ERNESTO DAVID, RICARDO DAVID, NELIA DAVID, EMILIA DAVID, LOLITA DAVID, BASILIO LEMQUE, NICANOR LEMQUE, FELIX LEMQUE, NORMA LEMQUE, WILFREDO LEMQUE, RODOLFO LEMQUE, ROGELIO LEMQU...

G.R. No. 132644. November 19, 1999

Ponente: VITUG, J.

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VITUG, J.:

The instant case is an appeal from a decision of the Court of Appeals reversing that of the Regional Trial Court on an action for reconveyance of property. The issues submitted by the parties may not really be all that novel.

The spouses Andres Adona and Leoncia Abad, husband and wife for a good number of years, were blessed with five children among them being Carmen Adona. Carmen married Filomeno Malay; three children were begotten by the marriage, namely, Cristito, Nora and Dionisio (among the herein private respondents). Following the death of Leoncia Abad in 1923, Andres Adona cohabited with Maria Espiritu, herself a widow, apparently without the benefit of marriage. Andres and Maria sired two children, Esperanza, represented herein by her heirs all surnamed David, and Vicente Adona. Maria Espiritu likewise had a child by her previous marriage, Fulgencio Lemque, now herein represented also by his own heirs.

During his lifetime, Andres Adona applied for a homestead patent over a parcel of agricultural land located at Dirita, Iba, Zambales, containing an area of 22.5776 hectares. After Andres Adona had died, Maria Espiritu, predecessor-in-interest of herein petitioners, succeeded in obtaining Original Certificate of Title No. 398 over the land in her name. After Maria Espiritu had died in 1945, the children, as well as descendants of Andres Adona by his marriage with Leoncia Abad, continued to be in peaceful and quiet possession of the subject land.

Sometime in 1989, petitioners executed a deed of "Extrajudicial Settlement with Sale" over the subject property in favor of Mrs. Venancia Ungson. Private respondents protested the sale claiming that they were the true owners of the land. Ultimately, in any event, the sale in favor of Mrs. Ungson was rescinded in view of the latter's failure to pay in full the consideration agreed upon. Subsequently, petitioners executed another deed of Extrajudicial Settlement with Sale. In this new instrument, dated 15 December 1990, petitioners divided the land equally among themselves and sold their respective shares to their co-petitioners herein, Antonio de Ubago, Jr., Milagros de Ubago-Umali, Felisa Guballa de Ubago, Vanessa de Ubago-Umali and Marietta de Ubago-Tan and Joseph Guballa de Ubago. On 27 November 1992, Transfer Certificate of Title No. T-42320 was issued in favor of the de Ubagos.

Less than a month later, or on 07 December 1992, private respondents filed a complaint, docketed Civil Case No. RTC-905-I, for "Annulment of Sale with Restraining Order, Injunction and Damages" against petitioners before Branch 71 of the Regional Trial Court of Zambales. In their complaint, private respondents averred that the disputed land sold by the heirs of Maria Espiritu to the de Ubagos was the subject of a homestead application by their great grandfather, Andres Adona, but that Original Certificate of Title No. 398 was instead fraudulently

issued to Maria Espiritu, on 04 December 1933, upon her false representation that she was the widow of Andres Adona.

In its decision of 25 July 1995 after a hearing on the merits of the case, the trial court dismissed the complaint for lack of cause of action and on the ground of prescription. It opined that the action being one for annulment of sale anchored on a fraudulent titling of the subject property, the cause of action constituted a collateral attack on the Torrens Certificate of Title. The court a quo added that even if the action were to be treated as being one for reconveyance, the suit would still have to fail since an action for reconveyance could only be brought within ten (10) years counted from the date of issuance of the certificate of title (in 1933).

On appeal, the Court of Appeals, in its judgment of 11 February 1998,[1] set aside the order of dismissal of the case decreed by the trial court and directed the cancellation of Transfer Certificate of Title No. T-42320 in the name of the de Ubagos and the reconveyance of the property to the estate of Andres Adona. Petitioners were additionally ordered to pay damages and attorney's fees to private respondents. The appellate court, more particularly ruled:

> "The evidence on record shows that OCT No. 398 issued in favor of Maria Espiritu was obtained by her fraudulent concealment of the existence of Adona's first marriage to Leoncia Abad, as shown by the affidavit she executed on September 21, 1928 and filed with the Director of Lands.
>
> "Consequently, Maria Espiritu's fraudulent concealment of material facts created an implied or constructive trust in favor of the plaintiffs, the excluded co-heirs and actual possessors of the subject land. Article 1456 of the Civil Code reads:
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> "'If property is acquired through mistake or fraud, the person obtaining it is by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.'

"Although it is true that after the lapse of one year, a decree of registration is no longer open to review or attack, although its issuance was tainted with fraud; however, the aggrieved party is not without a remedy at law. Notwithstanding the irrevocability of the Torrens Title already issued in favor of Maria Espiritu, she and her successors-in-interest, although the registered owner under the Torrens system, may still be compelled under the law to reconvey the subject property to the real owners. The Torrens system was not designed to shield and protect one who had committed fraud or misrepresentation and thus holds title in bad faith. (Amerol vs. Bagumbaran, 154 SCRA 396, 404 [1987]);

"In an action for reconveyance, the decree of registration is respected as incontrovertible. What is sought instead is the transfer of the property, which has been wrongfully or erroneously registered in another person's name, to its rightful and legal owner, or to one with a better right. (Amerol, supra.)

"However, the right to seek reconveyance based on an implied or constructive trust is not absolute. It is subject to extinctive prescription. (Amerol, supra.; Caro vs. Court of Appeals, 180 SCRA 401, 405-407 [1989]; Ramos vs. Court of Appeals, 112 SCRA 542, 550 [1982]; Ramos vs. Ramos, 61 SCRA 284, 299-300 [1974])

"An action for reconveyance of a parcel of land based on an implied trust prescribes in ten years, the point of reference being the date of registration of the deed or the date of the issuance of the certificate of title over the property. (Amerol, supra.; Caro, supra., Casipit vs. Court of Appeals, 204 SCRA 684, 694 [1991]) This rule applies only when the plaintiff or the person enforcing the trust is not in possession of the property. If a person claiming to be the owner thereof is in actual possession of the property, the right to seek reconveyance does not prescribe. The reason for this is one who is in actual possession of a piece of land claiming to be the owner thereof may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right.

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His undisturbed possession gives him the continuing right to seek the aid of a court of equity to ascertain the nature of the adverse claim of third party and its effect on his title, which right can be claimed only by one who is in possession. (Vda. de Cabrera vs. Court of Appeals, G.R. 108547, February 3, 1997)

"Hence, the undisturbed possession by plaintiffs and their predecessors-in-interest gave them the continuing right to resort to judicial intervention once their claim to ownership was challenged. It was therefore the defendant Heirs' act of executing the `Extrajudicial Settlement of Estate with Sale' which constituted the express act of repudiation of the constructive trust which gave rise to plaintiff's cause of action."[2]

Aggrieved, petitioners have come to this Court and seek to dispute the judgment of the Court of Appeals ordering the cancellation of Original Certificate of Title No. 398 issued on 16 November 1933. It is the contention of petitioners that to allow private respondents to question Original Certificate of Title No. 398 fifty-nine years after its issuance would undermine the Torrens system and sanctity of the certificate of title.

Private respondents, upon the other hand, asks this Court to sustain the decision of the Court of Appeals on the thesis that the property in question indubitably belongs to the estate of Andres Adona whose incontestable right to it is derived from the perfected homestead application two years prior to his death as so admitted by Maria Espiritu herself in her affidavit submitted to the Director of Lands.

The Court rules for the affirmance of the challenged decision.

A certificate of title issued under an administrative proceeding pursuant to a homestead patent covering a disposable public land within the contemplation of the Public Land Law or Commonwealth Act No. 141 is as indefeasible as a certificate of title issued under a judicial registration proceeding. Under the Land Registration Act, title to the property covered by a Torrens certificate becomes indefeasible after the expiration of one year from the entry of the decree of registration. Such decree of registration is incontrovertible and becomes binding on all persons whether or not they were notified of, or participated in, the in rem registration process.[3] There is no specific provision in the Public Land Law or the Land Registration Act (Act 496), now Presidential Decree 1529, fixing a similar one-year period within which a public land patent can be considered open to review on the ground of actual fraud, such as that provided for in Section 38 of the Land Registration Act, and now Section 32 of Presidential Decree 1529, and clothing a public land patent certificate of title with indefeasibility. Nevertheless, this Court has repeatedly applied Section 32 of Presidential Decree 1529 to a patent issued in accordance with the law by the Director of Lands, approved by the Secretary of Natural Resources, under the signature of the President of the Philippines.[4] The date of the issuance of the patent corresponds to the date of the issuance of the decree in ordinary cases. Just as the decree finally awards the land applied for registration to the party entitled to it, so also, the patent issued by the Director of Lands equally and finally grants and conveys the land applied for to the applicant.[5]

Original Certificate of Title No. 398 was issued in the name of Maria Espiritu on 04 December 1933 and would have become indefeasible a year thereafter had not its issuance been attended with fraud. The attendance of fraud created an implied trust in favor of private respondents and gave them the right of action to seek the remedy of reconveyance of the property wrongfully obtained.[6] In Javier vs. Court of Appeals[7]this Court ruled:

"x x x The basic rule is that after the lapse of one (1) year, a decree of registration is no longer open to review or attack although its issuance is attended with actual fraud. This does not mean however that the aggrieved party is without a remedy at law. If the property has not yet passed to an innocent purchaser for value, an action for reconveyance is still available. The decree becomes incontrovertible and can no longer be reviewed after one (1) year from the date of the decree so that the only remedy of the landowner whose property has been wrongfully or erroneously registered in another's name is to bring an ordinary action in court for reconveyance, which is an

action in personam and is always available as long as the property has not passed to an innocent third party for value. If the property has passed into the hands of an innocent purchaser for value, the remedy is an action for damages"[8]

The caption of the case before the court a quo while denominated as being one for "Annulment of Sale with Damages" is in reality an action for reconveyance since the ultimate relief sought by private respondents would be for the property covered by Original Certificate of Title No. 398 to be reconveyed to the estate of Andres Adona. In this jurisdiction, the dictum adhered to is that the nature of an action is determined, more importantly, by the body of the pleading or complaint itself[9] than by its title or heading. The Court of Appeals did not err in treating the action brought by private respondents as one for reconveyance or as one that seeks the transfer of the property, wrongfully registered by another, to its rightful and legal owner.[10] It would seem that Andres Adona did perfect his homestead application prior to his death,[11] the right to the issuance of the patent on which vests after complying with all the requirements of the law.[12]

The next crucial issue focuses on the ruling of the Court of Appeals to the effect that if a person who claims to be the owner of the property is in actual possession thereof, the right to seek reconveyance does not prescribe.

There is no doubt about the fact that an action for reconveyance based on an implied trust ordinarily prescribes in ten years.[13] This rule assumes, however, that there is an actual need to initiate that action, for when the right of the true and real owner is recognized, expressly or implicitly such as when he remains undisturbed in his possession, the statute of limitation would yet be irrelevant. An action for reconveyance, if nonetheless brought, would be in the nature of a suit for quieting of title, or its equivalent, an action that is imprescriptible. In Faja vs. Court of Appeals,[14] the Court has held that a person in actual possession of a piece of land under claim of ownership may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right, and that his undisturbed possession gives him the continuing right to seek the aid of a court of equity to ascertain and determine the nature of the adverse claim of a third party and its effect on his title. In the words of the Court -

> "x x x There is settled jurisprudence that one who is in actual possession of a piece of land claiming to be owner thereof may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right, the reason for the rule being, that his undisturbed possession gives him a continuing right to seek the aid of a court of equity to ascertain and determine the nature of the adverse claim of a third party and its effect on his own title, which right can be claimed only by one who is in possession. No better situation can be conceived at the moment for Us to apply this rule on equity than that of herein petitioners whose mother, Felipa Faja, was in possession of the litigated property for no less than 30 years and was suddenly confronted with a claim that the land she had been occupying and cultivating all these years, was titled in the name of a third person. We hold that in such a situation the right to quiet title to the property, to seek its reconveyance and annul any certificate of title covering it, accrued only from the time the one in possession was made aware of a claim adverse to his own, and it is only then that the statutory period of prescription commences to run against such possessor."[15]

The same dictum is reiterated in Heirs of Jose Olviga vs. Court of Appeals;[16] thus -

> "With regard to the issue of prescription, this Court has ruled a number of times before that an action for reconveyance of a parcel of land based on implied or constructive trust prescribes in ten years, the point of reference being the date of registration of the deed or the date of the issuance of the certificate of title over the property (Vda de Portugal vs. IAC, 159 SCRA 178) But this rule applies only when the plaintiff is not in possession of the property, since if a person claiming to be the owner thereof is in actual possession of the property, the right to seek reconveyance, which in effect seeks to quiet title to the property, does not prescribe."[17]

Finally, this Court sees no cogent reasons to disturb the finding of the Court of Appeals that the de Ubagos may not be considered buyers in good faith. Said the Appellate Court.

> "x x x An innocent purchaser for value is one who buys 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 persons in the property. He buys the property with the belief that the person from whom he receives the thing was the owner and could convey title to the property. A purchaser can not close his eyes to facts which should put a reasonable man on his guard and still claim he acted in good faith (Sandoval vs. Court of Appeals, 260 SCRA 283, 296 [1996])
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> "It is well settled that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the title. He is charged with notice only of such burdens and claims as are annotated on the title. (Sandoval, supra., at p. 295)
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> "The aforestated principle admits of an unchallenged exception: that a person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further except when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has some knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith and hence does not merit the protection of the law. (Sandoval, supra.) (Underscoring supplied)
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> "Applying the aforequoted jurisprudence, the defendant buyers can not be considered as innocent purchasers for value. A perusal of defendant buyers' TCT No. 42320 reveals that it contains an entry by the Register of Deeds which provides that their ownership over the land is subject to prospective claims by any possible heirs and creditors who might have been deprived of their lawful participation in the estate. The said entry reads as follows:
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> "'Entry No. 102385 -
>
> Section 4 - The property described in this certificate of title is subject to the provisions of Section 4, Rule 74 of the Rules of Court for the period of two years in favor of in any other possible heir or heirs and creditors who might have been deprived of his or their lawful participations in the said estate.

`Date of instrument - December 15, 1990.

`Date of Inscription - November 27, 1992 at 2:00 p.m.'

(Exh. `E'; Rollo, p. 137)

"Section 4, Rule 74 of the Rules of Court reads, in part, as follows:

> "'Sec. 4. Liability of distributees and estate. - If it shall appear at any time within (2) years after the settlement and distribution of an 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 other person may compel the settlement of the estate in the courts in the manner hereinafter provided for the purpose of satisfying such lawful participation. x x x.'

"The record shows that the `Extrajudicial Settlement of Estate with Sale' was executed on December 15, 1990. Plaintiffs' complaint for Reconveyance was filed on December 7, 1992. Hence, the two-year period has not yet elapsed.

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"It likewise appears that the subject land was the object of a sale between the defendant Heirs and one Mrs. Venancia Ungson which was subsequently aborted due to the intervention of defendant Vicente Adona and plaintiff Cristito Malay. (Exhs. `K', `K-1' and `L') However, defendant Heirs nevertheless executed another sale in favor of defendant buyers who are admittedly relatives of Mrs. Venancia Ungson. (TSN, January 23, 1995, p.14) Plaintiff Cristito Malay's intervention in the previous sale should have put defendant buyers on their guard.

"Moreover, it is unbelievable that the defendant buyers would not have noticed the plaintiffs who were in possession of the land when the defendant buyers inspected the same. Had they made further investigations, they would have discovered that plaintiffs were in possession of the land under a claim of ownership.

"The rule is settled that a buyer of real property which is in the possession of persons other than the seller must be wary and should investigate the rights of those in possession. Otherwise, without such inquiry, the buyer can hardly be regarded as a buyer in good faith. The buyer who has failed to know or discover that the land sold to him is in the adverse possession of another buyer in bad faith. (Embrado vs. Court of Appeals, 233 SCRA 335, 347 [1994])."[18]

Altogether, the Court sees no reversible error on the part of the Court of Appeals in its assailed decision.

WHEREFORE, the decision of the Court of Appeals is AFFIRMED. Costs against petitioners.

SO ORDERED.

Melo, (Chairman), Panganiban, Purisima, and Gonzaga-Reyes, JJ., concur.

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[1] Speaking through Mme. Justice Consuelo Ynares-Santiago (now a member of the Supreme Court), concurred in by Justices Bernardo Salas and Demetrio Demetria.

[2] Rollo, pp. 23-24.

[3] Trinidad vs. Intermediate Appellate Court, 204 SCRA 524.

[4] Ybañez vs. Intermediate Appellate Court, 194 SCRA 743.

[5] Sumail vs. Judge of CFI of Cotobato, et. al., 96 Phil. 946.

[6] Armamento vs. Guerrero, 96 SCRA 178.

[7] 231 SCRA 498.

[8] At p. 504.

[9] Castillo vs. Galvan, 85 SCRA 526; Nactor vs. IAC, 158 SCRA 635.

[10] See Amerol vs. Bagumbaran, 154 SCRA 396.

[11] Rollo, p. 21.

[12] Vda. De Delizo vs. Delizo, 69 SCRA 216.

[13] Alzona, et.al. vs. Capunitan and Reyes, 114 Phil. 377; Gonzales vs. Jimenez, Sr., 13 SCRA 80; Cuaycong, et. al. vs. Cuaycong et. al., 21 SCRA 1192; Armamento vs. Guerrero, 96 SCRA 178.

[14] 75 SCRA 441.

[15] At p. 446.

[16] 227 SCRA 330.

[17] Ibid., at pp. 334-335; see also the more recent case of Vda. De Cabrera vs. Court of Appeals, 267 SCRA 339..

[18] Rollo, pp. 25-27.

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