 6-8; Entry No. 16008, Memorandum of Encumbrances, OCT No. P-1181.

[15] Yturalde vs. Azurin, et al., G.R. No. L-22158, May 30, 1969, 28 SCRA 407; Cabrera vs. Villanueva, et al., G.R. No. 75069, April 15, 1988, 160 SCRA 672; Almendra, et al. vs. Intermediate Appellate Court, et al., G.R. No. 75111, November 21, 1991, 204 SCRA 142.

[16] Exhibit 9; Original Record, 124.

[17] Original Record, 83.

[18] Melleza vs. Philippine National Bank, G.R. No. 83103, October 19, 1988, Third Division, Minute Resolution; Gevero, et al. vs. Intermediate Appellate Court, et al., G.R. No. 77029, August 30, 1990, 189 SCRA 201.

[19] Original Record, 5-A; Entry No. 4445, Memorandum of Encumbrances, OCT No. P-1181.

[20] Original Record, 46.

[21] Mallorca, et al. vs. De Ocampo, et al., G.R. No. L-26852, March 25, 1970, 32 SCRA 48; Torres vs. Court of Appeals, et al., G.R. No. 63046, June 21, 1990, 186 SCRA 672; Philippine National Bank vs. Court of Appeals, et al., G.R. No. 43972, July 24, 1990, 187 SCRA 735.

[22] De Lara, et al. vs. Ayroso, 95 Phil. 185 (1954); Duran, et al. vs. Intermediate Appellate Court, et al., G.R. No. 64159, September 10, 1985, 138 SCRA 489.

[23] Blondeau, et al. v. Nano, et al., 6 Phil. 625 (1935), citing 53 C.J. 1141; Act No. 496, as amended, Secs. 47, 51, 55.

[24] De Lara vs. Ayroso, *supra.*; Manila Surety & Fidelity Co. vs. Luna, 107 Phil. 281 (1960).

[25] Blanco, et al. vs. Esquierdo, et al., 110 Phil. 494 (1960); Torres vs. Court of Appeals, et al., *supra.*; Philippine National Bank vs. Court of Appeals, et al., *supra.*

[26] Pajarillo, et al. vs. Intermediate Appellate Court, et al., G.R. No. 72908, August 11, 1989, 176 SCRA 340; Tomas, et al. vs. Court of Appeals, et al., G.R. No. 79328, May 21, 1990, 185 SCRA 627.

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