

HEIRS OF MAXIMO SANJORJO, NAMELY, VICENTE SANJORJO, MACARIA SANJORJO, DOMINGO SANJORJO, ALFREDO CASTRO, AND SPOUSES SANTOS AND LOLITA INOT, PETITIONERS, VS. HEIRS OF MANUEL Y. Q...

G.R. NO. 140457. January 19, 2005

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Court of the Decision[1] dated February 17, 1999 of the Court of Appeals (CA) in CA-G.R. CV No. 50246 and its Resolution[2] dated October 12, 1999 denying the petitioners' motion for reconsideration.

The Antecedents

On August 29, 1988, Free Patent No. VII-4-2974 was issued to Alan P. Quijano, married to Mila Matutina, over a parcel of land located in Antipolo, Medellin, Cebu, with an area of 14,197 square meters identified as Lot 374, Cadastre 374-D. Based on the said patent, Original Certificate of Title (OCT) No. OP-38221 was issued by the Register of Deeds to and in the name of Alan P. Quijano on September 6, 1988.[3] On November 11, 1988, Free Patent No. VII-4-3088 was issued to and in favor of Gwendolyn Q. Enriquez, married to Eugenio G. Enriquez, over a parcel of land located in Antipolo, Medellin, Cebu, identified as Lot 379, Cadastre 374-D, with an area of 6,640 square meters. Based on the said patent, OCT No. OP-39847 was issued in her favor on February 11, 1989.[4]

In the meantime, Gwendolyn Enriquez filed an application for a free patent over Lot 376 of Cadastre 374-D with the Department of Environment and Natural Resources (DENR). The application was docketed as Free Patent Application (F.P.A.) No. VII-4-3152. She also filed an application for a free patent over Lot 378, docketed as F.P.A. No. VII-4-3152-A. However, the heirs of Guillermo Sanjorjo, namely, Tranquilina, Pablo, Boir, Erlinda, Josefina, Maria, Maximo, Isabel, Jose, Dario, Vicente, Noel, Albina, Ramon, Domingo, Adriano and Celedonia, all surnamed Sanjorjo, filed a protest/complaint with the DENR on May 22, 1991, praying for the cancellation of Free Patent No. VII-4-2974, as well as Free Patent No. VII-4-3088, and for the dismissal of the free patent applications over Lots 376 and 378.[5] The complaint was docketed as PENRO Claim No. PN 072231-4, and was assigned to the Regional Executive Director for hearing and decision.

The protestants/claimants alleged that the said parcels of land were originally owned by Ananias Ursal but were exchanged for a parcel of land located in San Remegio, Cebu, owned by their predecessor, Guillermo Sanjorjo, married to Maria Ursal, and from whom they inherited the property. They prayed that:

WHEREFORE, premises considered and after hearing on the merits, it is most respectfully prayed of this most Honorable Office to render judgment ordering:

1. The cancellation of Free Patent Titles Nos. VII-4-2974 and VII-4-3088 issued to respondents Alan P.

Quijano and Gwendolyn Quijano Enriquez concerning Lot Nos. 374 and 379, respectively.

2. The cancellation of Free Patent Application Nos. VII-4-3152, VII-4-3152-A, and VII-1-18277-I of respondents concerning Lot Nos. 376 and 378.

3. The return of possession and ownership of these lots to the complainants/protestants who are the rightful owners by inheritance.

Protestants further pray for other relief, just and equitable, under the premises.[6]

During the pre-trial conference of August 2, 1991, the protestants/claimants manifested that they were withdrawing their protest/complaint. Thus, on April 14, 1992, the Regional Executive Director rendered a decision[7] giving due course to the applications. However, he ruled that the free patents over Lots 374 and 379 could no longer be disturbed since the complaint for the cancellation was filed more than one year from their issuance. The dispositive portion of the decision reads:

WHEREFORE, it is hereby ordered that the above-entitled administrative case be dismissed and dropped from the records. It is further ordered that the Free Patent Application of applicants-respondents over Lot Nos. 376 and 378 be given due course for being in the actual adverse and continuous possession of the land in controversy. Patent/Titles already issued and entered in the Registry Book in favor of applicants-respondents on Lot Nos. 374 and 379 in 1988 and 1989 need not be disturbed anymore, for failure to show evidence of actual fraud in the procurement of such titles.[8]

On September 13, 1993, Vicente Sanjorjo, the heirs of Maximo Sanjorjo, namely, Macaria Sanjorjo, Domingo Sanjorjo, Alfredo Castro, and the Spouses Santos and Lolita Inot, herein petitioners, filed a complaint for cancellation of titles under tax declarations and reconveyance of possession of real property covering Lots 374, 376, 378 and 379 located in Medellin, Cebu, against the private respondents, the heirs of Manuel Quijano, namely, Rosa Q. Ledesma, Milagros Q. Yuliongsiu, Alan P. Quijano and Gwendolyn P. Enriquez, and Vicente Gulbe. The petitioners did not implead the rest of the heirs of Guillermo Sanjorjo, including his daughter Tranquilina Sanjorjo, as parties-plaintiffs, and alleged, inter alia –

3. That the plaintiffs are the owners of several parcels of land in Antipolo, Medellin, Cebu, which are more particularly described as follows:

(a) Lot No. 374 with an area of 14,179 sq.m. and covered by Tax Declaration No. 00718 in the name of PONCIANO DEMIAR and Tax Declaration No. 01042 in the name of TRANQUILINA SANJORJO;

(b) Lot No. 376 with an area of 6,177 sq.m. and covered by Tax Declaration No. 01038 in the name of MAURO SANJORJO;

(c) Lot No. 378 with an area of 3,201 sq.m. and covered by Tax Declaration No. 01035 in the name of FLORENTINO SANJORJO;

(d) Lot No. 379 with an area of 6,640 sq.m. and covered by Tax Declaration No. 00772 in the name of SANTOS INOT and Tax Declaration No. 01039 in the name of SABINIANO SANJORJO;

The said Tax Declarations are hereto attached and marked as Annexes “A,” “B,” “C,” “D,” “E” and “F,” respectively, and made integral parts of this complaint;

4. That the aforesaid lots originally belonged to the late MAXIMO SANJORJO who died during World War II. His children MAURO, FLORENTINO, SABINIANO, TRANQUILINA and RAYMUNDA, all surnamed SANJORJO, inherited the said properties. They have also passed away and the plaintiffs, who are the children of MAXIMO SANJORJO’s children are now the rightful heirs of the aforementioned parcels of land;

5. That sometime in 1983, the parcels of land in question were leased to MANUEL QUIJANO for a two (2) year period at the rate of P4,500.00 per year. However, the lease was never paid for nor was possession of the said properties ever returned to the plaintiffs, despite repeated demands on QUIJANO to return the same;

6. That MANUEL QUIJANO died in 1987 and the herein defendants, the heirs of MANUEL QUIJANO, divided among themselves the land belonging to the plaintiffs. Titles and Tax Declarations were then issued on the said lots in the name of the defendants, as follows:

(a) Lot No. 374 is now covered by OCT No. OP-38221 in the name of defendant ALAN P. QUIJANO. A copy of the title is hereto attached and marked as Annex “G” and made an integral part of this complaint;

(b) Lot No. 376 is now covered by Tax Declaration No. 10015 in the name of MANUEL Y. QUIJANO married to FLAVIANA P. QUIJANO. A copy of the said tax declaration is hereto attached and marked as Annex “H” and made an integral part of this complaint;

(c) Lot No. 379 is now covered by OCT No. OP-39847 in the name of GWENDOLYN Q. ENRIQUEZ. A copy of the title is hereto attached and marked as Annex “I” and made an integral part of this complaint;

7. That the plaintiffs nor their ascendants have never sold, donated, or mortgaged any of these lots in question to the defendants or their ascendants;

8. That sometime in September 1991, the defendant ALAN QUIJANO charged plaintiff ALFREDO CASTRO with QUALIFIED THEFT for allegedly having stolen the coconuts on the properties in question. Subsequently, the Municipal Court of Medellin acquitted CASTRO on the ground that he was the real owner of the lot. It was only on that time that plaintiffs discovered that defendants had already titled their lots. Furthermore, in 1992, the herein plaintiffs were sued by the defendants for Quieting of Title, which case they subsequently withdrew. This case made the plaintiffs realize that all their properties had already been titled in defendants’ names;

9. That, at present, defendants have leased these lots to a certain VICENTE GULBE, who is named as a defendant in this case. Plaintiffs also demanded from defendant GULBE the return of their possession over these lots but to no avail. The Certification to File Action from the barangay captain of Antipolo, Medellin, Cebu, is hereto attached and marked as Annex “J” and made an integral part of this complaint;

10. That upon their discovery of defendants’ fraudulent acts, plaintiffs demanded the return of their properties but the defendants have failed and refused and continue to fail and refuse to do so.[9]

The petitioners prayed that, after due proceedings, judgment be rendered in their favor:

(a) Ordering the cancellation of OCT Nos. OP-38221 and OP-39847 and Tax Declaration No. 10015;

(b) Ordering the defendants to pay rentals to the plaintiffs in the amount of P4,500.00 per year from 1983 up to the time the properties are returned to the plaintiffs; and

(c) Ordering the defendants to pay the plaintiffs moral damages in the amount of not less than P20,000.00.

Plaintiffs further pray for such other relief and remedies as this Court may deem just and equitable under the premises.[10]

The private respondents filed a motion to dismiss the complaint on the ground of res judicata based on the decision of the Regional Executive Director on April 14, 1992. They maintained that the decision of the Regional Executive Director had become final and executory and, as such, barred the petitioners’ action.

The petitioners opposed the motion. In their reply to such opposition, the private respondents invoked another ground – that the petitioners’ action was barred by the issuance of OCT No. OP-38221 covering Lot 374 on

August 29, 1988, and OCT No. OP-39847 covering Lot 379 on November 11, 1988.

On September 13, 1994, the trial court issued an Order dismissing the complaint on the ground of res judicata. The petitioners appealed the order to the CA.

We note that the petitioners limited the issues to the two titled lots, Lots 374 and 379, arguing that there can be no res judicata in this case because one of its elements, i.e., that the former judgment is a judgment on the merits, was lacking. The petitioners did not assail the trial court's order dismissing the complaint insofar as Lots 376 and 378 are concerned. Moreover, according to the petitioners, the April 14, 1992 Decision of the Regional Executive Director was not a decision on the merits of the complaint, as they had yet to prove their allegation of fraud as regards the said lots.

In its Decision promulgated on February 17, 1999, the appellate court affirmed the assailed order of the trial court, albeit for a different reason, i.e., prescription. Citing Section 32 of Presidential Decree No. 1529,[11] it held that the OCTs issued to the respondents on the basis of their respective free patents became as indefeasible as one which was judicially secured upon the expiration of one year from the date of the issuance of the patent. The CA did not deem it necessary to rule on the issue of res judicata since it dismissed the case on the ground of prescription.[12]

When their motion for reconsideration of the said decision of the CA was denied,[13] the petitioners filed the instant petition for review, contending that:

THE HONORABLE COURT OF APPEALS (THIRD DIVISION) GRAVELY ERRED IN AFFIRMING THE DECISION OF THE REGIONAL TRIAL COURT, BRANCH 13, CEBU CITY, DATED SEPTEMBER 13, 1994.

PETITIONERS BEG THAT THIS PETITION BE GIVEN DUE COURSE IN THE INTEREST OF SUBSTANTIAL JUSTICE, [SINCE] THE DECISION OF THE COURT OF APPEALS, IF NOT CORRECTED, WOULD CAUSE IRREPARABLE INJURY TO THE PREJUDICE OF HEREIN PETITIONERS WHO ARE THE REAL OWNERS OF THE LOTS IN QUESTION.[14]

The petitioners maintain that the appellate court erred in holding that their action in Civil Case No. CEB 14580 was barred by the Decision dated April 14, 1992 of the DENR Regional Executive Director. They contend that the latter decision is not a decision on its merits so as to bar their complaint.

We agree.

The elements of res judicata are the following: (1) the previous judgment has become final; (2) the prior judgment was rendered by a court having jurisdiction over the subject matter and the parties; (3) the first judgment was made on the merits; and (4) there was substantial identity of parties, subject matter and causes of action, as between the prior and subsequent actions.[15]

A judgment on the merits is one rendered after argument and investigation, and when there is determination which party is right, as distinguished from a judgment rendered upon some preliminary or formal or merely technical point, or by default and without trial.[16]

As gleaned from the decision of the DENR Regional Executive Director, he dismissed the petitioners' complaint for the cancellation of Free Patent Nos. VII-4-2974 and VII-4-3088 on the ground that it was filed only on May 22, 1991, more than three years from the issuance of the said patents on August 29, 1988 and November 11, 1988, respectively. In the said decision, the Regional Executive Director declared that after the lapse of one year from the issuance of patent and registry thereof in the Registry Book of the Register of Deeds, Cebu Province, only the

regular courts of justice have jurisdiction on the matter of cancellation of title.[17] The petitioners agreed with the Regional Executive Director and withdrew their complaint, opting to file an appropriate action in court for the nullification of the said patents and titles. Hence, the decision of the Regional Executive Director was not a decision on the merits of the petitioners' complaint.

On the second issue, we agree with the petitioners that their action against the private respondents for the reconveyance of Lots 374 and 379, covered by OCT No. OP-38221 issued on September 6, 1988 and OCT No. OP-39847 issued on February 11, 1989, respectively, was not barred by Section 32 of P.D. No. 1529, which reads:

SEC. 32. Review of decree of registration; Innocent purchaser for value. – The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court for reversing judgments, subject, however, to the right of any person, including the government and the branches thereof, deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper Court of First Instance a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein, whose rights may be prejudiced. Whenever the phrase “innocent purchaser for value” or any equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value.[18]

We agree with the ruling of the CA that the torrens title issued on the basis of the free patents became as indefeasible as one which was judicially secured upon the expiration of one year from date of issuance of the patent.[19] The order or decision of the DENR granting an application for a free patent can be reviewed only within one year thereafter, on the ground of actual fraud via a petition for review in the Regional Trial Court (RTC) provided that no innocent purchaser for value has acquired the property or any interest thereon. However, an aggrieved party may still file an action for reconveyance based on implied or constructive trust, which prescribes in ten years from the date of the issuance of the Certificate of Title over the property provided that the property has not been acquired by an innocent purchaser for value. Thus:

... The basic rule is that after the lapse of one (1) year, a decree of registration is no longer open to review or attack although its issuance is attended with actual fraud. This does not mean, however, that the aggrieved party is without a remedy at law. If the property has not yet passed to an innocent purchaser for value, an action for reconveyance is still available. The decree becomes incontrovertible and can no longer be reviewed after one (1) year from the date of the decree so that the only remedy of the landowner whose property has been wrongfully or erroneously registered in another's name is to bring an ordinary action in court for reconveyance, which is an action in personam and is always available as long as the property has not passed to an innocent third party for value. If the property has passed into the hands of an innocent purchaser for value, the remedy is an action for damages. In this case, the disputed property is still registered in the name of respondent Demetrio Caringal, so that petitioner was correct in availing himself of the procedural remedy of reconveyance.[20]

An action for reconveyance is one that seeks to transfer property, wrongfully registered by another, to its rightful and legal owner.[21] All that must be alleged in the complaint are two (2) facts which, admitting them to be true, would entitle the plaintiff to recover title to the disputed land, namely, (1) that the plaintiff was the owner of the land and, (2) that the defendant had illegally dispossessed him of the same.[22] The body of the pleading or complaint determines the nature of an action, not its title or heading.[23] In their complaint, the petitioners clearly asserted that their predecessors-in-interest have long been the absolute and exclusive owners of the lots in question and that they were fraudulently deprived of ownership thereof when the private respondents obtained free patents and certificates of title in their names.[24] These allegations certainly measure up to the requisite

statement of facts to constitute an action for reconveyance.

Article 1456 of the New Civil Code provides that a person acquiring property through fraud becomes by operation of law a trustee of an implied trust for the benefit of the real owner of the property. The presence of fraud in this case created an implied trust in favor of the petitioners, giving them the right to seek reconveyance of the property from the private respondents. However, because of the trial court's dismissal order adverted to above, the petitioners have been unable to prove their charges of fraud and misrepresentation.

The petitioners' action for reconveyance may not be said to have prescribed, for, basing the present action on implied trust, the prescriptive period is ten years.[25] The questioned titles were obtained on August 29, 1988 and November 11, 1988, in OCT Nos. OP-38221 and OP-39847, respectively. The petitioners commenced their action for reconveyance on September 13, 1993. Since the petitioners' cause of action is based on fraud, deemed to have taken place when the certificates of title were issued,[26] the complaint filed on September 13, 1993 is, therefore, well within the prescriptive period.

IN LIGHT OF ALL THE FOREGOING, the petition is **PARTIALLY GRANTED**. The Decision of the Court of Appeals is **MODIFIED**. Accordingly, the Regional Trial Court of Cebu City, Branch 13, is **DIRECTED** to reinstate the complaint insofar as Lots 374 and 379 are concerned. No costs.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Tinga, and Chico-Nazario, JJ., concur.

[1] Penned by Associate Justice Conchita Carpio Morales (now an Associate Justice of the Supreme Court), with Associate Justices Jinal D. Rasul (retired) and Bernardo P. Abesamis (retired), concurring.

[2] Rollo, p. 47.

[3] Records, p. 11.

[4] Id. at 13.

[5] Id. at 37-40.

[6] Id. at 39-40.

[7] Id. at 42-45.

[8] Id. at 44-45.

[9] Records, pp. 1-3.

[10] Id. at 4.

[11] Sec. 32. Review of decree of registration; Innocent purchaser for value. – The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court reversing judgments, subject, however, to the right of any person, including the government and the branches thereof, deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper Court of First Instance [now Regional Trial Court] a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein, whose rights may be

prejudiced. Whenever the phrase "innocent purchaser for value" or any equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value.

Upon expiration of said period of one year, the decree of registration and the certificate of title issued shall become incontrovertible. Any person aggrieved by such decree of registration, in any case, may pursue his remedy by action for damages against the applicant or any other persons responsible for the fraud.

[12] Rollo, pp. 43-44.

[13] Id. at 47.

[14] Id. at 15-16.

[15] Ybañez v. Court of Appeals, 253 SCRA 540 (1996).

[16] Black's Law Dictionary, 5th ed. (1979), p. 757.

[17] Records, p. 43.

[18] Rollo, pp. 43-44.

[19] De Ocampo v. Arlon, 343 SCRA 716 (2000); Republic v. Court of Appeals, 255 SCRA 335 (1996).

[20] Javier v. Court of Appeals, 231 SCRA 498 (1994).

[21] Alfredo v. Borrás, 404 SCRA 145 (2003).

[22] Heirs of Ambrocio Kionisala v. Heirs of Honorio Dacut, 378 SCRA 206 (2002).

[23] Alfredo v. Borrás, *supra*.

[24] Records, pp. 1-3.

[25] David v. Malay, 318 SCRA 711 (1999).

[26] Gerona v. De Guzman, 11 SCRA 153 (1964).

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