

PREMIERE DEVELOPMENT BANK, PETITIONER, VS. HON. COURT OF APPEALS, LIBERATO G. YAMBAO, JESUS B. RODRIGUEZ AND JESUS D. MORALES, RESPONDENTS.

G.R. NO. 128122. March 18, 2005

Ponente: GARCIA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-128122/>

GARCIA, J.:

Before the Court are these three (3) separate petitions for review on certiorari under Rule 45 of the Rules of Court to nullify and set aside the Decision[1] dated November 29, 1995 and Resolution[2] dated February 6, 1997 of the Court of Appeals in CA-G.R. CV 42121.

The first assailed issuance affirmed an earlier decision[3] dated January 28, 1993 of the Regional Trial Court at Quezon City, Branch 88 in its Civil Case No. Q-92-8455, declaring, inter alia, herein private respondents, as plaintiffs therein, Liberato G. Yambao, Jesus B. Rodriguez and Jesus D. Morales (“Yambao”, “Rodriguez” and “Morales”, respectively), as rightful owners of the land subject of this case. The second assailed issuance, on the other hand, denied reconsideration of the first.

At the core of the controversy is a 2,660-square meter parcel of land, denominated as Lot 23 of the subdivision plan Fls-2804-D of SWO-17514, registered under TCT No. 9780 of the Manila Registry, located as it were in Matandang Balara, which used to be a part of the then district of Caloocan, City of Manila. The creation of Quezon City which found Lot 23 within its borders saw the transfer of the corresponding property records to the new political unit and the generation of new certificates of title to reflect territorial changes. As thus transferred, TCT No. 9780 was assigned title number TCT No. 9780 (693).

The evidence on record disclose the following factual antecedents:

Two (2) different persons with exactly the same name, i.e., Vicente T. Garaygay, each claimed exclusive ownership of Lot 23 by virtue of an owner’s duplicate certificate each had possession of during the period material covering said lot. One held TCT No. 9780, supra, and the other, TCT No. 9780 (693), supra. The technical description of the land appearing in one copy corresponds exactly with that in the other. The date “June 14, 1944” appears on the face of both copies as a common date of entry. One, however, contained certain features, markings, and/or entries not found in the other and vice versa.

On April 17, 1979, one of the two Vicente T. Garaygays, a resident of Cebu City (hereinafter referred to as Garaygay of Cebu), executed a deed of sale[4] over the lot described in and covered by his TCT No. 9780 (693) in favor of his nephew, Joselito P. Garaygay (“Joselito”, hereinafter). The sale notwithstanding, the owner’s duplicate certificate remained for some time in the seller’s possession.

In another transaction, the other Vicente T. Garaygay, a resident of Rizal (hereinafter referred to as Garaygay of Rizal), sold to Liberto G. Yambao and Jesus B. Rodriguez the same property described in TCT 9780. “YCM Compound, Angono, Rizal” is set out in the February 11, 1986 conveying deed[5] as the seller’s residence.

Buyers Yambao and Rodriquez would later sell a portion of their undivided interests on the land to Jesus D. Morales.[6]

Then came the June 11, 1988 fire that gutted a portion of the Quezon City hall and destroyed in the process the original copy of TCT No. 9780 (693) on file with the Registry of Deeds of Quezon City. Barely a month later, a certain Engr. Hobre filed an application, signed by Garaygay of Cebu, for the reconstitution of the burned original on the basis of the latter's owner's duplicate certificate. One Engr. Felino Cortez of the Land Registration Authority (LRA) did the follow-up on the application. After due proceedings, the LRA issued an order of reconstitution,[7] by virtue of which Garaygay of Cebu acquired reconstituted TCT No. RT-1764 (9780) (693).[8]

Meanwhile, or on May 26, 1989, the deed of sale executed by Garaygay of Cebu in favor of his nephew Joselito was registered, paving the issuance in the latter's name of TCT No. 12183.[9] Thereafter, thru the efforts of same Engr. Cortez,[10] Lot 23 was subdivided into three (3) lots, namely: Lot 23-A, Lot 23-B and Lot 23-C for which TCT Nos. 14414, 14415 and 14416, respectively,[11] were issued. Joselito posthaste sold Lot 23-A to Lilian Toundjis who, pursuant to a Contract to Sell executed on March 23, 1990,[12] undertook to pay Joselito the P.5 Million balance of the P2.5 Million purchase price once she is placed in possession of a fenced-off property. And, for shares of stock, Joselito assigned on February 26, 1991, the other two (2) lots, i.e., Lot 23-B and Lot 23-C to Century Realty and Development Corporation ("Century Realty") which, after securing TCT Nos. 34390 and 34391 therefor, mortgaged[13] the same to Premiere Development Bank, Inc. ("Premiere Bank") to secure a P2.5 Million loan.

Clashing claims of ownership first came to a head when, sometime in May 1990, Liberato G. Yambao and his agents forcibly prevented Joselito's hired hands from concrete-fencing the subject property. The police and eventually the National Bureau of Investigation (NBI) entered into the picture.

In the meantime, Yambao, Rodriquez and Morales as pro indiviso buyers of Lot No. 23, caused the annotation on December 17, 1990, January 16, 1991 and February 15, 1991 of their respective adverse claims on Joselito's TCT Nos. 14414, 14415 and 14416. They then filed with the Regional Trial Court at Quezon City suit against Joselito, Century Realty and Premiere Bank for quieting of title and annulment of said defendants' fake titles with prayer for damages.

In their amended complaint,[14] docketed as Civil Case No. Q-92-8455 and raffled to Branch 88 of the court, Yambao, Rodriguez and Morales alleged, inter alia, the following:

- That Joselito, taking advantage of the 1988 burning of the Quezon City Hall, and "using an impostor, who pretended to be Vicente Garaygay, by means of fraud, deceit, and unlawful manipulation succeeded in administratively reconstituting the aforesaid property (sic) in 1990 on the basis of an alleged owner's copy, which on its face is patently fake and spurious and fake title bearing [TCT] No. 9780 (693)".
- That a reconstituted title secured by means of fraud, deceit, or other machinations is void ab initio under Section 11 of Republic Act (R.A.) 6732;
- That after causing the reconstitution of the title, Joselito "acted fast to consummate his scheme of depriving the plaintiffs of their ownership . . . of the [disputed] land by the following successive acts", referring to Joselito's act of securing title in his name, subdividing Lot No. 23 and securing titles to and disposing of the subdivided lots;
- That they (Yambao, Rodriguez and Morales) filed their separate adverse claims and caused the same to be annotated at the back of Joselito's TCT Nos. 14414, 14415 and 14416; that while the adverse claim of Rodriguez was still valid, Joselito executed on February 26, 1991 a Deed of Assignment in favor of Century Realty, which thus made the latter a "transferee in bad faith"; that on March 26, 1991, Century Realty

executed a mortgage contract in favor of Premiere Bank, “a mortgagee in bad faith”; and

- That at the time the mortgage was executed, the houses of plaintiffs’ caretaker and a chapel belonging to them were standing on the two lots in question.

Answering, principal defendants Joselito and Century Realty denied plaintiffs’ material allegations and asserted, by way of affirmative defense, the validity of (a) the reconstitution of TCT No. 9780 (693); (b) the assignment of real property in favor of Century Realty; and (c) the mortgage made by Century Realty in favor of Premiere Bank.

In their separate answers, also with crossclaim and counterclaim, Lilian Toundjis, who was allowed to intervene to oppose the action thus filed, and Premiere Bank virtually adopted Joselito’s position and pleaded, in addition, their right as bona fide purchaser or mortgagee for value, as the case may be, of the subject property.

Issues having been joined, trial ensued with plaintiffs Yambao, Rodriguez and Morales offering in evidence several documents. Foremost of these was Exhibit “B”[15] which is the owner’s duplicate copy of TCT No. 9780 of the Registry of Manila once in the possession of Garaygay of Rizal. On the other hand, the principal defendants presented no less than 38 pieces of marked and sub-marked documentary evidence, among which was Exhibit. “1”,[16] identical to Exhibit “D”, which is the duplicate copy of TCT No. 9780 (693) that pertained to Garaygay of Cebu and used in the reconstitution of the burned original thereof.

In his testimony, Yambao stated having noticed, when Garaygay of Rizal offered to sell Lot 23, that the corners and the portion of Exhibit “B” containing the owner’s personal circumstances were torn and related the owner’s explanation as to how these oddities came about. Yambao related that owing to the physical appearance of Exhibit “B”, the recording of the Garaygay of Rizal - Yambao/Rodriguez deed of sale (Exh. “A”) was refused since the more crucial document, i.e., the torn owner’s copy was itself not registrable unless it is first reconstituted. He also testified that, to assure himself of the genuineness of the seller’s owner’s duplicate certificate, he and Garaygay of Rizal repaired to the Quezon City Registry to compare his (Garaygay of Rizal’s) copy with the original copy on file with the registry, and discovered that the only difference was that the owner’s duplicate bears the title number “9780”, while the original had “9780 (693)” typewritten on a straight line.[17] As told by Yambao, Garaygay of Rizal’s explanation for the figure difference is that “693” was not affixed on his (Garaygay of Rizal’s) title because he never, in first place, presented the same to the Quezon City Registry for correction or affixture.

Yambao also testified that Garaygay of Rizal, when asked to show proof of his identity, presented a voter’s ID with his picture,[18] a Commission of Elections (COMELEC) certification attesting to his being a registered voter in Precinct No. 21 in Angono, Rizal[19] and a certification of residence issued by the barangay captain of the place.[20] Yambao added that before concluding the sale, he, together with the prospective seller, proceeded to the land site where the residents and/or caretakers thereat assured him that his companion, Garaygay of Rizal, was actually the landowner.

For their part, defendants presented Garaygay of Cebu who alleged, among other things, having acquired Lot 23 from one Macaria Lim vda. Arambulo sometime in 1944, having paid taxes thereon for the period 1949-1990[21] and mortgaging in 1949 the titled property with Meralco Employees Savings & Loan Association, with the mortgage deed and later the discharge of mortgage being annotated on his title.[22] Joselito also took the witness stand in defense of his ownership of Lot 23 and the transactions he entered into involving the lot.

Eventually, the trial court rendered judgment finding for the plaintiffs and against the defendants, declaring Joselito’s TCT No. 9780 (693) and all subsequent titles traceable to it and transactions involving its derivatives as null and void. To the trial court, plaintiffs’ evidence preponderated over those of the defendants’ whose main witness, Garaygay of Cebu, gave inconsistent testimony, while Joselito hedged on his answer regarding a cousin

connected with LRA. Going against the defendants' cause, the trial court further observed dubious circumstances surrounding the reconstitution of TCT 9780 (693), the more disturbing of which is the admitted participation of LRA personnel in the reconstitution process.

Dated January 28, 1993, the trial court's decision[23] dispositively reads:

WHEREFORE, in view of the foregoing, the Court renders the following judgment to wit:

- Plaintiffs Liberato G.Yambao, Jesus B. Rodriguez and Jesus D. Morales are hereby declared the rightful owners and possessors of the land described in TCT No. 9780 marked as Exh. 'B';

- Defendants' title, TCT No. 9780 (693), marked as Exh. '1' (p. 349, Rollo, identical to Exh. 'D', p. 493 Rollo); the LRA Order of Reconstitution . . .; defendants' reconstituted title No. RT-1764 (9780) (693) marked as Exh. "4" . . .; the cancelled title TCT No. 12183 and its derivative titles, TCT Nos. 14414, 14415, and 14416, all in the name of defendant Joselito P. Garaygay and intervenor Lilian M. Toundjis involving TCT 14414; the Deed of Assignment and Transfer between Joselito P. Garaygay and Century Realty involving TCT Nos. 14415 and 14416; [the derivative] titles of defendant Century Realty . . . namely TCT Nos. 34390 . . . and 34391 . . .; and the Deed of Real Estate Mortgage executed by Century Realty . . . in favor of defendant Premiere Bank, Inc. are all declared null and void and without force and effect;

- The Register of Deeds of Quezon City to strike out the reconstituted title [but already cancelled] No. 1764 (9780) (693) and TCT No. 12183, . . .; to cancel TCT 14414 . . .; to cancel the Deed of Assignment and Transfer between Joselito P. Garaygay and Century Realty . . . covered by TCT Nos. 14415 and 14416, and necessarily cancel TCT Nos. 34390 and 34391 . . .; to cancel the Deed of Real Estate Mortgage over TCT Nos. 34390 and 34390 . . .; and thereafter, to enter and register the Deeds of Sale, dated February 11, 1986 (Exh. "A") and July 10, 1988 (Exh. "C") and forthwith issue corresponding new title/s in the names of the plaintiffs, free from all encumbrances, except those entered into by them, upon payment of all taxes and fees prescribed by law;

- Defendant Joselito P. Garaygay is sentenced to pay each of the [three] plaintiffs . . ., the sum of P100,000. 00 as moral damages;

- Defendants Joselito P. Garaygay, Century Realty . . . and Premiere Bank, Inc. are sentenced to pay jointly and severally each of the two plaintiffs, namely Liberato Yambao and Jesus Morales, the sum of P25,000.00 as exemplary damages and to plaintiff Jesus B. Rodriguez the sum of P25,000.00 as nominal damages The defendants are also sentenced to pay jointly and severally the sum of P20,000.00 as attorney's fees and the cost of suit;

- Defendant Joselito P. Garaygay is further sentenced to reimburse Lilian M. Toundjis the sum of P2,000,000.00 with interest thereon at 6% per annum from the date of judgment;

- With the annulment of the [aforementioned] Deed of Assignment and Transfer between defendant Joselito P. Garaygay and defendant Century Realty . . . and the Deed of Real Estate Mortgage . . . between defendant Century Realty . . . and defendant Premiere Bank, Inc., all aforementioned defendants who are respective parties to the named deeds are hereby ordered to make a full return and restitution to each other of all monies, things and objects they have received thereunder without interest within fifteen days from finality of this judgment;

- All other claims are dismissed.

SO ORDERED. [Words in bracket added]

In time, herein petitioners appealed to the Court of Appeals whereat their recourse was docketed as CA- G.R. CV No. 42121.

In its Decision of November 29, 1995,[24] the Court of Appeals affirmed in toto the appealed decision of the trial court, the affirmance being predicated on the following main justifications:

All in all, the Court agrees with the trial court in giving low rating to both Vicente Garaygay of Cebu and appellant JOSELITO as witnesses. The court notes that Vicente T. Garaygay of Cebu has no explanation why the deed of sale between him and Arambulo was not adduced in evidence x x x

In view of the foregoing questionable actuations of Vicente T. Garaygay of Cebu and his nephew . . . and their cohorts, the trial court (sic) is constrained to declare that the defendants' mother title TCT No. 9780 (693) marked as Exhibit 1, which served as the basis of the reconstitution is a fake and spurious title. x x x Thus, all titles in the name of Vicente T. Garaygay of Cebu and Joselito Garaygay are null and void. x x x .

On the other hand, the claim of appellees that their certificate of title is a genuine title is supported with credible and sufficient evidence. The contention of the appellants that the appellees' title should not be accepted as genuine because it is not authenticated lacks merit. The owner's copy of the title of appellees is a public document (Broce vs. Broce, 4 Phil. 611). Unlike a private document which must be authenticated before its admission . . . , there is no need to authenticate a public document to make it admissible in evidence (Rule 132, Sec 24). The rule that a document must be authenticated before it is admissible in evidence does not apply to public documents which are admissible without further proof of their due execution or genuineness x x x. Public documents are already authenticated by the official signature and seal which they bear, of which this Court takes judicial notice (Apostol, Essentials of Evidence, 1991, ed., p. 430) (Underscoring added).

Their motion for reconsideration having been denied by the appellate court in its Resolution of February 6, 1997,[25] petitioners have separately come to this Court. That of petitioner Premier Bank was docketed as G.R. No. 128122; that of Toundjis as G.R. No. 128184; and that of Joselito Garaygay and Century Realty as G.R. No. 128229.

Per this Court's Resolution dated June 18, 1997,[26] the three (3) separate petitions were, upon private respondents' motion, ordered consolidated.

The principal issue tendered in the separate petitions, albeit formulated a bit differently, comes down to the following: whether or not the Court of Appeals erred in holding Garaygay of Rizal, instead of Garaygay of Cebu, as the real owner of Lot 23. Behind this issue is the corollary question of whether or not the same court erred in finding Garaygay of Rizal's owner's copy, TCT No. 9780, instead of the Garaygay of Cebu's copy, TCT No. 9780 (693), as the authentic title covering Lot 23.

Petitioners urge reversal on the submission that, unlike Garaygay of Cebu who came forward and took the witness stand, the identity of Garaygay of Rizal - who they stressed at every turn had not been presented to testify - has not been established. Albeit they do not say so, the inference of their posture is that an impostor has taken the identity of Vicente T. Garaygay. Corollarily, they also contend that the authenticity of the impostor Garaygay's adverted owner's copy of TCT No. 9780 has remained unproven.

The desired reversal cannot be granted.

Both defining documents, Exhibit "1" and Exhibit "B", appear to have been issued by the appropriate Registry of Deeds and as such would ordinarily enjoy the guarantees flowing from the legal presumption of regularity of issuance.[27] But how and precisely when the legal aberration occurred where two (2) owner's duplicate certificates ended up in the hands of two (2) distinct persons, complete strangers to each other, are questions which the records do not provide clear answer. It may not be idle to speculate, though, that fraud or other improper manipulations had been employed along the way, with likely the willing assistance of land registry official/s, to secure what for the nonce may be tagged as the other title. Consistent with the presumption of

regularity of issuance, however, the authenticity of one copy has to be recognized. And necessarily, one of the two (2) outstanding owner's copies has to be struck down as wrongly issued, if not plainly spurious, under the governing Torrens system of land registration. For, a piece of land cannot plausibly be covered at the same time, under the same concept of ownership, by two (2) outstanding certificates of title, each having the same validity, force and effect. One has to be spurious, or at least one has to prevail over the other.[28] Else, the ideal sought to be achieved by the Torrens system would be illusory. As it were, the Torrens system of land registration aims to obviate possible conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and to dispense, as a rule, with the necessity of inquiring further;[29] on the part of the registered owner, the system gives him complete peace of mind that he would be secured in his ownership as long as he has not voluntarily disposed of any right over the covered property.[30]

The categorical conclusion of the Court of Appeals – confirmatory of that of the trial court – is that Exhibit “B” is genuine and that Garaygay of Rizal is a real person. On the other hand, Exhibit “1” was adjudged spurious. These factual determinations as a matter of long and sound appellate practice must be accorded great weight, and, as rule, should not be disturbed on appeal,[31] save for the most compelling and cogent reasons,[32] like when such factual findings were drawn from a vacuum, or, in fine, reached arbitrarily.[33]

To be sure, arbitrariness cannot contextually be imputed on the appellate court. Its finding that Garaygay of Rizal is an authentic person, once residing in and a registered voter of Angono, Rizal has adequate evidentiary support in his voter's ID, the COMELEC and barangay certifications aforementioned and the testimony of an occupant of Lot 23. And for whatever it is worth, Garaygay of Cebu no less testified that there are three (3) Vicente T. Garaygay in the Philippines.[34] The reality that the private respondents failed to put Garaygay of Rizal on the witness box to identify his copy of the title and defend his erstwhile ownership of Lot 23 may perhaps support petitioners' claim about his being fictitious if his whereabouts during the trial, if still alive then, was known. But, as found by the appellate court, “Yambao never heard from or about Garaygay of Rizal” after they have executed the Deed of Absolute Sale (Exh. “A”, supra) on February 11, 1986.

Petitioners' attribution of error on the part of the appellate court's declaring Garaygay of Rizal as owner of the disputed parcel of land is untenable. It cannot be overemphasized that the possessor-owner of the authentic copy of TCT No. 9780 was necessary the real owner of Lot 23. That possessory distinction happened to belong to Garaygay of Rizal.

Moreover, facts and reasonable inferences drawn therefrom point to Exhibit “1” as being spurious, necessarily leaving Exhibit “B” as the authentic duplicate copy. For starters, there is the appearance and physical condition of the owner's copies in question which, if properly evaluated in the light of attendant circumstances, would help in determining which is genuine and which is sham.[35] For, the condition and physical appearance of a document would, to borrow from Junquera, reveal, albeit silently, “the naked truth, hiding nothing, forgetting nothing and exaggerating nothing.” As aptly observed by the appellate court, rationalizing its conclusion adverted to above, Exhibit “B” has no defect, except for its partly being torn. Respondents' explanation for the defective state of Exhibit “B”, as related to them by Garaygay of Rizal, i.e., it was due to exposure of the document to the elements, like rain, following his evacuation from Manila to a small nipa hut in Angono, Rizal during the Japanese occupation,[36] merited approval from the trial court and the Court of Appeals. Both courts, being in a better position to pass upon the credibility of petitioners' witness and appreciate his testimony respecting the less than usual appearance of Exhibit “B”, their findings command the respect of this Court.

Lest it be overlooked, what might be considered as defects in Garaygay of Cebu's copy are, at bottom, the combined effects thereon of the passage of time and the elements. Standing alone, these defects do not, in our view, undermine the integrity of the document.

However, unlike Exhibit “B”, Exhibit “1” contained entries and other uncommon markings or features which could not have existed without human intervention. Although any one of them may perhaps not be appreciable in isolation, these features and/or markings, taken together, indeed put the integrity of Exhibit “1” under heavy cloud and indeed cast doubt on its genuineness.

The irregularities listed in the appealed decision may be summed up in the following wise:

- Two (2) Victory stamps issued after liberation were strangely pasted on the seal of Garaygay of Cebu’s title – Exhibit “1” -when such stamps were not yet in existence when such title was entered in the Registry of Deeds of Manila on June 14, 1944;
- Exhibit “1” was prepared on “Judicial Form No. 109-D Revised June 1945”, which came into circulation after June 14, 1944;
- Exhibit “1” bears the handwritten figure “9780” in ink above the typewritten number “693”. There is no initial to suggest that the handwritten number “9780 over the typewritten title number “693” was officially authorized;
- The first letter “Y” in the surname “Garaygay” in Exhibit “1” was inserted in ink. In contrast, there is no such insertion in Exhibit “B”; and
- Exhibit “1” carries the annotation “subject to further disposition by the government with respect to real estate transactions consummated during the Japanese regime, and subject to the provisions of Sec. 4, Rule 74 of the New Rules of Court”.[37] Such annotation is supposed to have been contemporaneously made on the date of the issuance of the title in 1944. Yet, in what appears to be an anomalous instance, advertence is made to “transactions consummated during the Japanese regime” and to “Rule 74 of the Rules of Court”, logically implying, as aptly observed by the Court of Appeals, that the annotation was entered after liberation and also after 1964 when the New Rules of Court came into effect.

Almost as if it were an afterthought, petitioners explained that the Victory stamps could have been pasted, the 1945 revised judicial form utilized, and the annotations referred to in item # (5) entered when the TCT of Garaygay of Cebu was reissued. Anent the number “9780” appearing in ink, the proffered explanation was that the handwritten “9780” was a mere provisional marking.

The foregoing explanations are, at best speculative, thus correctly struck down by the appellate court. And unfortunately, Garaygay of Cebu, the best person to shed light on the foregoing unusual situations and help the limping case of the petitioners, could not himself offer an explanation.

Petitioners’ insistence that the inscription on Garaygay of Cebu’s copy of the deed of mortgage and the discharge of mortgage he constituted over Lot 23 in favor of Meralco Employees Savings and Loan Association proves the authenticity of the latter’s owner duplicate is valid to a point. But, to suggest that such inscription could not have been possible were his title spurious is altogether a different matter. We need not cite cases memorialized in books of jurisprudence where land dealings are annotated on reconstituted certificates secured thru fraud or otherwise issued irregularly. Stated a little differently, an annotation of what is otherwise a bona-fide land transaction is not a peremptory argument against the spurious character, if that be the case, of the document on which it is annotated.

In the same token, the payment by Garaygay of Cebu of land taxes on Lot 23 does not also necessary detract from the spurious nature of his title, Exhibit “1”. After all, any one can pay real estate taxes on a given property without being quizzed by the local treasury whether or not the payor owns the real property in question. This is not to say of course that tax receipts are evidence of ownership, since they are not, albeit they are good indicia of possession in the concept of owner, for no one would ordinarily be paying taxes for a property not in his actual or

at least constructive possession.[38]

Other than paying taxes from 1949 to 1990[39] (mistakenly stated by respondent court as from 1949 to 1960), however, Garaygay of Cebu – and this holds true for his nephew Joselito - did not appear before the current stand-off to have exercised dominion over Lot 23. For one, it has not been shown that Garaygay of Cebu was at any time in possession of the property in question, unlike his namesake from Rizal who managed to place the property under the care of certain individuals who built semi-permanent structure-dwelling houses thereon without so much of a protest from Garaygay of Cebu or his nephew Joselito after the latter purportedly bought the property. For another, neither Garaygay of Cebu nor his nephew Joselito ever instituted any action to eject or recover possession from the occupants of Lot 23. This passivity bespeaks strongly against their claim of ownership. It has been said that a party's failure to raise a restraining arm or a shout of dissent to another's possession for an unreasonably long period is simply contrary to his claim of ownership.[40] Not lost on this Court are circumstances noted by the trial court which negatively reflect on Garaygay of Cebu's and his nephew's claim of ownership. Some excerpts of what the trial court wrote:

“On its face, Exh. “5” [the original copy of the deed of sale between Garaygay and his nephew] was notarized by one Armando Pulgado. However, there are certifications by both the Bureau of National Archives that ‘no Notarial records of Armando Pulgado exist in Manila.’ (Exh. “KK”) or ‘in Quezon City’ (Exh. “LL”), and by the Clerk of Court that ‘Atty. Armando Pulgado was not appointed as notary public for and in the City of Manila for the year 1979’ (Exh. “MM”)

Exh. “5” dated April 17, 1979 was registered only on May 26, 1989, over 10 years from the sale. JOSELITO could not explain how thereafter his own title (TCT 12183) was issued in his name since it was not he who registered the Deed of Sale, Exh. “5”. In other words, someone else registered it for him.

Neither JOSELITO nor his uncle . . . followed up the petition for reconstitution which was prepared, filed and processed by interested persons in Manila, which scenario prompted plaintiffs' counsel to observe that the reconstitution was ‘among the first of all applicants in Quezon City’ to be approved (p. 32, TSN August 17, 1992). Of these interested persons, the most unthinkable was Engr. Felino Cortez of the LRA who did the follow-ups on the application in Manila. It is remarkable why Cortez, who is neither a friend nor relative, took special interest in not only following up the application for reconstitution but in effecting the subdivision of TCT 12183 into [3 lots], for which three derivative titles of TCT 12183 were issued Again JOSELITO had no knowledge of this fact of subdivision until his uncle, . . . telephoned him with the information that the land was already subdivided.

In short, it appears to the Court that without doing anything, Vicente T. Garaygay of Cebu has his title (Exh. “1”) reconstituted. On the other hand, without knowing anything, JOSELITO obtained TCT 12183 in his name and had the land subdivided and sold.

These circumstances demonstrate that neither JOSELITO nor his uncle, Vicente T. Garaygay of Cebu acted ante litem motam like the true owners they claim to be in their respective times. xxx

Several questions confound the Court's curiosity. Why were some LRA officials so interested in the speedy reconstitution and in the subdivision of the land in excess of their bureaucratic duties? Where did Vicente T. Garaygay of Cebu get his owner's copy, Exh. “1”. Did some conniving LRA officers supply the judicial form and Victory stamps? Why was JOSELITO so evasive about his cousin in the LRA as shown in his examination?

xxx xxx xxx

As the Court sees it, the Deed of Sale (Exh. “5”) was a simulated transaction because both JOSELITO and his uncle admit this was a ‘joint venture to sell the property in question. However, the facts suggest that the ‘joint

venture' was not limited to the two of them. The persons who prepared and filed the application for reconstitution, and those officers in the LRA who followed it up and who thereafter subdivided the land into three lots for easier sale, those at the NBI who tried to persuade Yambao and Morales to settle the dispute . . . are apparently part of the 'joint venture' or stand to profit from it"

This brings us to the core of Toundjis' and Premiere Bank's petitions. The first asserts the rights of a purchaser and the other, that of a mortgagee, in good faith and for value of Lot 23, a status respectively denied them by the appellate court.

The rule that a subsequent declaration of a title as null and void is not a ground for nullifying the contractual right of a purchaser, mortgagee or other transferees in good faith, with the exceptions thereto, is well-settled. Where the certificate of title is in the name of the seller or mortgagor, the innocent purchaser or mortgagee for value has the right to rely on what appears on the certificate without inquiring further.[41] In the absence of anything to excite or arouse suspicion, or except when the party concerned had actual knowledge of facts or circumstances that should impel a reasonably cautious person to make such further inquiry, said purchaser or mortgagee is without obligation to look beyond the certificate and investigate the title of the seller or mortgagor. Thus, where innocent third persons, relying on the correctness of the certificate, acquire rights over the property as buyer or mortgagee, the subsequent declaration of nullity of title is not a ground for nullifying the right of such buyer or mortgagee.[42]

Tested by the above norm, may Toundjis be considered, as she has claimed, an innocent purchaser for value, meaning one who buys or acquires, for valuable consideration, a piece of land of another without notice that some other person has a right to, or interest in, such property at the time of purchase, or before he has notice of the claim or interest of some other persons in the property.[43]

The Court of Appeals rejected the claim of Toundjis, and rightly so.

A study of the record shows that TCT 14414 covering Lot. 23-A that Toundjis contracted to buy from Joselito carried an annotation that it was administratively reconstituted. Records also indicate that Toundjis knew at the time of the sale that Joselito did not have possession of the lot inasmuch as she agreed to pay the balance of the purchase price as soon as the seller can fence off the property and surrender physical possession thereof to her.

Even for these two (2) reasons alone, which should have placed Toundjis on guard respecting Joselito's title, her claim of being a bona fide purchaser for value must fail. The rejection, therefore, by the Court of Appeals of such claim is correct. Likewise acceptable is the appellate court's holding, citing Republic vs. Court of Appeals,[44] that a purchaser of a property cannot be in good faith where the title thereof shows that it was reconstituted. Noted with approval, too, is the appellate court's observation that the "contract to sell (Exh. "44") which is unregistered and not annotated at the back of the title of the property [cannot adversely affect appellees]" for the reason that under "Sec. 51 of PD 1529 (Property Registration Act), 'the act of registration shall be the operative act to convey or affect the land in so far (sic) as third parties are concerned.'"[45]

Premiere Bank cannot also be accorded the status of an innocent mortgagee for value vis-à-vis the mortgage of the lots covered by TCT Nos. 34390 and 34391 constituted in its favor by Century Realty. Apart from the annotations that said titles are only administratively reconstituted,[46] the appellate court provided the ensuing compelling reasons:

"Premiere inspected the property to be mortgaged xxx on March 6, and 11, 1991 as can be seen in its Real Estate Appraisal Report (Exhs. "EE", "EE-1"). The adverse claim of Jesus Rodriguez was cancelled on March 26, 1991 xxx Hence, when Premiere inspected the property xxx, it was aware of the existence of Rodriguez' adverse claim. This is admitted by Premiere's witness xxx. The adverse claim of Rodriguez annotated at the

back of TCT No. 14415 and marked as Exhibit I-3 and also at the back of TCT No. 14416 (Exh. J) marked as Exhibit J-3 declares that 'he is the vendee of the land described.'

There are buildings of strong material on the land in dispute xxx.

Premiere is aware of the existence of these structures as can be seen in its real estate report (Exh. EE). Said report states that there are 'shanties erected in the property in dispute.

But despite the existence of alleged 'shanties' which are in fact and in truth big structures, two of them being concrete buildings (Exhs. 0 – to O-3), Premiere Bank proceeded in the execution of the mortgage contract. xxx.

If the land mortgaged is in the possession of a person other than the mortgagor, the mortgagee is required to go beyond the certificate of title and make inquiries as to the rights of the actual possessors. Failure to do so would make him a mortgagee in bad faith (*Sunshine Finance vs. IAC*, 203 SCRA 213; *Conspecto vs. Fruto*, 31 Phil 144)".

It cannot be overemphasized that Premiere Bank, being in the business of extending loans secured by real estate mortgage, is familiar with rules on land registration. As such, it was, as here, expected to exercise more care and prudence than private individuals in their dealing with registered lands.[47] Accordingly, given inter alia the suspicion-provoking presence of occupants other than the owner on the land to be mortgaged, it behooved Premiere Bank to conduct a more exhaustive investigation on the history of the mortgagor's title. That Premiere Bank accepted in mortgage the property in question notwithstanding the existence of structures on the property and which were in actual, visible and public possession of a person other than the mortgagor, constitutes gross negligence amounting to bad faith.[48] Premier Bank is thus not entitled to have its lien annotated on the genuine title.[49]

A final consideration: Petitioners maintain that the appellate court erred in annulling the LRA order of reconstitution (Exh. "3"), even if such relief was not prayed for in private respondents' amended complaint and notwithstanding the fact that the LRA was not impleaded as an indispensable party in Civil Case No. Q-92-8455.

The contention is far from tenable. An action for quieting of title, as here, is equivalent to an action for reconveyance of title wrongfully or erroneously registered in another's name. The successful outcome of such action would in most cases necessarily entail the cancellation of existing title wrongly issued to another, which in turn requires the action of the LRA and/or the proper Register of Deeds. As in the past, this Court, to obviate multiplicity of suits, had ordered the LRA or the Register of Deeds, albeit not impleaded below, to cancel such erroneously issued titles.

Before writing finis to this ponencia, two (2) peripheral matters raised need to be addressed.

First, petitioner Toundjis has, as an alternative prayer, asked that the appealed decision ordering Joselito to reimburse her the sum of P2,000,000.00 be modified, such that the reimbursable amount shall bear interest of nineteen (19%) percent (down from the 25% she sought in her answer-in-intervention) instead of six (6%) per annum reckoned from March 23, 1990, instead of from January 28, 1993, the date of judgment of the trial court. Absent an explanation with cogent legal support why her plea for a modificatory ruling should be favorably considered, this Court denies the same.

Second, petitioners have invited attention to and made much of this Court's per curiam Decision dated April 7, 1993[50] in A.M. P-91-593, entitled "Office of the Court Administrator vs. Atty. Liberato Yambao et al." [51] In it, the Court dismissed herein respondent Yambao from the service as then Clerk of Court, RTC, Quezon City, Branch 80 for, among other things, having in his possession a forged deed of sale executed by Vicente T.

Garaygay. It should be stressed in this regard, however, that this Court, in its Resolution of May 18, 1994,[52] resolved to “SUSPEND the implementation of the effects of the decision of April 7, 1993 pending the judicious review by the Court of Appeals of the decision of the Regional Trial Court, Branch 80, Quezon City in Civil Case No. Q-92-8455.”

This Court need not belabor the effects on A.M. P-91-593 of the appealed decision of the Court of Appeals, as hereby affirmed.

WHEREFORE, the instant petitions are DENIED and the impugned Decision of the Court of Appeals AFFIRMED.

Costs against petitioners.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Corona, and Carpio-Morales, JJ., concur.

[1] Penned by Associate Justice Corona Ibay-Somera and concurred in by Associate Justices Alfredo Benipayo (now Solicitor General) and Celia Lipana-Reyes.

[2] Ibid., pp 90-91.

[3] Penned by Judge Tirso Velasco, RTC Records, pp. 897-928

[4] Exhibit “5”.

[5] Exhibit “A”.

[6] Exhibit “C”.

[7] Exhibit “3”.

[8] Exhibit “4”.

[9] Exhibit “6”.

[10] TSN, Aug. 21, 1992, p. 11.

[11] Exhibits “8”, “9”, & “10”.

[12] Exhibit “44”.

[13] Exhibit “19”.

[14] RTC Records, pp. 77-85.

[15] RTC Records, p. 489.

[16] RTC Records, p. 212.

[17] TSN, May 19, 1992, p. 18.

[18] Exhibit “E”.

[19] Exhibit “AA”.

[20] Exhibit “BB”.

- [21] Exhibits “33” to “33-UUU.
- [22] Exhibit “36”.
- [23] Rollo, G.R. No. 128229, pp. 46-76.
- [24] Rollo, G.R. No. 128122, pp. 50-75.
- [25] Rollo, G.R. No. 128122, pp. 90-91.
- [26] Rollo, G.R. No. 128184, p. 72.
- [27] *Chan vs. Court of Appeals*, 298 SCRA 713 [1998].
- [28] *Pajomayo vs. Manipoan*, 39 SCRA 676 [1991].
- [29] *Republic vs. Court of Appeals*, 301 SCRA 366 [1999].
- [30] *Republic vs. Court of Appeals*, 94 SCRA 865 [1979].
- [31] *Chan vs. Court of Appeals*, 298 SCRA 713, *supra*, citing *People vs. Daquipil*, 240 SCRA 314 [1995].
- [32] *Republic vs. Court of Appeals* 349 SCRA 451 [2001]; *Omandan vs. Court of Appeals*, 349 SCRA 484 [2001].
- [33] *Sunshine Finance and Investment Corp. vs. IAC*, 203 SCRA 210 [1991].
- [34] TSN, Aug. 11, 1992, p. 23.
- [35] *Junquera vs. Borromeo*, 19 SCRA 656 [1967].
- [36] TSN, May 25, 1992, p. 5.
- [37] “Sec. 4. Liability of distributees and estate. – If it shall appear at any time within two (2) years after the settlement and distribution of estate in accordance with the provisions of either of the first two sections of this rule, that an heir or other person has been unduly deprived of his lawful participation in the estate such heir or such person may compel the settlement of the estate xxx”.
- [38] *Republic vs. Court of Appeals*, 258 SCRA 412 [1996]; *Director of Lands vs. Court of Appeals*, 308 SCRA 317 [1999].
- [39] See Note 21.
- [40] *Heirs of Teodoro Dela Cruz vs. Court of Appeals*, 298 SCRA 175 [1998].
- [41] *Supra*, see note no. 28.
- [42] *Penullar vs. PNB*, 120 SCRA 171 [1983]; *St. Dominic Corp. vs. IAC*, 151 SCRA 577 [1987] and other cases.
- [43] *Diaz Duarte vs. Ong*, 298 SCRA 389 [1998], citing *Sandoval vs. Court of Appeals*, 242 SCRA 509 [1995].
- [44] 94 SCRA 865 [1979].**
- [45] CA Decision, p. 25.
- [46] Exhibits “W-2” and “X-2”.
- [47] *Cavite Development Bank vs. Lim*, 324 SCRA 346 [2000].

[48] De Guzman vs. Court of Appeals, 156 SCRA 701 [1987].

[49] Blanco vs. Esquierdo, 110 Phil. 494 [1960], cited in Rural Bank of Sariaya, Inc. vs. Yacon, 175 SCRA 62 [1989].

[50] Rollo (G.R. 128229), pp. 135 – 144.

[51] Reported in 221 SCRA 77 [1993].

[52] Court of Appeals Record, pp. 437.

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.