

BARSTOWE PHILIPPINES CORPORATION, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, RESPONDENT.

G.R. NO. 133110. March 28, 2007

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on Certiorari^[1] under Rule 45 of the Rules of Court seeking the reversal and setting aside the Decision,^[2] dated 8 August 1997, and Resolution,^[3] dated 18 March 1998, of the Court of Appeals in CA-G.R. CV No. 47522, which in turn, reversed and set aside the Decision,^[4] dated 22 December 1992, of the Quezon City Regional Trial Court (RTC), Branch 80 in Civil Case No. Q-92-11806.

Antecedent Facts

This case involves the conflicting titles to the same parcels of land (subject lots) of petitioner Barstowe Philippines Corporation (BPC) and the respondent Republic of the Philippines (Republic). The subject lots have a total area of 111,447 square meters, and are situated along the northeastern perimeter boundary of the National Government Center in Payatas, Quezon City.

BPC traces its titles to the subject lots back to Servando Accibal (Servando) who was supposedly issued on 24 July 1974, at 3:20 p.m., Transfer Certificates of Title (TCTs) No. 200629 and 200630 over the subject lots. TCTs No. 200629 and 200630 were purportedly signed by Nestor N. Pena, Deputy Register of Deeds of Quezon City. On 10 June 1988, Servando executed a Deed of Absolute Sale of the subject lots to his son Antonio Accibal (Antonio), with the concurrence of his other heirs. Despite his prior sale of the subject lots to Antonio, Servando, by virtue of a Deed of Conveyance, dated 8 February 1989, transferred/conveyed the subject lots to BPC in exchange for subscription of 51% of the capital stock of BPC, such subscription supposedly amounting to P6,000,000.00.^[5] About a year after the death of Servando on 3 October 1989, particularly on 10 October 1990, Antonio executed another Deed of Conveyance of the subject lots in favor of BPC in exchange for subscription of 2,450 shares of its capital stock, with an alleged total value of P49,000,000.00.^[6] Due to the fire that gutted the Office of the Quezon City Register of Deeds on 11 June 1988 and destroyed many certificates of title kept therein, Antonio sought the administrative reconstitution of the original copies and owner's duplicate copies of TCTs No. 200629 and 200630 with the Land Registration Authority (LRA). On 12 December 1990, the LRA issued TCTs No. RT-23687 and RT-23688 (reconstituting TCTs No. 200629 and 200630, respectively), which were transmitted to the Quezon City Register of Deeds and signed by Deputy Register of Deeds Edgardo Castro on 19 February 1991. Also on 19 February 1991, TCTs No. RT-23687 and RT-23688 were cancelled and in lieu thereof, TCTs No. 30829, 30830, 30831, and 30832 in the name of BPC were issued. BPC then acquired from the Housing and Land Use Regulatory Board (HLURB) a permit to develop the subject lots into a residential subdivision. Subsequently, BPC entered into Joint Venture Agreements with other corporations for the development of the subject lots into a subdivision called Parthenon Hills.

Meanwhile, according to the Republic, prior to 14 November 1979, the subject lots were owned by First

Philippine Holdings Corporation (FPHC). As evidence of its title to the subject lots, FPHC was issued TCT No. 257672, on an undetermined date, and TCT No. 275201, on 20 January 1981. Pursuant to a Deed of Sale, dated 14 November 1979, FPHC sold one of the subject lots, covered by TCT No. 257672, to the Republic for P2,757,360.00. Thus, on 22 January 1981, TCT No. 257672 was cancelled and TCT No. 275443 was issued in place thereof in the name of the Republic. FPHC executed another Deed of Sale on 25 March 1982 in which it sold the remainder of the subject lots, covered by TCT No. 275201, to the Republic for P9,575,920.00. On 31 May 1982, TCT No. 275201 was cancelled and was replaced by TCT No. 288417 issued in the name of the Republic. Because of the 11 June 1988 fire which razed the Quezon City Office of the Register of Deeds and destroyed the original copies of TCTs No. 275443 and 288417, the Republic applied for administrative reconstitution of the same with the LRA. It was then that the Republic came to know that another party had applied for reconstitution of TCTs No. 200629 and 200630 which also covered the subject lots. This prompted the Republic to file before the RTC on 26 March 1992 a petition for cancellation of title against Antonio, Servando, and BPC, docketed as Civil Case No. Q-92-11806.

Civil Case No. Q-92-11806

Counsel for Antonio and the late Servando filed two successive Motions for extension of time to file the proper pleading, dated 17 June 1992 and 1 July 1992, but despite the grant thereof by the RTC,[7] no such responsive pleading on behalf of Antonio and the late Servando was ever filed. Hence, on 31 July 1992, the RTC issued an Order[8] declaring Antonio and the late Servando in default.

In another Order,[9] also dated 31 July 1992, the RTC, upon the motion of BPC, allowed the latter to continue with the development of the subject lots. It concluded that -

Considering the plight of [BPC] and the possible irreparable damage that may be caused against the residents in the surrounding developed subdivision, even as said corporation is possessed of a good title, the court in the exercise of its discretion grants the motion. More importantly, consideration of equity demands that the titled owner [BPC] herein must be able to exercise all its dominical right blossoming [sic] forth from its ownership of the land in suit.

WHEREFORE, under cool reflection and prescinding from the foregoing, the motion is hereby granted. [BPC] is hereby permitted and allowed to continue with the improvement and development of the controverted property into a residential subdivision.[10]

On 12 October 1992, the Republic filed with the Quezon City Register of Deeds a Notice of Lis Pendens requesting the recording of the pendency of Civil Case No. Q-92-11806 on TCTs No. 30830, 30831, and 30832, all in the name of BPC.

While Civil Case No. Q-92-11806 was still pending before the RTC, there were two intervenors.

Gloria Accibal Rettoriano (Gloria) filed with the RTC a Motion for Intervention, with a Complaint in Intervention, both dated 1 September 1992. Gloria alleged that she was the only child of Basilia Accibal, Servando's sister; the subject lots were inherited by Basilia, Servando, and their other siblings from their parents Martin and Mauricia Accibal; upon her mother's death, Gloria inherited and came into possession of a portion of the subject lots with an area of about 2.5 hectares; Gloria had been possessing, cultivating and improving her portion of the subject lots for the last 30 years; Servando, through fraudulent means, was able to secure TCTs over all the subject lots, including Gloria's portion therein; the inclusion of Gloria's portion in the TCTs of Servando and, later, in those of BPC, was done through fraud and gross bad faith; and unless the TCTs of Servando and BPC are declared null and void, Gloria will be deprived of her property without due process and just compensation. BPC opposed Gloria's intervention in Civil Case No. Q-92-11806 considering that she had already

instituted Civil Case No. Q-91-10933 before the RTC, Quezon City, Branch 76, seeking the annulment of TCTs No. 30830, 30831, and 30832 of BPC based on the very same grounds she raised in her present Complaint in Intervention; on 11 February 1992, Gloria entered into a Compromise Agreement with BPC in which she waived and renounced any and all claims whatsoever which she may have over the titles of BPC in consideration of the payment by the latter of P2,000,000.00; the RTC, Branch 76, after finding that the said Compromise Agreement was not contrary to law, morals, good customs, public order or public policy, approved the same, thus putting an end to Civil Case No. Q-91-10933;[11] Gloria's cause of action to intervene in Civil Case No. Q-92-11806 was already barred by prior judgment in Civil Case No. Q-91-10933 and Gloria's Complaint in Intervention is tantamount to a collateral attack against a TCT. In rejecting Gloria's intervention in Civil Case No. Q-92-11806, the RTC found as follows -

The motion for intervention must be denied and the complaint in intervention therein attached must be rejected.

For one thing, herein movant Gloria Accibal Rettoriano, was the plaintiff in the first case (RTC Br. 76 No. Q-91-10933) and with "eyes wide open" she entered into a compromise agreement with [BPC], which was the basis of the 26 February 1992 decision rendered therein and it being based on a compromise agreement, said decision became immediately final and executory.

Whether or not the decision rendered in the first case was satisfied is of no moment in the present case, as herein movant intervenor has all the remedies to protect her rights therein.

For another, movant intervenor Gloria Accibal Rettoriano, from her complaint in intervention would ask for the cancellation of the titles issued to their [sic] relative Servando Accibal and those titles duly issued and registered in the name of [BPC]. Certainly, this can not be done, as it constitutes a collateral attack on the questioned titles which the law and settled jurisprudence do not allow. Perforce, a separate action against the questioned titles is the remedy available for intervenor Gloria A. Retoriano [sic].

Accordingly, the Court finds the opposition of [BPC] to be impressed with merit and the motion for intervention does not inspire confidence.

WHEREFORE, the subject motion for intervention is denied and the complaint in intervention attached thereto must be rejected.[12]

Another intervenor in Civil Case No. Q-92-11806 was EL-VI Realty and Development Corporation (ERDC) which filed with the RTC a Motion for Leave to Intervene, dated 1 September 1992. Subsequently, it filed an Answer in Intervention, dated 15 September 1992, in which, it alleged that it acquired interest in the subject lots after having entered into a Joint Venture Agreement dated 16 January 1992, with BPC, for the development of the subject lots into a residential subdivision; the action initiated by the Republic for the cancellation of the TCTs of BPC was already barred by laches and estoppel because of the recognition accorded upon the said TCTs by the instrumentalities of the Republic, particularly the Register of Deeds and the HLURB, on which the ERDC relied in all good faith when it entered into the Joint Venture Agreement with BPC; the Republic is liable to ERDC for moral damages and attorney's fees; should the RTC find the TCTs of BPC infirm, rendering the Joint Venture Agreement between ERDC and BPC of no force and effect, then BPC should be held liable to ERDC, being an innocent third party, for reimbursement of all expenses incurred by the latter in the development of the subject lots; and should the RTC find that the TCTs of BPC are spurious, then it should be declared in bad faith when it entered into the Joint Venture Agreement with ERDC, for which it should be liable for exemplary damages and attorney's fees. In an Order,[13] dated 27 October 1992, the RTC granted ERDC's Motion to Intervene and admitted its Answer in Intervention.

After all the parties had submitted their respective Pre-Trial Briefs,[14] and upon motion by the BPC,[15] the

RTC decided the case on 22 December 1992 on summary judgment.[16] Although it found both the Republic and the BPC as buyers in good faith, it held that the titles of BPC should prevail. It ratiocinated thus -

3. To the third issue, we rule that the title of [BPC] must prevail over that of the [Republic].

There is no dispute that the titles of the First Philippine Holdings Corporation, predecessor-in-interest of [Republic] were either issued in the year 1979 and 1981 (Exh. "A" and "B"). On the other hand, there is likewise no dispute that the titles of defaulted defendant Servando Accibal, and predecessor-in-interest of [BPC], were both issued and registered much earlier on July 24, 1974 (Exhs. "F" and "G", pp. 210-213, record) and/or a difference of 5 or 6 years in point of time.

MORE, Servando Accibal, the predecessor-in-interest of [BPC] has been in the actual and peaceful physical possession of the lots in suit before he sold them to [BPC] on February 08, 1991. Upon registration of the same on February 19, 1991, [BPC], after having subdivided the land into four (4) smaller lots was issued on 19 February TCT Nos. 30829, 30830, 30831, and 30832 (Exhs. 1, 2, 3 and 4).

It is true [Republic] acquired the land in suit on November 14, 1979 and for which TCT Nos. 275443 and 288417 were issued in the years 1979 and 1981, but [Republic] never took assertive steps to take actual possession of the land sold to it by the First Philippine Holdings Corporation. It is even of grave doubt that the latter took actual possession of the land before the land in suit was sold to the [Republic]. So much so, that the area had been occupied by several squatters, one of them is Servando Accibal who by the way, was able to have the land in suit titled in his name as early as July 24, 1974, under TCT Nos. 200629 and 200630 of the land records of Quezon City. Further, [Republic] and its predecessor-in-interest were not able to discover the overlapping of their titles by the titles of Servando Accibal for a period of eighteen (18) long years starting from July 24, 1974 to about June 10, 1992 when the LRA during a reconstitution of the titles of [Republic] was initiated, as evidenced by a report of reconstituting officer Benjamin A. Flestado of that office (Exh. "H", pp. 214-258, record).

Simply stated, [Republic] may be guilty of LACHES.

x x x x

Perforce, the claim of [Republic] which was probably originally VALID became a STALE claim as the years went by. Verily, the titles of [Republic] must be cancelled and the titles of [BPC] must be upheld and declared as good and valid titles and [BPC] is entitled to all the rights blossoming [sic] fourth from its dominical right of ownership.

More importantly, the predecessor-in-interest of [BPC] had been long in the actual and physical possession of the lands in suit, while that of the predecessor-in-interest of [Republic] was not in the actual possession of the land before the sale to [Republic]. On the other hand, [BPC] immediately after the sale in its favor took actual, physical and peaceful possession of the land in suit to the exclusion of all others. It has no knowledge, actual or constructive that said parcels of land were sold to the [Republic]. When it registered the sale, there was no inscription in the Land Registry that the same parcels of land were earlier sold to the [Republic]. Hence, there was and is - a continuing good faith on the part of [BPC]. (Article 1544, NCC; Cruz vs Cabana, 129 SCRA 656).

In the same Decision, the RTC found certain irregularities in TCTs No. 200629 and 200630 in the name of Servando and that the said TCTs should be cancelled, without prejudice to the rights and interests of BPC. The RTC discussed the matter in this wise -

We shall now dwell on the validity of the titles - TCT Nos. 200629 and 200630, issued in the name of Servando Accibal on July 24, 1974 by the Register of Deeds of Quezon City. The LRA report dated 10 June 1992 (Exh. H, pp. 214-258, record) is competent proof that indeed said titles must be cancelled. In short, the

LRA found after due investigation that the said titles of Servando Accibal were issued with certain irregularities. It recommended the cancellation therefore, of TCT Nos. 200629 and 200630, to which the court concurs, as said report must be accorded due respect and in the absence of fraud or irregularities that attended the investigation, which the Court finds none, the same must be persuasive, if not conclusive. Moreover, herein defendant Servando Accibal because of his failure to answer, despite extension of time given him, failed to file his answer. Upon motion of [Republic's] counsel, he was declared as in default and since then, he never asked the court to lift and set aside the default order. There is no way, his title must be cancelled. For one thing, he was not able to present evidence to controvert the recommendation of LRA to cancel his titles. For another, Servando Accibal is deemed to have impliedly admitted the irregularities that attended the issuance of his aforestated titles.

However, the cancellation of the titles of Servando Accibal, would not affect the rights and interests of [BPC] as the latter is declared to be a purchaser in good faith and for value. MORE, under the circumstances of the case, and even when the titles of Servando Accibal are cancelled, the titles of [BPC] are still good and indefeasible titles, as it is settled rule that good titles may be sustained even when the seller has spurious titles.

As for the intervention of ERDC, the RTC addressed the same as follows -

Finally, we shall next discuss the claim of intervenor EL-VI Realty and Development Corporation. A close reading from the Joint Venture Agreement dated January 16, 1992, shows that in case of litigation, intervenor Realty Corporation shall have the right to suspend all development activities and the development period of 5 years shall automatically be suspended until such time as the said case is finally settled/decided (Exh. "5" and Annex "A" answer in intervention pp. 109-114). Upon the signing of the said agreement the amount of P1,500,000.00 was received by [BPC] as advance payment of the 50-50 sharing basis in the sales proceeds. During the pre-trial conference, herein intervenor tried to enforce a supplemental agreement dated October 15, 1992, by filing a motion for a writ of preliminary injunction with prayer for the issuance of a restraining order. Resolution of the same was held in abeyance to await the decision to be rendered, after [BPC] assured intervenor herein that it will abide by and strictly comply with its commitments arising from the aforesaid agreement, after proper accounting is made therefore. Herein intervenor admits that another financier-developer has entered the area due to the delay of the project caused by the filing of the present case.

MORE, due to the filing of the present case, herein intervenor was reluctant to further finance the project because of its big exposure already made. Hence, intervenor's works and other activities in the area was suspended in accordance with their Joint Venture Agreement.

Perforce, there is compelling necessity for a proper accounting, more particularly its substantial exposure to the project, on a quantum meruit basis, in fairness to all concerned and involved parties in the project, including but not limited to the present contractor-developer of the area.

Finally, the RTC concluded that -

A FORTIORARI, the environmental setting and factual scenario of the case, in relation to its legal ambience will show that the great preponderance of evidence lies in favor of [BPC]. (Section 01, Rule 133, Revised Rules of Court), and the motion for summary judgment is granted. The hearing as to damages, including attorney's fees shall be scheduled soonest possible.

WHEREFORE, under cool reflection and prescinding from the foregoing, judgment is rendered as follows:

- Ordering the Register of Deeds of Quezon City to cancel Transfer Certificates of Title No. 275443 and 288417 issued in the name of the [Republic] covering the lots in suit. However, [Republic] being a purchaser in good faith, and based on considerations of equity and justice Barstowe Philippine[s] Corporation is ordered to re-imburse and pay [Republic], the sum of P12,333,280.00 representing the purchase price from the vendor, First Philippine Holdings Corporation soonest possible;

- Ordering the Register of Deeds of Quezon City to officially and finally cancel from his records, Transfer Certificates of Title Nos. 200629 and 200630 issued in the name of Servando Accibal, on July 24, 1974, covering the same lots in suit (Exh. "F" and "G", pp. 210-213, record).
- Declaring herein defendant Barstowe Philippines Corporation as the absolute owner in fee simple title over the lots in suit, as evidenced by Transfer Certificates of Title Nos. 30829, 30830, 30831 and 30832 of the land records of Quezon City, all issued on February 19, 1991 and the said titles are further more declared valid, existing and indefeasible titles of [BPC] and as such is entitled to all the dominical rights blossoming [sic] forth from its ownership over the lots in suit.
- Ordering [BPC] to abide by and strictly comply with the terms and conditions of the supplemental Agreement entered into by it with herein intervenor EL-VI Realty and Development Corporation dated October 15, 1992, after proper accounting is made;
- Perforce, the Register of Deeds of Quezon City is likewise ordered to cancel any and all encumbrances annotated on said titles of defendant corporation including, but not limited to the lis pendens notice filed by the [Republic], if any;
- The hearing as to damages, including the claim for attorney's fees shall be scheduled soonest.
- Considering the admissions and agreements of the parties during the pre-trial conference, which are considered judicial admissions, this decision acquires the nature of one based on a compromise agreement. Perforce, the Court declares this decision to be immediately final and executory.
- No pronouncement as to costs.

Despite the promulgation of the foregoing Decision by the RTC on 22 December 1992, the proceedings in Q-92-11806 were still far from over; significant developments still took place thereafter.

ERDC sought the execution of paragraph 4 of the dispositive portion of the RTC Decision dated 22 December 1992. In an Order,[17] dated 13 January 1993, the RTC issued a writ of execution in favor of ERDC, and a notice of levy on execution was accordingly made on the subject lots. In a dialogue held between the counsels for BPC and ERDC in the chamber of the RTC Judge on 26 February 1993, an amicable settlement was reached whereby BPC agreed to settle the claim of ERDC in the form of developed subdivision lots in Parthenon Hills, subject to proper accounting.[18] BPC offered to ERDC 40 developed subdivision lots in Parthenon Hills, valued at P18,543,000.00, representing 65% of the total claims (prior to proper accounting) of ERDC, which amounted to P28,787,306.32. However, ERDC refused the offer of BPC and demanded that it be paid the total amount of its claims. It also brought to the attention of the RTC that, in violation of their Joint Venture Agreement, BPC contracted another realty developer for the development of Parthenon Hills. Thus, ERDC opposed the lifting of the notice of levy on execution on the subject lots for the protection of its interests. In an Order,[19] dated 17 March 1993, the RTC found that BPC already substantially complied with the terms of its agreement with ERDC and that the rights and interests of the latter were well-protected and safeguarded. In the same Order, the RTC lifted and set aside the notice of levy on execution on the subject lots. However, on 20 April 1993, ERDC filed a Motion for Contempt[20] against BPC and informed the RTC that BPC, fraudulently, maliciously, and in bad faith, already sold 36 of the 40 subdivision lots it earlier offered to ERDC by accepting downpayments thereon of only 30% of the selling price. Upon further investigation, it discovered that of the four remaining lots, two were vacant while the other two were reserved. ERDC subsequently filed two other motions: (1) A Motion,[21] dated 29 April 1993, to set for trial the claim of ERDC for damages. Said motion was granted, and the RTC set the hearing on 16 September 1993, at 8:30 a.m.,[22] but upon the motion of the counsel for BPC, the hearing was reset to 7 October 1993;[23] and (2) A Motion,[24] dated 6 September 1993, for the issuance of a partial writ of execution for the undisputed amount of P18,543,000.00, representing 65% of the total claims of ERDC.

Unfortunately, the records no longer show the succeeding incidents concerning these motions.

In a Motion for Leave to Intervene[25] dated 8 March 1993, and the attached Complaint in Intervention,[26] dated 10 March 1993, Kadakilaan Estate expressed its intent to intervene in Civil Case No. Q-92-11806. It anchored its claims on the contention that the subject lots were already registered as private property under the Spanish Mortgage Law since 18 May 1891, and under the Torrens System of Registration since 31 August 1907, by the predecessors-in-interest of Kadakilaan Estate. The subject lots were supposedly included in a vast track of land covered by Titulo de la Propiedad de Terrenos No. 01-4 in the name of Doña Petra Rodriguez, who transferred the same to her son, Don Gonzalo Yanesa y Rodriguez. Kadakilaan Estate came into ownership and possession of the vast track of land, including the subject lots, by virtue of its successive sales from Don Gonzalo Yanesa y Rodriguez to Doña Lourdez Rodriguez Yanesa, and from the latter to Kadakilaan Estate. Kadakilaan Estate further alleged that the Original Certificate of Title (OCT) No. 333, from which the TCTs of both BPC and the Republic were ultimately derived, was null and void ab initio, and that the TCTs of BPC and the Republic were spurious and likewise null and void ab initio, and without any probative value. Kadakilaan Estate prayed for judgment declaring it the owner of the subject lots; directing the other parties to respect its ownership, possession, rights and interests over the subject lots; and ordering the other parties to pay just compensation, damages, and attorney's fees. The RTC, in an Order[27] dated 27 April 1993, denied the Motion for Leave to Intervene and rejected the Complaint in Intervention of Kadakilaan Estate for the following reasons -

New intervenor Kadakilaan Estate alleges that the titles of the [Republic] and [Antonio, Servando, and BPC] are all falsified, spurious in origin and null and void ab initio, as the property in question were already registered as private properties of [Kadakilaan Estate's] predecessors-in-interest, under Spanish Mortgage law since May 18, 1891, and under the Torrens System, Act No. 496, as amended, in Titulo dela propiedad de Terrenos No. 01-4.

If this is clearly so, then [Kadakilaan Estate] is attacking the validity of the titles of [Republic] and [Antonio, Servando, and BPC] in this case. It is settled rule that titles registered under the Torrens System cannot be the subject of a collateral attack. Perforce, the remedy of [Kadakilaan Estate] is to file a separate action. For, if the intervention is allowed at this late stage of the proceedings, then it will cause unnecessary delay in the soonest termination of this case.

MORE, the law and the rules as well as jurisprudence on the matter, will only allow in the court's discretion, intervention, before or during the trial. Certainly NOT after the trial and with more reason intervention may no longer be allowed after the decision has been rendered as in the present case.

In the meantime, on 4 January 1993, the Republic filed a Notice of Appeal[28] of the RTC Decision, dated 22 December 1992. The RTC, in an Order,[29] dated 16 February 1993, denied the same. It reasoned that -

Considering these judicial dimensions and acquiescence of the [Republic] in open court during the hearings held and during the pre-trial conference, the court in its dispositive portion of the questioned decision, declared it to be a judgment based on a compromise agreement which by operation of law becomes immediately executory.

It is unfortunate that despite the above declarations of the court [Republic] failed to ask for a clarification of the said declarations, by way of a motion for reconsideration of the decision based on fraud, mistake or duress mandated by the rules.

The notice of appeal must be denied due course.

x x x x

WHEREFORE, prescinding from the foregoing, the notice of appeal filed by plaintiff is rejected and denied

due course.

From the foregoing RTC Order, the Republic filed with the Court of Appeals a Petition for Certiorari and Mandamus (with Urgent Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction), docketed as CA-G.R. SP No. 30647. The Republic primarily questioned the denial of its Notice of Appeal by the RTC in its Order, dated 16 February 1993, on the basis that the RTC Decision of 22 December 1992 constitutes a compromise agreement, and is immediately final and executory. The Court of Appeals issued a writ of preliminary injunction^[30] enjoining the RTC from implementing and enforcing its Order, dated 16 February 1993, during the pendency of CA-G.R. SP No. 30647 or until otherwise directed by the appellate court. Apparently, from the denial by the RTC of its Motion for Leave to Intervene and the rejection of its Complaint in Intervention in Civil Case No. Q-92-11806, the Kadakilaan Estate again filed a Motion for Leave to Intervene in CA-G.R. SP No. 30647, which in a Resolution,^[31] dated 13 September 1993, the Court of Appeals also denied on the following grounds -

We find the stance of [Republic] and [BPC] well-grounded. Not only is [Kadakilaan Estate] precluded by estoppel from filing the present motion, after failing to challenge before this Court or the Supreme Court the trial court's denial of subject motion for intervention, on April 27, 1993; it is too late for [Kadakilaan Estate] to come in at this stage of the present litigation. Furthermore, as aptly put by the [Republic] the alleged rights [Kadakilaan Estate] seeks to protect here can be amply protected in an appropriate action [Kadakilaan Estate] may later bring.

In a Decision,^[32] dated 29 June 1994, the Court of Appeals granted the Republic's Petition for Certiorari and Mandamus, ruling in this wise -

We rule for [Republic]. Respondent Court's conclusion lost sight of the nature of a compromise agreement, and the circumstances under which a judgment based on a compromise may be rendered.

x x x x

Guided by the aforecited law and jurisprudence in point, it can be safely concluded that neither mere silence or acquiescence by the [Republic] in open court during the hearing nor [Republic's] stipulation of facts, marking of exhibits, alleged admission of Exhibit 6 which contains [BPC's] offer of compromise during the pre-trial, be properly considered as a compromise agreement. Had the parties really intended to enter into a compromise to end their case, they could have executed and submitted a compromise agreement for the approval of the trial court. But no such step was taken.

x x x x

Records readily show that due to lack of an amicable settlement or any compromise agreement, the respondent judge directed the parties to present their documentary exhibits so as to facilitate the trial; no longer for the purpose of settling the case. Evidently, there was no explicit agreement nor any reciprocal concession between the parties with an end in view of terminating the litigation. Absence of these essential elements of a compromise inevitably results in the absence of a valid compromise agreement. (*Merced vs. Roman Catholic Archbishop*, L-24614, August 17, 1967, 20 SCRA 1077). Consequently, the opinion of respondent Judge that his December 22, 1992 Decision had the nature of a judgment based on compromise, cannot be upheld.

So also, the doctrine relied on by respondents that a compromise agreement constitutes the law between the parties and a judgment based thereon is immediately final, executory and not appealable, is inapplicable under the premises.

x x x x

WHEREFORE, the petition is GRANTED; the questioned order dated 16 February 1993 is SET ASIDE; and

respondent court is hereby ordered to give due course to [Republic's] Notice of Appeal in Civil Case No. Q-92-11806. Costs against [BPC].

This Court, in its Resolution, dated 6 February 1995, issued in G.R. No. 117969, in effect, sustained the afore-mentioned Decision of the Court of Appeals.

CA-G.R. CV No. 47522

Finally, the Republic was allowed to appeal the RTC Decision, dated 22 December 1992, in Civil Case No. Q-92-11806, to the Court of Appeals, where it was docketed as CA-G.R. CV No. 47522. In a Decision,[33] dated 8 August 1997, the Court of Appeals found in favor of the Republic, and disposed thus -

WHEREFORE, premises considered, plaintiff-appellant Republic of the Philippines' appeal is GRANTED. Except for paragraph 2 of the dispositive portion of the decision appealed from declaring TCT Nos. 200629 and 200630 in the name of Servando Accibal null and void and ordering the Register of Deeds of Quezon City to cancel said TCT Nos. 200629 and 200630, the appealed decision is REVERSED and SET ASIDE and a new one entered:

(a) declaring and affirming the validity of TCT Nos. 288417 and 275443 of the Registry of Deeds of Quezon City in the name of appellant Republic of the Philippines and that appellant Republic has indefeasible title to the property covered thereby;

(b) declaring TCT Nos. 30829, 30830, 30831 and 30832 also of the Registry of Deeds of Quezon City in the name of Barstowe Philippines Corporation null and void and ordering the Register of Deeds of Quezon City to cancel said titles;

(c) ordering Barstowe Philippines Corporation to surrender to the Register of Deeds of Quezon City the owner's duplicate certificates of title of TCT Nos. 30829, 30830, 30831 and 30832 for cancellation;

(d) enjoining defendant-appellee Barstowe Philippines Corporation and intervenor EL-VI Realty Development Corporation from exercising any act of ownership or possession of the land in question; and

(e) remanding the case to the court of origin for further proceedings for determination of the crossclaim of intervenor EL-VI Realty and Development Corporation against defendant-appellee Barstowe Philippines Corporation.

There is no pronouncement as to costs.

The Motion for Reconsideration filed by BPC was denied by the Court of Appeals in a Resolution,[34] dated 18 March 1998.

G.R. No. 133110

Aggrieved, BPC came before this Court via a Petition for Review on Certiorari[35] under Rule 45 of the Rules of Court, dated 28 April 1998, raising the sole issue of who between BPC and the Republic has a better title over the subject lots. BPC prays that this Court rule in its favor, and reverse and set aside the Court of Appeals Decision, dated 8 August 1997, in CA-G.R. CV No. 47522, based on the following grounds -

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR IN NOT CONSIDERING THE GOOD FAITH OF [BPC] THOUGH IT WAS ADMITTED BY [REPUBLIC] DURING THE PRE-TRIAL CONFERENCE.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR IN UPHOLDING THE VALIDITY OF THE TITLE OF [REPUBLIC] OVER THAT OF [BPC.]

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR IN ORDERING [BPC] TO SURRENDER ITS TITLE TO THE REGISTER OF DEEDS FOR CANCELLATION[.]

THE HONORABLE COURT OF APPEALS ERRED IN ENJOINING [BPC] FROM EXERCISING ACTS OF OWNERSHIP OVER THE SUBJECT PARCEL OF LAND[.]

THE HONORABLE COURT OF APPEALS [sic] ERRED IN APPLYING THE CALALANG CASE (231 SCRA 88) AS IT IS NOT APPLICABLE TO THE CASE AT BAR[.]

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN NOT FINDING [REPUBLIC] GUILTY OF ESTOPPEL BY LACHES[.]

After the Republic filed its Comment, dated 29 October 1998, several parties again sought to intervene in the case.

Winnie U. Nicolas (Nicolas), through her sister and attorney-in-fact, Ditas Felicitas Nicolas-Agbulos (Nicolas-Agbulos), and Edgardo Q. Abesamis (Abesamis), filed their respective Petitions for Intervention, dated 22 October 1998 and 9 December 1998, respectively.

Nicolas-Agbulos invokes the provisions of the Rules of Court on the joinder of indispensable parties and necessary parties for the complete determination of all possible issues, not only between the parties themselves but also as regards to other persons who may be affected by the judgment. Nicolas-Agbulos contends that she was a buyer in good faith of Lots No. 27 and 28, Block 13, of Parthenon Hills, covered by TCTs No. 76497 and 76498, respectively, of the Quezon City Register of Deeds, derived from TCTs No. 30830, 30831, and 30832 in the name of BPC. Nicolas-Agbulos had already partially paid BPC for Lots No. 27 and 28 in the amount of P1,500,000.00, and the balance of P800,000.00 was already deposited in a trust account in the name of BPC with the Far East Bank and Trust Company (FEBTC). She bought Lots No. 27 and 28 after relying on the face of the TCTs of BPC which were intact and subsisting in the records of the Quezon City Register of Deeds, and on the authority granted to BPC by several government agencies, such as the HLURB, LRA, and the Register of Deeds, for the subdivision, development, and sale of the subject lots to private individuals. She only came to know, through her sister and attorney-in-fact, Nicolas-Agbulos, that the TCTs of BPC covering the subject lots, which comprised the Parthenon Hills, were being assailed in Civil Case No. Q-92-11806 pending before the RTC. Nicolas' inquiry on the matter was answered by BPC with an assurance that despite the "bad publicity," Parthenon Hills was an on-going project and that she should continue paying her installments. Acting cautiously, Nicolas-Agbulos decided that instead of paying the balance of the purchase price for Lots No. 27 and 28 directly to BPC, she would open a trust account with FEBTC in the name of BPC where she would deposit Nicolas-Agbulos' succeeding installment payments. Nicolas-Agbulos was compelled to intervene in the instant case because BPC made no mention of the fact that it had already sold numerous subdivision lots in Parthenon Hills to innocent purchasers for value, either through absolute or installment sales. She thus sought a ruling upholding the title of BPC, and recognizing and protecting the rights of Nicolas as an innocent purchaser for value of Lots No. 27 and 28.[36]

Abesamis seeks to intervene in the present case as an indispensable party since no complete and conclusive determination can be had therein, which shall be legally binding and effective on Abesamis, unless he be allowed to intervene. Abesamis claims to have acquired by purchase Lot No. 16, Block 4, of Parthenon Hills, for the purchase price of P720,000.00, and evidenced by a Deed of Absolute Sale dated 9 June 1993. BPC processed and secured TCT No. 92270 covering Lot No. 16 in Abesamis' name. He only learned that the subject lots comprising the Parthenon Hills, including his Lot No. 16, was mired in controversy, when he attended an emergency meeting of the Homeowners' Association of Parthenon Hills. He asserts that, being a bona fide purchaser and holder of a

legitimate and indefeasible title to Lot No. 16, he had valid and enforceable rights against both BPC and the Republic.[37]

A third Petition in Intervention, dated 8 February 1999, was filed by spouses Jacinto H. Santiago, Jr. and Arlene C. Santiago (spouses Santiago). The spouses Santiago aver that, doing business as ACS Trading, they entered into a supply agreement with Proven International Development Corporation (PIDC), which had a construction contract with BPC, for the development of Parthenon Hills. The spouses Santiago agreed to accept lots in Parthenon Hills as payment for the construction materials they supplied BPC since the latter showed them clean TCTs to the subject lots, and HLURB licenses and permits to develop Parthenon Hills. In payment for the construction materials delivered, and financial assistance and various other professional services rendered by the spouses Santiago to BPC, the latter initially executed in their favor 15 Deeds of Assignment for 15 subdivision lots in Parthenon Hills. The TCTs for the 15 subdivision lots were transferred in the name of the spouses Santiago free from any lien or encumbrance. The spouses Santiago mortgaged 13 of the subdivision lots with the Planters Development Bank and sold the remaining two to different buyers. Thereafter, BPC again executed in favor of the spouses Santiago 71 Deeds of Assignment over 71 subdivision lots in Parthenon Hills. When the spouses Santiago attempted to transfer the TCTs covering the 71 subdivision lots to their names, they discovered that the TCTs of BPC already bore the annotation of the notice of lis pendens. The Quezon City Register of Deeds cancelled the TCTs of BPC covering the 71 subdivision lots and issued new ones in the names of the spouses Santiago, still bearing the annotation of the notice of lis pendens. The spouses Santiago claim that they were unable to intervene earlier in this case because of the pendency of the case filed by BPC against them, docketed as Civil Case No. 93-18231, with the Quezon City RTC, Branch 84, for the annulment of the last 71 Deeds of Assignment. This case had since been dismissed. The spouses Santiago invoke that they have sufficient interest in the present case which would necessarily be affected by the resolution/decision thereof, and they must necessarily intervene herein to protect their interest. The spouses Santiago pray for this Court to declare the assignment to them by BPC of the subdivision lots as valid, and to direct both BPC and the Republic to recognize and respect their rights and interest.[38]

BPC supports the intervention in the case by Nicolas-Agbulos and Abesamis. It explains that its failure to mention that it has already practically sold all the subdivision lots in Parthenon Hills was not by design, but by mere oversight.[39] However, BPC opposes the intervention of the spouses Santiago claiming that the latter are not indispensable parties to the case; they acquired their TCTs through fraudulent means; and Civil Case No. 93-18231 which it instituted against the spouses Santiago was dismissed by the Quezon City RTC, Branch 84, without prejudice. According to BPC, the supply agreement for construction materials was between the spouses Santiago and PIDC, so that it could not be enforced against BPC. This issue, as well as the validity of the 71 Deeds of Assignment over 71 subdivision lots supposedly executed by BPC in favor of the spouses Santiago, requires the holding of a trial, not a mere intervention.[40]

The Republic opposed all efforts of other parties to intervene in the case. The legal interests of Nicolas-Agbulos, Abesamis, and the spouses Santiago are totally dependent on the alleged right of ownership of BPC, and the issues they raised are similar to those raised by BPC. The fact that Nicolas-Agbulos and Abesamis are purchasers in good faith will not render their titles valid and indefeasible. The titles of Servando from whom BPC acquired its titles and from whom, in turn, Nicolas-Agbulos and Abesamis, derived their titles, were found to be spurious; and the spring cannot rise higher than its source.[41]

In the interim, BPC filed its Reply dated 22 January 1999, to the Comment of the Republic.

This Court, in a Resolution, dated 22 March 1999, granted the motion of the Republic for the issuance of a temporary restraining order enjoining BPC from selling the remaining unsold portions of the subject lots and from

allowing buyers to enter and occupy portions thereof.[42]

Thereafter, BPC,[43] the Republic,[44] spouses Santiago,[45] Abesamis,[46] and Nicolas-Agbulos,[47] filed their respective Memoranda.

However, even before the case could be submitted for decision, Servando's heirs, namely Virgilio V. Accibal (Virgilio), Virginia A. Macabudbod (Virginia), and Antonio, filed an Urgent Ex Parte Motion to Defer Resolution of the same. Soon after, they filed a Petition for New Trial, dated 23 May 2001.[48] Although Servando's heirs concede that the period allowed for the filing of a motion to set aside the judgment and grant a new trial under Rule 37, Section 1 of the Rules of Court, had already lapsed, on grounds of justice and equity, they still move that this Court grant their Petition. Servando's heirs were allegedly prevented from participating in Civil Case No. Q-92-11806 before the RTC by the fraudulent misrepresentations of Rev. Father Antonio O. Ipo (Ipo), BPC President, together with the BPC counsel, who convinced the naïve Antonio that there was no need to worry about the case filed by the Republic against them and to hire another counsel as the BPC counsel shall represent all of them. Unknown to Servando's heirs, the BPC counsel neither represented them nor included them in the Answer he filed on behalf of BPC, thus, Servando's heirs were declared in default by the RTC. Because of the extrinsic fraud perpetrated upon them and their excusable negligence, Servando's heirs should be granted a new trial, otherwise, they would be deprived of their constitutional right to due process of law. According to Servando's heirs, neither BPC nor the Republic was a purchaser in good faith who acquired clean titles to the subject lots. The BPC President Ipo, hoodwinked Antonio into agreeing to convey the subject lots to BPC in exchange for 51% of its capital stock. However, despite acquiring titles to the subject lots, BPC failed to transfer the promised 51% of its capital stock. On the other hand, the TCTs of FPHC, the Republic's predecessor-in-interest, were of doubtful origin; and the Republic's acquisition of the subject lots from FPHC was anomalous in the sense that it purchased the said property through ordinary sale when it could have easily expropriated the same.

Without formally intervening in the case at bar, Sariling Sikap Pabahay (SSP), through its President, Elias V. Esraita, submitted to this Court a letter,[49] dated 26 August 2002, together with other documents to disprove the validity of the titles of Servando and his heirs to the subject lots. SSP is a cooperative formed by the urban poor to help secure for its members award from the government of titles to the portions of the subject lots which they are presently occupying. It presented the affidavit of a certain Edith C. Mantaring,[50] who attests that the Accibals are still misrepresenting themselves as owners of the subject lots and fraudulently selling portions thereof to unsuspecting buyers.

This Court's Ruling

Ultimately, this Court is called upon to determine which party now has superior title to the subject lots: the Republic, BPC, the intervenors Abesamis, Nicolas-Agbulos, and spouses Santiago, or Servando's heirs?

BPC, the intervenors Abesamis, Nicolas-Agbulos, spouses Santiago, and Servando's heirs derived their title to the subject lots from Servando's TCTs No. 200629 and 200630. This Court then is compelled to look into the validity, authenticity, and existence of these two TCTs.

It is alleged by BPC and Servando's heirs that Servando was issued TCTs No. 200629 and 200630 on 24 July 1974. However, there is an absolute dearth of information and proof as to how Servando acquired ownership and came into possession of the subject lots.

An investigation conducted by the LRA revealed even more irregularities which raised serious doubts as to the validity and authenticity of TCTs No. 200629 and 200630. The LRA Report, dated 10 June 1992, submitted by

Investigator Benjamin A. Flestado (Flestado), found the said certificates of titles spurious after a very detailed and exhaustive analysis of the evidence available.

First, it should be noted that despite letters sent by Investigator Flestado to BPC President Ipo, Servando, and Antonio, requesting copies of documents to support the issuance of TCTs No. 200629 and 200630, they failed to file a reply and furnish him with the documents requested. A certain Atty. Justino Z. Benito (Atty. Benito) appeared before Investigator Flestado claiming to be the counsel for BPC and promising to contact Servando's heirs. Yet, even by the time the LRA Report was finalized on 10 June 1992, Atty. Benito still failed to submit the documents requested. Instead, he wrote letters insisting that TCTs No. 200629 and 200630 be returned to the Quezon City Register of Deeds since these certificates "were detached and transferred to [your LRA central] office for no cogent reason or purpose;" and his client, BPC, "is a transferee in good faith and for value, and its titles unchallenged."

Second, although the 109-D forms on which TCTs No. 200629 and 200630 were printed appeared to be genuine, and determined to have been issued to the Quezon City Register of Deeds on 5 July 1974, the signature therein of the Quezon City Register of Deeds Atty. Nestor N. Peña (Atty. Peña) was forged. No less than Atty. Peña himself refuted that the signatures on TCTs No. 200629 and 200630 were his. In his sworn statement, he noted -

- At a glance, I am definitely sure that the signatures appearing here are not mine. My attention is invited on the loop, on the starting point of the signature. The loop should be sharp on the last portion of my signature. The portion going-up starts from a point and is also sharp because that represents hypen [sic] on letter "n". I notice in these titles my surname is typed as "PENA" and not "PEÑA". If ever there is no 'ñ' in the typewriter, I used to add hypen [sic] over the letter 'n'. Besides, my position here is indicated as Deputy Register of Deeds. I never signed titles as Deputy Register of Deeds, during my time; and if ever a title was presented indicating my position as Deputy Register of Deeds, I would erase the word 'Deputy'. Moreso, the pen used here was a sign-pen. I never used a signpen, as shown in the other 5 titles I identified earlier.

His employment records revealed that Atty. Peña was appointed as the Quezon City Register of Deeds on 27 May 1968, and served as such until his retirement in August of 1980, so that at the time when he supposedly signed TCTs No. 200629 and 200630 on 24 July 1974, he was the Quezon City Register of Deeds, not the Deputy Register of Deeds.

Third, even the then incumbent Quezon City Register of Deeds Samuel Cleofe (RD Cleofe) and Deputy Register of Deeds Edgardo Castro (DRD Castro) believed that TCTs No. 200629 and 200630 were spurious. According to RD Cleofe, the size of the area covered by the TCTs made him highly suspicious of the same. In Quezon City, only a few people own big tracts of land, namely, the Aranetas, Tuazons, etc. Commonly, ordinary individuals own only 300 to 2,000 square meters of land. Both RD Cleofe and DRD Castro identified differences in the signatures and designation of Atty. Peña appearing on the questionable TCTs No. 200629 and 200630 compared to those on five other admittedly authentic TCTs.[51].

Fourth, the National Bureau of Investigation (NBI), upon request of Investigator Flestado, conducted an examination and issued Questioned Documents Report No. 636-991, dated 31 March 1992, wherein it noted significant differences in the handwriting characteristics between the standard/sample signatures of Atty. Peña and those appearing on TCTs No. 200629 and 200630, i.e., in the manner of execution, direction/movement of strokes, and other identifying details. The NBI concluded that "[t]he questioned and the standard/sample signatures of '[N]estor N. Peña' were NOT WRITTEN by one and the same person."

Finally, Investigator Flestado made inquiries with the Land Management Bureau (LMB) regarding the consolidation-subdivision plan Pcs-2480 and plan Psu-32606 of Lots 34 and 40 (the subject lots) as described in TCTs No. 200629 and 200630. LMB Geodetic Surveys Division Chief Privadi J.G. Dalire, in a letter, dated 29

November 1991, informed Investigator Flestado that LMB had no records of Pcs-2480, while the original copy of Psu-32606 is no longer available as it had been badly damaged. Thus, there was no record in the LMB that Lots 34 and 40, Psu-32606, were in fact consolidated and then subdivided into Lots 3, 4, 5, and 6 pursuant to plan Pcs-2480, as mentioned in TCTs No. 200629 and 200630.

To rebut the foregoing findings of LRA Investigator Flestado, BPC presented, in support of the authenticity and validity of TCTs No. 200629 and 200630, the LRA Resolution,[52] dated 4 November 1991, in Consulta No. 1957, and NBI Questioned Documents Report No. 585-891,[53] dated 2 September 1991. A careful study of the said documents does little to support the position of BPC.

The LRA Resolution in Consulta No. 1957 merely allowed the registration of the rescission of a Joint Venture Agreement on TCTs No. 200629 and 200630 despite the initial adverse finding that the said certificates were of doubtful authenticity. It did not make any categorical finding as to the authenticity or validity of the TCTs. In fact, the last paragraph of the said Resolution elucidated that -

This resolution, however, should be understood to be limited to the issue of registrability of the instrument sought to be registered and is without prejudice to any action, if warranted, that may be filed in court assailing the validity or authenticity of the certificate of titles. (Emphasis supplied.)

The NBI Questioned Documents Report No. 585-891 was even in accordance with the finding in the LRA Report that the 109-D forms on which TCTs No. 200629 and 200630 were printed seemed to be genuine. The NBI concluded that the words "109-D" and the serial numbers printed on the forms were not altered. The NBI did a very limited examination of the genuineness of the forms on which TCTs No. 200629 and 200630 were printed, but it did not look into the authenticity of Atty. Peña's signature (which was the subject of NBI Questioned Documents Report No. 636-991, dated 31 March 1992, mentioned in the LRA Report) or the accuracy of the entries made therein.

The LRA Report, dated 10 June 1992, of Investigator Flestado was submitted as evidence before the RTC. It must be emphasized that the LRA Report was extensive and thorough. Its findings are sufficiently supported by independent and reliable proof. The BPC failed to present evidence to refute the same. The LRA Report deserves great weight sufficient to overcome the presumption that TCTs No. 200629 and 200630 were genuine, authentic, and indefeasible.[54]

It having been established that TCTs No. 200629 and 200630 were forged and spurious, their reconstitution was also attended with grave irregularities. Once more, this Court relies on the findings in the LRA Report, dated 10 June 1992, of Investigator Flestado. Quezon City RD Cleofe; the unnamed Chief of the LRA Micrographics and Computer Division; and Records Officer Viterbo Cahilig of the Quezon City Register of Deeds, all confirmed that there were no records of any applications for reconstitution of TCTs No. 200629 and 200630 in the name of Servando. It would seem that an LRA employee, Cartographer Rovil Ruiz (Ruiz), made it appear that there were applications for reconstitution of TCTs No. 200629 and 200630 filed, and which were included in Folder 1614. When Folder 1614 was inspected, TCTs No. 200629 and 200630 were not included in its table of contents; and although the said folder did have 44 missing pages, the missing pages pertain to the supporting documents of other TCTs, and there was no showing that TCTs No. 200629 and 200630 and the applications for reconstitution thereof were among these missing pages. Ruiz undertook by himself the computation of the tie-lines of the subject lots as described in TCTs No. 200629 and 200630, the plotting, and examination of the titles. The LRA Report thus recommended that Ruiz be administratively charged for grave misconduct, it appearing that he was the one who facilitated the administrative reconstitution of TCTs No. 200629 and 200630.

In contrast, the Republic was able to supply Investigator Flestado with the documents supporting the transfer of

the titles to the subject lots from FPHC to the Republic, among which were the TCTs of FPHC, the Deeds of Sale executed by FPHC to the Republic, notice to the real property owners within 300-meter radius from the area, receipts for payment of registration fees, and payment order for the documentary stamp tax on the sales. TCTs No. 275443 and 288417 in the name of the Republic were included in LRA Folder No. 1976-B, together with other certificates of title in the name of the Republic. One of the applications filed by the Republic was docketed as Application for Reconstitution No. 41869. The Chief of the LRA Micrographics and Computer Division confirmed that the applications for reconstitution of TCTs No. 275443 and 288417 by the Republic were recorded in the computerized Administrative Reconstitution System.

BPC was unable to attack the authenticity and validity of the titles of the Republic to the subject lots, and could only interpose the defense that it was a buyer in good faith. Only Servando's heirs, in their Petition for New Trial, attempted to raise doubts as to the titles of the Republic to the subject lots by averring that the transfer thereof from FPHC to the Republic was highly irregular because the latter could have acquired the property by expropriation. Such an averment is totally baseless. Expropriation as the means by which the State can acquire private property is always the remedy of last resort. Expropriation lies only when it is made necessary by the opposition of the owner of the property to the sale or by the lack of any agreement as to the price.[55] There being, in the present case, valid and subsisting contracts between the FPHC, the previous owner, and the Republic, the buyer, for the purchase of the subject lots at an agreed price, there was no reason for the expropriation..

In consideration of all the foregoing findings, it is indubitable that TCTs No. 275443 and 288417 of the Republic covering the subject lots are authentic and valid, while TCTs No. 200629 and 200630 of Servando covering the same property are not.

However, BPC maintains that it was a purchaser in good faith, for value and without any inkling about any flaw from Servando's titles. It points out that it purchased the subject lots from Servando on 8 February 1989 and registered the same on 19 February 1991, way before the titles of Servando were declared null by the RTC on 22 December 1992. BPC relies on this Court's ruling in *Tenio-Obsequio v. Court of Appeals*,[56] to wit -

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. 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.

x x x x

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 reasonable cautious man to make such further inquiry. 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.

x x x x

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. 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.

Now the question is whether BPC qualifies as an innocent purchaser for value which acquired valid titles to the subject lots, despite the fact that the titles of its predecessor-in-interest were found to be forged and spurious.

This Court finds in the negative.

Foremost is the fact that there seem to be two documents by which titles to the subject lots were transferred from the Accibals to BPC: (1) A Deed of Conveyance, dated 8 February 1989, executed by Servando in favor of BPC, transferring to the latter titles to the subject lots in exchange for 51% of its capital stock; and (2) A Deed of Conveyance, dated 10 October 1990, executed by Antonio in favor of BPC, transferring to the latter the very same property in exchange for 2,450 shares in BPC. It should be noted that even prior to these Deeds of Conveyance, Servando already transferred the subject lots by way of a Deed of Absolute Sale, dated 10 June 1988, in favor of his son Antonio, with the concurrence of his other heirs. Thus, by the time Servando executed the Deed of Conveyance over the subject lots in favor of BPC on 8 February 1989, he no longer had any right to the said property, having sold the same to Antonio. It was probably to rectify this mistake that a second Deed of Conveyance was executed by Antonio on 10 October 1990. Comparing all these transfer documents, the LRA Report, dated 10 June 1992, prepared by Investigator Flestado noted that Servando's Tax Account Number (TAN) in the Deed of Conveyance, dated 8 February 1989, which he executed over the subject lots in favor of BPC, was "A2140-M1746-A-1;" while in the Deed of Sale, dated 10 June 1988, which he executed over the subject lots in favor of Antonio, his TAN was "4110-241-R." Moreover, despite being executed a year apart, Servando had the same residence certificate (No. 5901393, issued at Quezon City, on 6 April 1988) appearing in both documents.

Furthermore, BPC cannot really claim that it was a purchaser in good faith which relied upon the face of Servando's titles. It should be recalled that the Quezon City Register of Deeds caught fire on 11 June 1988. Presumably, the original copies of TCTs No. 200629 and 200630 were burnt in the said fire. Servando's heirs sought the administrative reconstitution of TCTs No. 200629 and 200630 only in December 1990. The two Deeds of Conveyance over the subject lots were executed in favor of BPC by Servando and Antonio on 8 February 1989 and 10 October 1990, respectively, both prior to the administrative reconstitution of TCTs No. 200629 and 200630. If BPC bought the subject lots after TCTs No. 200629 and 200630 were destroyed when the Quezon City Register of Deeds burned down, but before the said certificates were reconstituted, then on the face of what titles did BPC rely on before deciding to proceed with the purchase of the subject lots? There was no showing that there were surviving owner's duplicate copies of TCTs No. 200629 and 200630, or even if there were, without the original copies of the said TCTs which were stored in the Quezon City Register of Deeds and purportedly destroyed in the fire, there would have been no way for BPC to have verified the owner's duplicate

copies.

In addition, without the original copies and owner's duplicate copies of TCTs No. 200629 and 200630, BPC had to rely on the reconstituted certificates, issued on 12 December 1990, bearing the following numbers: TCTs No. RT-23687 (for TCT No. 200629) and RT-23688 (for TCT No. 200630). Under section 7 of Republic Act No. 26,[57] "Reconstituted titles shall have the same validity and legal effect as the originals thereof" unless the reconstitution was made extrajudicially.[58] In this case, TCTs No. 200629 and 200630 were reconstituted administratively, hence, extrajudicially. In contrast to the judicial reconstitution of a lost certificate of title which is in rem, the administrative reconstitution is essentially ex-parte and without notice.[59] The reconstituted certificates of title do not share the same indefeasible character of the original certificates of title for the following reason -

x x x The nature of a reconstituted Transfer Certificate Of Title of registered land is similar to that of a second Owner's Duplicate Transfer Certificate Of Title. Both are issued, after the proper proceedings, on the representation of the registered owner that the original of the said TCT or the original of the Owner's Duplicate TCT, respectively, was lost and could not be located or found despite diligent efforts exerted for that purpose. Both, therefore, are subsequent copies of the originals thereof. A cursory examination of these subsequent copies would show that they are not the originals. Anyone dealing with such copies are put on notice of such fact and thus warned to be extra-careful. x x x.[60]

The fact that the TCTs were reconstituted should have alerted BPC and its officers to conduct an inquiry or investigation as might be necessary to acquaint themselves with the defects in the titles of Servando.[61]

What is more, BPC again invokes LRA Resolution, dated 4 November 1991, in Consulta No. 1957, and NBI Questioned Documents Report No. 585-891, dated 2 September 1991 as proof that it did inquire or investigate into the validity and authenticity of Servando's titles. But again, it should be noted that these documents were issued after BPC already acquired the subject lots from Servando and Antonio.

Lastly, there are serious doubts that BPC acquired the subject lots for value. The Republic bought the subject lots from FPHC for the combined price of P12,333,280.00. BPC, on the other hand, supposedly acquired the subject lots from Servando on 8 February 1989 in exchange for 51% of the capital stock of BPC, with a subscription value of P6,000,000.00. In the LRA Report, dated 10 June 1992, Investigator Flestado pointed out that in the Articles of Incorporation, dated 16 January 1989, of BPC, submitted to the Securities and Exchange Commission (SEC) on 20 January 1989, BPC had an authorized capital stock of only P1,000,000.00, which was divided into 10,000 shares, with a par value of P100.00 each; and the amount of capital stock actually subscribed was P250,000.00. Therefore, in 1989, fifty-one percent of the capital stock of BPC would be 5,100 shares, with an aggregate value of only P510,000.00. BPC is not saved by the second Deed of Conveyance, executed more than a year later by Antonio, again transferring to BPC the subject lots in exchange for 2,450 shares in the latter, with the alleged value of P49,000,000.00. Unless BPC is able to present proof that it applied for, and the SEC approved, a substantial increase in its capital stock, then this Court can only assume that its capital stock remained the same as the year before, 2,450 shares in BPC, with a par value of P100.00 each, amount only to P245,000.00. This Court cannot find a plausible explanation for the discrepancy in the value of 2,450 shares of BPC between the P245,000.00 it has hereby computed and the P49,000,000.00 claimed by BPC.

For the above-stated reasons, this Court cannot declare BPC an innocent purchaser for value, and it acquired no better titles to the subject lots than its predecessors-in-interest, Servando and Antonio.

At this point, it would seem that the Republic does hold better titles to the subject lots. Nonetheless, another level of transactions involving the subject lots was brought by intervenors to the attention of this Court.

From the reconstituted TCTs No. RT-23687 (200629) and RT- 23688 (200630) in the name of Servando, BPC derived and was issued by the Quezon City Register of Deeds new certificates, TCTs No. 30829, 30830, 30831 and 30832, in its own name. It was able to secure the necessary licenses and permits from the appropriate government agencies to subdivide, develop, and sell the subject lots as Parthenon Hills. The Parthenon Hills project was openly advertised and marketed, and a substantial portion of the subject lots was already sold by BPC to the public.

Except for the spouses Santiago, BPC recognizes that the intervenors, Nicolas-Agbulos and Abesamis, together with other legitimate homeowners in Parthenon Hills, acquired from BPC titles to their respective subdivided lots in good faith and for value. Even the Republic could not refute that the individuals who acquired lots in Parthenon Hills from BPC were purchasers in good faith and for value. It insists, however, that these buyers could not acquire better titles to the property than its predecessors-in-interest " BPC, Servando, and Antonio " since the spring cannot rise higher than its source. The law must protect and prefer the lawful holder of registered title over the transferee of a vendor bereft of any transmissible rights.[62]

It is true that the general rule is that a forged deed is a nullity and conveys no title.[63] A forged deed may be defined as an instrument which purports to have been executed by the person or persons whose signatures appear thereon, but which, in fact, was not executed, and the signatures thereon had been merely imitated so as to give them the deceptive appearance of genuineness.[64] In the case at bar, it was not any of the deeds of transfer or conveyance of the subject lots which was forged, but TCTs No. 200629 and 200630 themselves. The forged TCTs, nevertheless, just as a forged deed, can make it appear that one had title, right, or interest to the land, when in truth, he had none, to the deprivation of the rightful owner. It has been recognized that while a forged instrument is null and void and of no effect as between the parties, it may nevertheless be the root of a good title; so that the title of a registered owner who has taken it bona fide and for value, is not affected by reason of his claiming through someone, that the registration was void because it had been procured by the presentation of a forged instrument.[65]

The forged TCTs No. 200629 and 200630 were later administratively reconstituted, and although an investigation would show that their reconstitution was also attended with irregularities, TCTs No. RT-23687 (200629) and RT-23688 (200630) appear, on either face, to have been duly approved by the LRA and issued by the Quezon City Register of Deeds. With the cancellation of the reconstituted TCTs and the issuance of new ones, TCTs No. 30829, 30830, 30831, and 30832, in the name of BPC, any trace of forgery or irregularity as to BPC's titles was eliminated. TCTs No. 30829, 30830, 30831, and 30832 were clean, at least, until the annotation therein of the notice of lis pendens of the Republic on 21 October 1992. It is a settled doctrine that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the certificates of title. He is charged with notice only of such burdens and claims as are annotated on the certificates.[66] Herein intervenors, Nicolas-Agbulos and Abesamis, before purchasing subdivision lots in Parthenon Hills, looked into the TCTs of BPC and found nothing on the face thereof to raise doubts or suspicions as to their validity and authenticity. Besides, BPC was the holder of licenses and permits to subdivide, develop, and sell the subject lots as Parthenon Hills, issued by the appropriate government agencies, primarily HLURB.

This is definitely a situation which constitutes an exception to the general rule that estoppel cannot lie against the government. The Republic v. Court of Appeals,[67] provides an illuminating discourse on when such an exception applies, thus -

Is the immunity of the government from laches and estoppel absolute? May it still recover the ownership of lots sold in good faith by a private developer to innocent purchasers for value, notwithstanding its approval of the subdivision plan and its issuance of separate individual certificates of title thereto?

x x x x

The general rule is that the State cannot be put in estoppel by the mistakes or errors of its officials or agents. However, like all general rules, this is also subject to exceptions, viz:

"Estoppels against the public are little favored. They should not be invoked except in rare and unusual circumstances, and may not be invoked where they would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and should be applied only in those special cases where the interests of justice clearly require it. Nevertheless, the government must not be allowed to deal dishonorably or capriciously with its citizens, and must not play an ignoble part or do a shabby thing; and subject to limitations x x x the doctrine of equitable estoppel may be invoked against public authorities as well as against private individuals."

x x x x

Significantly, the other private respondents - Spouses Santos, Spouses Calaguian, Dela Fuente and Madaya - bought such "expanded" lots in good faith, relying on the clean certificates of St. Jude, which had no notice of any flaw in them either. It is only fair and reasonable to apply the equitable principle of estoppel by laches against the government to avoid an injustice to the innocent purchasers for value.

Likewise time-settled is the doctrine that where innocent third persons, relying on the correctness of the certificate of title, acquire rights over the property, courts cannot disregard such rights and order the cancellation of the certificate. Such cancellation would 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 whether the title has been regularly issued or not. This would be contrary to the very purpose of the law, which is to stabilize land titles. Verily, all persons dealing with registered land may safely rely on the correctness of the certificate of title issued therefor, and the law or the courts do not oblige them to go behind the certificate in order to investigate again the true condition of the property. They are only charged with notice of the liens and encumbrances on the property that are noted on the certificate.

When private respondents-purchasers bought their lots from St. Jude, they did not have to go behind the titles thereto to verify their contents or search for hidden defects or inchoate rights that could defeat their rights to said lots. Although they were bound by liens and encumbrances annotated on the titles, private respondents-purchasers could not have had notice of defects that only an inquiry beyond the face of the titles could have satisfied. The rationale for this presumption has been stated thus:

"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 had actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry (*Pascua v. Capuyoc*, 77 SCRA 78). Thus, where innocent third persons relying on the correctness of the certificate thus issued, acquire rights over the property, the court cannot disregard such rights (*Director of Land v. Abache, et al.*, 73 Phil. 606)."

In another case, this Court further said:

"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 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. [Italics supplied.]

Petitioner never presented proof that the private respondents who had bought their lots from St. Jude were buyers in bad faith. Consequently, their claim of good faith prevails. A purchaser good faith and for value is one who buys the property of another without notice that some other person has a right to or an interest in such property; and who pays a full and fair price for the same at the time of such purchase or before he or she has notice of the claims or interest of some other person. Good faith is the honest intention to abstain from taking any unconscientious advantage of another.

It also bears to emphasize that the subject lots covered by TCTs No. 30829, 30830, 30831, and 30832 were already subdivided, and new TCTs were issued in the names of the buyers of each subdivision lot. To order the cancellation of all these derivative titles and the return of the subdivision lots to the Republic shall irrefragably be unjust to the innocent purchasers for value and shall wreak havoc on the Torrens System.

Anyway, the Republic is not without recourse. It can claim damages from BPC, found herein not to be a buyer of the subject lots in good faith. For its loss of portions of the subdivision lots to innocent purchasers from BPC, the Republic may recover from BPC the purchase price it paid to FPHC corresponding to such subdivision lots, with interest at 6% per annum from 26 March 1992 (the date when the Republic instituted its petition for the cancellation of the TCTs of Servando, Antonio, and BPC) until finality of this Decision, and 12% per annum thereafter until fully paid.[68]

Although this Court allowed in the case at bar the intervention of Nicolas-Agbulos and Abesamis, and recognized their title to their respective subdivision lots in Parthenon Hills as purchasers in good faith and for value from BPC, it could not do the same for the spouses Santiago, for the reason that BPC contested their claim that they had acquired titles to the subdivision lots in Parthenon Hills in good faith and for value, and further asserted that the spouses Santiago acquired the said subdivision lots by fraudulent means. The allegations by the spouses Santiago of good faith, on one hand, and by BPC of fraud, on the other, in the acquisition by the spouses Santiago of the subdivision lots in question, are factual matters, best proven and established before the RTC, which could receive evidence in support of each party's position during trial. Should the RTC find that the spouses Santiago have indeed acquired the subdivision lots in good faith and for value, then their titles thereto shall, likewise, be valid and indefeasible even against that of the Republic. However, in a contrary case, should the RTC find that the spouses Santiago acquired the subdivision lots by fraud, then titles thereto return to BPC.

Though estoppel by laches may lie against the Republic when titles to the subdivision lots are already in the names of the respective innocent purchasers for value from BPC, it may not be used by BPC to defeat the titles of the Republic as regards the subdivision lots which remain unsold and the titles to which are still in the name of BPC. It must be recalled that BPC is not a purchaser in good faith. Estoppel, being an equitable principle, may only be invoked by one who comes to court with clean hands.[69]

Pertinent provisions of the New Civil Code concerning builders in bad faith provide that -

ART. 449. He who builds, plants, or sows in bad faith on the land of another, loses what is built, planted or sown without right to indemnity.

ART. 450. The owner of the land on which anything has been built, planted or sown in bad faith may demand the demolition of the work, or that the planting or sowing be removed, in order to replace things in their former condition at the expense of the person who built, planted or sowed; or he may compel the builder or planter to pay the price of the land, and the sower the proper rent.

ART. 451. In cases of the two preceding articles, the landowner is entitled to damages from the builder, planter or sower.

ART. 452. The builder, planter or sower in bad faith is entitled to reimbursement for the necessary expenses of preservation of the land.

Hence, as far as the subdivision lots still in the name of BPC are concerned, the Republic has the option to either (1) recover the said lots and demand that BPC demolish whatever improvements it has made therein, to return the lots to their former condition, at the expense of BPC; or (2) compel BPC to pay the price of the land. The choice can only be made by the Republic, as the rightful owner of the said subject lots. Should the Republic choose the first option, BPC is under the obligation to return the possession of the subdivision lots to the Republic and surrender its corresponding TCTs for cancellation and issuance of new ones in the name of the Republic. Should the Republic select the second option, then BPC shall pay the Republic the purchase price that the latter had paid to FPHC corresponding to such subdivision lots, with interest at 6% per annum from 26 March 1992 until finality of this Decision, and 12% per annum thereafter until fully paid. In either option, the Republic may claim damages from BPC, while BPC cannot seek indemnity from the Republic for any improvements made on the subdivision lots, except if these constitute as necessary expenses for the preservation of the land, for which it shall still be entitled to reimbursement.

As for the Petition for New Trial filed by Servando's heirs, this Court dismisses the same for lack of legal basis. Section 1, Rule 37 of the Rules of Court reads -

SECTION 1. Grounds of and period for filing motion for new trial or reconsideration. - Within the period for taking an appeal, the aggrieved party may move the trial court to set aside the judgment or final order and grant a new trial for one or more of the following causes materially affecting the substantial rights of the said party:

- (a) Fraud, accident, mistake or excusable negligence which ordinary prudence could not have guarded against and by reason of which such aggrieved party has probably been impaired in his rights; or
- (b) Newly discovered evidence, which he could not, with reasonable diligence, have discovered and produced at the trial, and which if presented would probably alter the result.

Servando's heirs themselves admit that the period allowed for the filing of a motion to set aside the judgment and grant a new trial under the afore-quoted provision had already lapsed, but they still pray that this Court give due course to their Petition on the grounds of justice and equity.

In *Malipol v. Lim Tan*,^[70] this Court ruled that -

It is within the sound discretion of the court to set aside an order of default and to permit a defendant to file his answer and to be heard on the merits even after the reglementary period for the filing of the answer has expired, but it is not error, or an abuse of discretion, on the part of the court to refuse to set aside its order of default and to refuse to accept the answer where it finds no justifiable reason for the delay in the filing of the answer. In the motions for reconsideration of an order of default, the moving party has the burden of showing such diligence as would justify his being excused from not filing the answer within the reglementary period as provided by the Rules of Court, otherwise these guidelines for an orderly and expeditious procedure would be rendered meaningless. Unless it is shown clearly that a party has justifiable reason for the delay, the court will not ordinarily exercise its discretion in his favor.

In the present case, the late Servando and Antonio were already declared in default by the RTC on 31 July 1992, after their supposed counsel failed to file an answer to the Republic's petition for cancellation of title. Nothing was heard from Servando's heirs even after the promulgation of the RTC Decision on 22 December 1992, and the Court of Appeals Decision, dated 8 August 1997, until they filed their Petition for New Trial, dated 23 May 2001, before this Court, or nine years from the date they were declared in default.

According to Servando's heirs, due to the extrinsic fraud committed by the President and counsel of BPC, they

were prevented from participating in the proceedings before the trial court. They allegedly relied on the assurance of the President and counsel of BPC that the latter shall also represent them and their interests in the subject lots in the case.

This allegation of fraud by Servando's heirs has no leg to stand on. It should be recalled that the late Servando and Antonio were represented by a counsel at the beginning of the proceedings before the RTC. Their counsel even submitted two consecutive motions for extension of time to file the appropriate pleadings. There was no explanation provided as to why, despite the grant of said motions, the counsel still failed to file an answer to the Republic's petition for cancellation of title. It is also contrary to common human experience that Servando's heirs, by the mere assurance of the President and counsel of BPC, adopted a totally hands-off attitude in a case where they supposedly have substantial interest. There is no showing during the nine years when they were not participating in the court proceedings, that they, at least, inquired into or followed-up on the status of the case with BPC. Such blind trust in the President and counsel of BPC is surely difficult to comprehend, especially if this Court takes into account the contention of Servando's heirs that BPC failed to deliver the shares of stock in exchange for the subject lots. What is apparent to this Court is not the alleged fraud committed by BPC but, rather, the inexcusable negligence of Servando's heirs when it came to protecting their titles, rights, and interests to the subject lots, if indeed, there were still any.

Worth reproducing herein, is the conclusion^[71] made by the Court of Appeals on Servando's titles -

On the strength of the LRA report, Exhibit H (Record, pp. 214-258), the court a quo found TCT Nos. 200629 and 200630, in the name of Servando Accibal and from which the titles of defendant-appellee Barstowe Philippines Corporation were derived, spurious, and ordered the Register of Deeds of Quezon City "to officially and finally cancel (said titles) from his records..." (Par. 2, dispositive portion, Decision, p. 16; Rollo, p. 71). As explained by the court a quo:

"We shall now dwell on the validity of the titles, - TCT Nos. 200629 and 200630, issued in the name of Servando Accibal on July 24, 1974 by the Register of Deeds of Quezon City. The LRA Report dated 10 June 1992 (Exh. H, pp. 214-258, record) is competent proof that indeed said titles must be cancelled. In short, the LRA found after due investigation that the said titles of Servando Accibal were issued with certain irregularities (sic). It recommended the cancellation therefore, of TCT Nos. 200629 and 200630, to which the court concurs, as said report must be accorded due respect and in the absence of fraud or irregularities (sic) that attended the investigation, which the Court finds none, the same must be persuasive, if not conclusive. Moreover, herein defendant Servando Accibal because of his failure to answer, despite extension of time given him, plaintiff's counsel, he was declared as in default since then, he never asked the court to lift and set aside the default order. There is no way, his title may be cancelled. For one thing, he was not able to present evidence to controvert the recommendation of the LRA to cancel his titles. For another, Servando Accibal is deemed to have impliedly admitted the irregularities (sic) that attended the issuance of his aforesaid titles." (Decision, pp. 14-15; Rollo, pp. 69-70)

This portion of the decision ordering the cancellation of TCT Nos. 200629 and 200630 in the name of Servando Accibal was not appealed nor assigned as a counter-assignment of error in the brief of Barstowe Philippines Corporation; hence, is now final.

Thus, the findings of this Court as to the rights of the parties involved in the present case are summarized as follows -

- (1) The certificates of title acquired by Servando over the subject lots were forged and spurious, and such finding made by both the RTC and Court of Appeals is already final and binding on Servando's heirs;
- (2) BPC did not acquire the subject lots in good faith and for value, and its certificates of title cannot defeat those

of the Republic's;

(3) As between BPC and the Republic, the latter has better titles to the subject lots being the purchaser thereof in good faith and for value from FPHC;

(4) However, considering that the subject lots had already been subdivided and the certificates of title had been issued for each subdivision lot, which were derived from the certificates of title of BPC, it is more practical, convenient, and in consonance with the stability of the Torrens System that the certificates of title of BPC and its derivative certificates be maintained, while those of the Republic's be cancelled;

(5) Estoppel lies against the Republic for granting BPC governmental permits and licenses to subdivide, develop, and sell to the public the subject lots as Parthenon Hills. Relying on the face of the certificates of title of BPC and the licenses and permits issued to BPC by government agencies, innocent individuals, including intervenors Nicolas-Agbulos and Abesamis, purchased subdivision lots in good faith and for value;

(6) The claims of the intervenor spouses Santiago that they acquired portions of the subject lots in good faith and for value still need to be proven during trial before the court *a quo*. Unlike the claims of intervenors Nicolas-Agbulos and Abesamis, which BPC admitted, the claims of the spouses Santiago were opposed by BPC on the ground of fraud;

(7) Certificates of title over portions of the subject lots, acquired by purchasers in good faith and for value, from BPC, are valid and indefeasible, even as against the certificates of title of the Republic. The Republic, however, is entitled to recover from BPC the purchase price the Republic paid to FPHC for the said portions, plus appropriate interests; and

(8) As portions of the subject lots are still unsold and their corresponding certificates of title remain in the name of BPC, the Republic may exercise two options: (a) It may recover the said portions and demand that BPC demolish whatever improvements it has made therein, so as to return the said portions to their former condition, at the expense of BPC. In such a case, certificates of title of BPC over the said portions shall be cancelled and new ones issued in the name of the Republic; or (b) It may surrender the said portions to BPC and just compel BPC to reimburse the Republic for the purchase price the Republic paid to FPHC for the said portions, plus appropriate interest.

WHEREFORE, premises considered, the instant Petition is hereby **PARTLY GRANTED**. The Decision, dated 8 August 1997, of the Court of Appeals in CA-G.R. CV No. 47522 is hereby **REVERSED** and **SET ASIDE** and a new one is hereby entered, as follows:

(1) In view of the finding that the Transfer Certificates of Title No. 200629 and 200630 in the name of Servando Accibal are forged and spurious, the Quezon City Register of Deeds is **ORDERED** to officially and finally cancel the same from his records;

(2) In view of the finding that the respondent Republic of the Philippines was a purchaser in good faith of the subject lots from Philippine First Holdings Corporation, but also taking into consideration the functioning and stability of the Torrens System, as well as the superior rights of subsequent purchasers in good faith and for value of portions of the subject lots - subdivided, developed, and sold as Parthenon Hills - from petitioner Barstowe Philippines Corporation -

(a) The Quezon City Register of Deeds is **ORDERED** to cancel Transfer Certificates of Title No. 275443 and 288417 in the name of respondent Republic of the Philippines;

(b) The respondent Republic of the Philippines is **ORDERED** to respect and recognize the certificates of title

to the subject portions of land in the name of purchasers of good faith and for value from petitioner Republic of the Philippines;

(c) Petitioner Barstowe Philippines Corporation is ORDERED to pay respondent Republic of the Philippines for the purchase price the latter paid to First Philippine Holdings Corporation corresponding to the portions of the subject lots which are already covered by certificates of title in the name of purchasers in good faith and for value from petitioner Barstowe Philippines Corporation, plus appropriate interest;

(d) The respondent Republic of the Philippines is ORDERED to choose one of the options available to it as regards the portions of the subject lots which remain unsold and covered by certificates of title in the name of petitioner Barstowe Philippines Corporation, either (i) To recover the said portions and demand that petitioner Barstowe Philippines Corporation demolish whatever improvements it has made therein, so as to return the said portions to their former condition, at the expense of the latter, or (ii) To surrender the said portions to petitioner Barstowe Philippines Corporation and compel the latter to reimburse the respondent Republic of the Philippines for the purchase price it had paid to First Philippine Holdings Corporation for the said portions, plus appropriate interest. Regardless of the option chosen by the respondent Republic of the Philippines, it is ORDERED to reimburse petitioner Barstowe Philippines Corporation for any necessary expenses incurred by the latter for the said portions;

(2) In view of the finding that petitioner Barstowe Philippines Corporation is not a purchaser and builder in good faith, and depending on the option chosen by respondent Republic of the Philippines concerning the portions of the subject lots which remain unsold and covered by certificates of title in the name of petitioner Barstowe Philippines Corporation, as enumerated in paragraph 2(d) hereof ;

(a) In case the respondent Republic of the Philippines chooses the option under paragraph 2(d)(i) hereof, petitioner Barstowe Philippines Corporation is ORDERED to demolish whatever improvements it has made on the said portions, so as to return the same to their former condition, at its own expense. The Quezon City Register of Deeds is also ORDERED to cancel the certificates of title of petitioner Barstowe Philippines Corporation over the said portions and to issue in lieu thereof certificates of title in the name of respondent Republic of the Philippines;

(b) In case the respondent Republic of the Philippines chooses the option under paragraph 2(d)(ii) hereof, petitioner Barstowe Philippines Corporation is ORDERED to reimburse the petitioner Republic of the Philippines for the purchase price it had paid to First Philippine Holdings Corporation for the said portions, plus appropriate interest;

(c) Petitioner Barstowe Philippines Corporation is ORDERED to pay appropriate damages to respondent Republic of the Philippines as may be determined by the trial court;

(3) In view of the finding that intervenors Winnie U. Nicolas-Agbulos and Edgardo Q. Abesamis are purchasers in good faith and for value of portions of the subject lots - subdivided, developed, and sold as Parthenon Hills - from petitioner Barstowe Philippines Corporation, it is DECLARED that their certificates of title are valid and indefeasible as to all parties;

(4) In view of the finding that the Petition for New Trial filed by the heirs of Servando Accibal, namely, Virgilio V. Accibal, Virginia A. Macabudbud, and Antonio V. Accibal, lacks merit, the said Petition is DISMISSED; and

(5) The case is REMANDED to the court of origin for determination of the following -

(a) The validity of the claims, and identification of the purchasers, in good faith and for value, of portions of the subject lots from petitioner Barstowe Philippines Corporation, other than intervenors Winnie U. Nicolas-Agbulos and Edgardo Q. Abesamis, whose titles are to be declared valid and indefeasible;

- (b) The identification of the portions of the subject lots in the possession and names of purchasers in good faith and for value and those which remain with petitioner Barstowe Philippines Corporation;
- (c) The computation of the amount of the purchase price which respondent Republic of the Philippines may recover from petitioner Barstowe Philippines Corporation in consideration of the preceding paragraphs hereof;
- (d) The types and computation of the damages recoverable by the parties; and
- (e) The computation and award of the cross-claim of EL-VI Realty and Development Corporation against petitioner Barstowe Philippines Corporation.

SO ORDERED.

Ynares-Santiago, (Chairperson), J., no part.
Austria-Martinez, Callejo, Sr., and Nachura, JJ., concur.

[1] Rollo, 6-34.

[2] Penned by Associate Justice Eduardo G. Montenegro with Associate Justices Consuelo Ynares-Santiago (now Associate Justice of this Court) and Maximiano C. Asuncion, concurring; id. at 38-51.

[3] Penned by Associate Justice Eduardo G. Montenegro with Associate Justices Consuelo Ynares-Santiago and Jesus M. Elbinias (vice Maximiano C. Asuncion), concurring; id. at 52-53.

[4] Penned by Judge Efren N. Ambrosio; records, 273-288.

[5] Land Registration Authority Report, dated 10 June 1992, prepared by Benjamin A. Flestado; id. at 215-216.

[6] Id. at 218.

[7] See Orders, dated 1 July 1992 and 9 July 1992, penned by Judge Efren N. Ambrosio; id. at 17, 26.

[8] Id. at 53.

[9] Id. at 49-52.

[10] Id. at 52.

[11] Decision in Civil Case No. Q-91-10933, dated 26 January 1992, penned by Acting Presiding Judge Efren N. Ambrosio; id. at 94-95.

[12] Order, dated 8 October 1992; id. at 129-130.

[13] Id. at 141.

[14] Republic of the Philippines; id. at 152-158; Barstowe Philippines Corporation, id. at 163-170; EL-VI Realty and Development Corporation; id. at 143-147.

[15] Id. at 185-186.

[16] Id. at 273-288.

[17] Id. at 307.

[18] Id. at 353.

[19] Id. at 435-437.

[20] Id. at 609-612.

[21] Id. at 617.

[22] Id. at 627.

[23] Id. at 631.

[24] Id. at 628-629.

[25] Id. at 389-390.

[26] Id. at 392-401.

[27] Id. at 608-608A.

[28] Id. at 299.

[29] Id. at 321-324.

[30] Id. at 632-633.

[31] Penned by Associate Justice Fidel P. Purisima with Associate Justices Justo P. Torres, Jr. and Eduardo G. Montenegro, concurring; id. at 634-636.

[32] Id. at 689-700.

[33] Supra note 2.

[34] Supra note 3.

[35] Supra note 1.

[36] Rollo, pp. 90-107.

[37] Id. at 142-146.

[38] Id. at 173-186.

[39] Id. at 369-370.

[40] Id. at 353-355.

[41] Id. at 373-376, 397-399.

[42] Id. at 356.

[43] Dated 18 October 1999; id. at 473-492.

[44] Dated 3 November 1999; id. at 428-437.

[45] Dated 11 November 1999; id. at 440-455.

[46] Dated 19 November 1999; id. at 465-472.

[47] Dated 20 January 2000; id. at 497-512.

[48] Id. at 580-589.

[49] Id. at 687.

- [50] Id. at 689-690.
- [51] Transfer Certificates of Title No. 199013, 200427, 200744, 202028, and 202476.
- [52] Penned by LRA Administrator Teodoro C. Bonifacio; records, pp. 34-40.
- [53] Id. at 41.
- [54] Dolfo v. The Register of Deed of Cavite, 395 Phil. 241, 248-249 (2000).
- [55] Mactan-Cebu International Airport Authority (MCAA) v. Court of Appeals, 399 Phil. 695, 711 (2000); Noble v. City of Manila, 67 Phil. 1, 6 (1938).
- [56] Tenio-Obsequio v. Court of Appeals, G.R. No. 107967, 1 March 1994, 230 SCRA 550, 555-560.
- [57] An Act Providing a Special Procedure for Reconstitution of Torrens Certificate of Title Lost or Destroyed.
- [58] Wright, Jr. v. Lepanto Consolidated Mining Co. and Lednicky, 120 Phil. 495, 499 (1964).
- [59] Gallardo v. Intermediate Appellate Court, G.R. No. L-67742, 29 October 1987, 155 SCRA 248, 260-261.
- [60] Garcia v. Court of Appeals, G.R. No. 96141, 2 October 1991, 202 SCRA 228, 241-242.
- [61] Id.; Republic v. Court of Appeals, G.R. Nos. L-46626-27, 27 December 1979, 94 SCRA 865, 872-873.
- [62] Calalang v. Register of Deeds, G.R. No. 76265, 11 March 1994, 231 SCRA 88, 104.
- [63] Director of Lands v. Addison, 49 Phil. 19, 23 (1926).
- [64] Antonio H. Noblejas and Edilberto H. Noblejas, Registration of Land Titles and Deeds (1992 ed.), 330.
- [65] Id. at 331.
- [66] Sandoval v. Court of Appeals, 329 Phil. 48, 60 (1996).
- [67] 361 Phil. 319, 329-333 (1999).
- [68] Heirs of Ignacia Aguilar-Reyes v. Mijares, G.R. No. 143826, 28 August 2003, 410 SCRA 97, 112; Liu v. Loy, Jr., G.R. No. 145982, 3 July 2003, 405 SCRA 316, 338.
- [69] Pagasa Industrial Corp. v. Court of Appeals, 216 Phil. 533, 535 (1984).
- [70] 154 Phil. 193, 199-200 (1974).
- [71] Supra note 2, 45-46.

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