SEVERINA RODRIGO, SPOUSES ARNALDO SAUZA AND FRANCISCA CARPENTERO, SPOUSES ALEJANDRA SAUZA AND RODOLFO LIMBARING, CAMILO SAUZA, FELIMON SAUZA, JR., JOSE O. FABRIGA AND CRUZ A. LI...

G.R. NO. 139897. June 26, 2006

Ponente: CORONA, J.

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CORONA, J.:

Assailed in this petition for review under Rule 45 of the Rules of Court is the decision[2] of the Court of Appeals dated March 30, 1999 which affirmed in toto the decision of the Regional Trial Court of Ozamis City, Branch 15, dated June 14, 1988.

At the center of this controversy is Lot 434, a parcel of land located in Ozamis City formerly covered by Original Certificate of Title (OCT) No. 428 and registered under the names of Ramon Daomilas and Lucia Nagac, the parents of respondent Sister Lucia Ancilla. Adjoining Lot 434 was land belonging to Vicente Sauza, petitioner Severina Rodrigo's father-in-law and grandfather of petitioners Arnaldo Sauza, Alejandra Sauza, Camilo Sauza and Felimon Sauza, Jr.

On April 20, 1950, Vicente Sauza got respondent's parents to sign a document which he represented to them as a deed "evidencing their status as adjoining landowners" but was actually a document disclaiming their ownership over Lot 434 and transferring the same to him. On the same day, Vicente Sauza executed an affidavit adjudicating to himself full and exclusive ownership of Lot 434.

With the fraudulently obtained deed of transfer and his affidavit of adjudication in hand, Vicente Sauza sought the transfer of title to his name. When the Register of Deeds refused, Vicente Sauza filed with the then Court of First Instance (CFI)[3] a "motion for issuance of a transfer certificate of title" (TCT) over Lot 434.[4] Lucia Nagac[5] filed an opposition[6] vehemently denying the execution of a deed of transfer of Lot 434. She moved for dismissal of the motion and prayed for the surrender of OCT No. 428[7] which Vicente Sauza had borrowed sometime before he tricked the spouses into signing the deed of transfer.

On February 11, 1956, the court denied Vicente Sauza's motion.[8] This notwithstanding, Vicente Sauza refused to return OCT No. 428.

Sometime between 1956 and 1957, Vicente Sauza and his wife died. Their only heir, Felimon Sauza, also died in 1970, leaving as heirs his widow, petitioner Severina Rodrigo, and their children, petitioners Alejandra, Arnaldo, Camilo, and Felimon, Jr.

Meanwhile, petitioner Jose Fabriga took over as Registrar of Deeds of Ozamis City. On January 13, 1971, petitioner Cruz Limbaring, former counsel of Felimon Sauza's heirs,[9] induced Fabriga to cancel OCT No. 428 and issue in its place TCT No. T-3062 in the name of the deceased Vicente Sauza.

On December 14, 1974, petitioner Severina Rodrigo and petitioners Alejandra, Arnaldo, Camilo and Felimon Sauza, Jr. executed an extrajudicial settlement of the estate of Felimon Sauza, including Lot 434. By virtue of said settlement, petitioner Severina Rodrigo and petitioners Alejandra, Arnaldo, Camilo and Felimon Sauza, Jr. sold 270 square meters of Lot 434 (434-A) to petitioner Cruz Limbaring. Over this portion was issued TCT No. T-5426 in the name of Cruz Limbaring. Furthermore, petitioners Alejandra, Arnaldo, Camilo, and Felimon, Jr. renounced their rights over the remaining area of Lot 434 (434-B) in favor of petitioner Severina Rodrigo. TCT No. T-5427 was thereafter issued in the name of Severina Rodrigo.

Unaware of these events, Lucia Nagac was surprised to see, sometime in 1976, laborers constructing a house on a portion of Lot 434. Her inquiries led to a confrontation with petitioner Limbaring who, despite her pleas to stop the construction, only challenged her to go to court.

On July 31, 1979, the heirs of Ramon Daomilas finalized an agreement to adjudicate to respondent Sister Lucia Ancilla ownership of Lot 434 as part of her inheritance.

On one of her visits to her ancestral home, respondent witnessed the construction of petitioner Limbaring's house. After failed efforts to settle the dispute out of court, respondent filed, on December 28, 1979, a complaint for reconveyance of Lot 434 before the CFI of Misamis Occidental.

On June 14, 1988, the trial court rendered a decision, the pertinent portion of which read:

> WHEREFORE, premises considered, JUDGMENT is hereby rendered in favor of plaintiff, and against the defendants:
>
> 1. Ordering the defendants, Severina Rodrigo, Arnaldo Sauza, Alejandra Sauza, Camilo Sauza, Filemon Sauza, Jr. and the heirs of Cruz A. Limbaring to reconvey Lot 434 (Lots 434-A & 434-B) in favor of plaintiff Esperanza Daomilas (nee Sister Lucia Ancilla), which are presently covered by TCT No. T-5427 in the name of Severina Rodrigo and TCT No. T-5426 in the name of Cruz Limbaring by executing the necessary deeds of conveyance;[10]

On appeal, the Court of Appeals affirmed in toto the trial court's decision.[11] Petitioners' motion for reconsideration was denied.[12] Hence, this recourse.

The controversy in this petition revolves around whether or not the action for reconveyance filed by respondent should prosper.

The remedy of a landowner whose property has been wrongfully or erroneously registered in another's name is an action for reconveyance, or an action for damages if the property has passed onto the hands of an innocent purchaser for value. Paragraph 3, Section 53 of PD 1529 provides that in all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of the decree of registration.

To be read in conjunction with the foregoing provision is Article 1456 of the Civil Code which provides that "[i]f the property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes."

In this case, Lot 434 was originally registered in the names of respondent's parents, Ramon Daomilas and Lucia Nagac, under OCT No. 428. The OCT evidencing this ownership, however, was borrowed by Vicente Sauza. In furtherance of his plan to defraud the spouses out of their land, Vicente Sauza, through misrepresentation, tricked the spouses into signing a deed of transfer. Afterwards, he twice attempted to secure a transfer of the certificate of title to his name but in both instances failed.

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However, on January 13, 1971, petitioner Jose Fabriga cancelled OCT No. 428 and precipitately issued TCT No. T-3062 in the name of the late Vicente Sauza.

This issuance of the TCT in favor of the deceased Vicente Sauza was done with grave abuse of discretion and clearly in connivance with petitioner Cruz Limbaring.[13] Tainted as it was with mistake and fraud, the issuance of TCT No. T-3062 was invalid. Consequently, the extrajudicial settlement of the estate of Vicente Sauza transferring his alleged rights over Lot 434 to his heirs had absolutely no force and effect. As successors-in-interest, his heirs merely acquired whatever rights he had over the property. In this case, none.

It goes without saying that the subsequent issuance of TCT Nos. T-5427 and T-5426 in the names of petitioners Severina Rodrigo and Cruz Limbaring, respectively, was likewise null and void. Reconveyance is an action in personam and is always available so long as the property has not passed to an innocent third party for value.[14] Here, both transferees (Severina Rodrigo and Cruz Limbaring) were in bad faith.

Severina Rodrigo, as spouse/widow of Vicente Sauza, could not claim ignorance of the trickery employed on Ramon Daomilas to obtain the OCT and deed of transfer. Nor could she have been ignorant of the acts of Cruz Limbaring, known to be the counsel of her husbandï¿½s heirs.

As for Cruz Limbaring, well-settled is the rule that the question of whether a buyer is in good or bad faith is a factual matter. This Court is not a trier of facts and does not embark on a re-examination of the evidence introduced by the parties during trial.[15] Hence, we give deference to the lower courts'[16] finding that he, as lawyer for the heirs of Felimon Sauza, could only be considered a buyer or possessor in bad faith for having induced petitioner Jose Fabriga to deviously issue TCT No. T-3062 in favor of Vicente Sauza, to the damage and prejudice of the heirs of Ramon Daomilas.[17]

The foregoing circumstances lead to only one conclusion: petitioners are holding Lot 434 merely as trustees under an implied trust for respondent. "An implied trust is one that, without being express, is deducible from the nature of the transaction as a matter of intent or which is superinduced on the transaction by operation of law as a matter of equity, independently of the particular intention of the parties."[18] The law itself creates the obligation of the trustees to convey the property and the title thereof in favor of the true owner.[19]

Lastly, the action for reconveyance has not prescribed. An action for reconveyance based on implied or constructive trust prescribes in 10 years.[20] This period is reckoned from the date of issuance of the transfer certificate of title which operates as constructive notice to the whole world. Here, TCT No. T-3062 in the name of Vicente Sauza was issued on January 13, 1971. Thus, respondent's suit for reconveyance filed on December 28, 1979 was well within the prescribed period. Clearly, prescription did not attach.

WHEREFORE, the petition is hereby DENIED. The decision of the Court of Appeals dated March 30, 1999 is hereby AFFIRMED.

Costs against petitioners.

SO ORDERED.

Puno, (Chairperson), Sandoval-Gutierrez, Azcuna, and Garcia, JJ., concur.

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[1] Sometimes referred to in other pleadings as "Filemon Sauza."

[2] Penned by Associate Justice B.A. Adefuin–de la Cruz and concurred in by Associate Justices Consuelo Ynares-Santiago and Presbitero J. Velasco, Jr. (now both Associate Justices of this Court) of the Eighth Division

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of the Court of Appeals; rollo, pp. 27-45.

[3] CFI of Misamis Occidental. The CFI is now known as the Regional Trial Court (RTC).

[4] Rollo, pp. 60-61.

[5] Ramon Daomilas was already deceased at the time of filing of the opposition.

[6] Rollo, pp. 63-64.

[7] Rollo, p. 69.

[8] Order penned by Judge Patricio C. Ceniza, CFI of Misamis Occidental, 16[th] Judicial District; rollo, p. 72.

[9] Per RTC decision cited in the CA decision; rollo, p. 40.

[10] Rollo, p. 27.

[11] CA decision dated 30 March 1999; rollo, pp. 27-45.

[12] Penned by Associate Justice B.A. Adefuin–de la Cruz and concurred in by Associate Justices Salome Montoya and Presbitero Velasco, Jr. (now Associate Justice of this Court) of the Special Former Eighth Division of the Court of Appeals, dated 10 August 1999; rollo, p. 51.

[13] Per RTC decision as quoted in the CA decision; rollo, p. 40.

[14] Noblejas and Noblejas, REGISTRATION OF LAND TITLES AND DEEDS (REX Bookstore, Manila, Philippines) (1986), 157.

[15] Philippine National Bank v. Heirs of Estanislao Militar and Deogracias Militar, G.R. Nos. 164801 & 165165, 18 August 2005, 467 SCRA 377.

[16] The trial court and the Court of Appeals.

[17] Per RTC decision as quoted in the CA decision; rollo, p. 40.

[18] Bejoc v. Cabreros, G.R. No. 145849, 22 July 2005, 464 SCRA 78.

[19] Vda. de Gualberto v. Go, G.R. No. 139843, 21 July 2005, 463 SCRA 671.

[20] Supra at note 18.

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