ADORACION ROSALES RUFLOE, ALFREDO RUFLOE AND RODRIGO RUFLOE, PETITIONERS, VS. LEONARDA BURGOS, ANITA BURGOS, ANGELITO BURGOS, AMY BURGOS, ELVIRA DELOS REYES AND JULIAN C. TUBIG,...

G.R. No. 143573. January 30, 2009

Ponente: LEONARDO-DE CASTRO, J.

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LEONARDO-DE CASTRO, J.:

Under consideration is this petition for review under Rule 45 of the Rules of Court seeking the reversal and setting aside of the Decision[1] dated January 17, 2000 of the Court of Appeals (CA) in CA-G.R. CV. No. 49939, and its Resolution[2] dated June 9, 2000, denying petitioners' motion for reconsideration.

The assailed decision reversed and set aside the February 10, 1995 decision[3] of the Regional Trial Court (RTC) at Muntinlupa, Metro Manila, Branch 276,[4] in its Civil Case No. 90-359, an action for Declaration of Nullity of Contract and Cancellation of Transfer Certificate of Titles and Damages, commenced by the petitioners against herein respondents.

The factual antecedents are as follows:

Petitioner Adoracion Rufloe is the wife of Angel Rufloe, now deceased, while co-petitioners Alfredo and Rodrigo are their children. During the marriage of Adoracion and Angel, they acquired a 371-square meter parcel of land located at Barangay Bagbagan, Muntinlupa, and covered by Transfer Certificate of Title (TCT) No. 406851 which is the subject of the present controversy.

Sometime in 1978, respondent Elvira Delos Reyes forged the signatures of Adoracion and Angel in a Deed of Sale dated September 8, 1978 to make it appear that the disputed property was sold to her by the spouses Rufloe. On the basis of the said deed of sale, Delos Reyes succeeded in obtaining a title in her name, TCT No. S-74933.

Thus, in November 1979, the Rufloes filed a complaint for damages against Delos Reyes with the RTC of Pasay City alleging that the Deed of Sale was falsified as the signatures appearing thereon were forged because Angel Rufloe died in 1974, which was four (4) years before the alleged sale in favor of Delos Reyes. The complaint was docketed as Civil Case No. M-7690.[5] They also filed a notice of adverse claim on November 5, 1979.

On December 4, 1984, during the pendency of Civil Case No. M-7690, Delos Reyes sold the subject property to respondent siblings Anita, Angelina, Angelito and Amy (Burgos siblings). A new title, TCT No. 135860, was then issued in their names.

On December 12, 1985, the Burgos siblings, in turn, sold the same property to their aunt, Leonarda Burgos. However, the sale in favor of Leonarda was not registered. Thus, no title was issued in her name. The subject property remained in the name of the Burgos siblings who also continued paying the real estate taxes thereon.

On February 6, 1989, the RTC of Pasay City, Branch 108,[6] rendered its decision in Civil Case No. M-7690

declaring that the Deed of Sale in favor of Delos Reyes was falsified as the signatures of the spouses Rufloe had been forged. The trial court ruled that Delos Reyes did not acquire ownership over the subject property. Said decision had become final and executory.

Such was the state of things when, on February 8, 1990, in the RTC of Muntinlupa, the Rufloes filed their complaint for Declaration of Nullity of Contract and Cancellation of Transfer Certificate of Titles against respondents Leonarda and the Burgos siblings, and Delos Reyes. In their complaint, docketed as Civil Case No. 90-359, the Rufloes basically alleged that inasmuch as the Deed of Sale in favor of Delos Reyes was falsified, no valid title was ever conveyed to the Burgos siblings.[7] The Burgos siblings executed a simulated deed of sale in favor of Leonarda knowing fully well that their title was a nullity.

In their common "Answer," respondents maintained that they bought the property in good faith after they were shown a genuine copy of the title of the disputed property by Delos Reyes. They also insisted that they were innocent purchasers in good faith and for value.[8]

On February 10, 1995, the trial court rendered a decision declaring that Leonarda and the Burgos siblings were not innocent purchasers for value and did not have a better right to the property in question than the true and legal owners, the Rufloes. The trial court also held that the subsequent conveyance of the disputed property to Leonarda by the Burgos siblings was simulated to make it appear that Leonarda was a buyer in good faith. The trial court then directed the Register of Deeds of Makati, Rizal to reinstate the title of the spouses Rufloe, and to cancel all other titles subsequent to the said title particularly TCT No. S-74933 issued to Delos Reyes and TCT No. 135860 issued to the Burgos siblings.[9]

Respondents interposed an appeal to the CA, whereat the appellate recourse was docketed as CA-G.R. CV. No. 49939.

As stated at the threshold hereof, the CA, in its decision dated January 17, 2000, reversed and set aside that of the trial court, declaring in the process that respondents were purchasers in good faith and for value. In so ruling, the CA explained:

> Measured by this yardstick, defendants-appellants [herein respondents] are purchasers in good faith and for value. Amado Burgos bought the subject property (for his children Anita, Angelina, Angelito and Amy) free from any lien or encumbrance or any notice of adverse claim annotated thereto. He was presented with a clean title already in the name of the seller. 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. If we were to void a sale of property covered by a clean and unencumbered torrens title, public confidence in the Torrens System would be eroded and transactions would have to be attended by complicated and inconclusive investigations and uncertain proof of ownership. The consequences would be that land conflicts could proliferate and become more abrasive, if not violent. (Words in bracket ours).[10]

Their motion for reconsideration having been denied by the CA in its equally challenged resolution of June 9, 2000, petitioners are now with us via the present recourse, faulting the CA as follows:

> - THE HONORABLE COURT OF APPEALS DECIDED THIS CASE IN A WAY NOT IN ACCORD WITH THE APPLICABLE DECISIONS OF THE HONORABLE SUPREME COURT.
>
> - THERE ARE SPECIAL AND IMPORTANT REASONS THAT REQUIRE A REVIEW OF THE CA DECISION.
>
> - THE HONORABLE CA ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION WHEN IT COUNTERMANDED THE FINDINGS OF THE REGIONAL TRIAL COURT EVEN ON POINTS AND QUESTIONS OF CREDIBILITY.

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- THE CA JUDGMENT THAT REVERSED THE RTC DECISION IS NOT SUPPORTED BY THE EVIDENCE ON RECORD AND IS CONTRARY TO ESTABLISHED PRECEDENTS LAID DOWN BY THE HONORABLE SUPREME COURT.

- THE CA ERRED IN LAW IN PRACTICALLY HOLDING THAT A DEAD MAN ANGEL RUFLOE (ANGEL NEVER SIGNED) VALIDLY DISPOSED OF HIS PROPERTY (A HOUSE AND LOT COVERED BY A TCT THROUGH A FALSIFIED DEED OF SALE) AFTER HIS DEATH FOUR (4) YEARS BEFORE THE EXECUTION OF THE DEED.

- THE CA ERRED IN LAW IN HOLDING ANITA, ANGELINA, AMY AND ANGELITO BURGOS AND THEIR SUCCESOR-IN-INTEREST (THEIR AUNT) LEONARDA BURGOS ARE BUYERS IN GOOD FAITH.

- THE CA IGNORED THE PLAIN PROVISIONS OF THE CIVIL CODE THAT "IN ALL CONTRACTUAL, PROPERTY OR OTHER RELATIONS, WHEN ONE OF THE PARTIES IS AT A DISADVANTAGE ON ACCOUNT OF HIS MORAL DEPENDENCE, IGNORANCE, INDIGENCE, MENTAL WEAKNESS, TENDER AGE OR OTHER HANDICAP, THE COURT MUST BE VIGILANT FOR HIS PROTECTION."[11]

In a gist, the issues to be resolved are (1) whether the sale of the subject property by Delos Reyes to the Burgos siblings and the subsequent sale by the siblings to Leonarda were valid and binding; and (2) whether respondents were innocent purchasers in good faith and for value despite the forged deed of sale of their transferor Delos Reyes.

The issues necessitate an inquiry into the facts. While, as a rule, factual issues are not within the province of this Court, nonetheless, in light of the conflicting factual findings of the two (2) courts below, an examination of the facts obtaining in this case is in order.

The Rufloes aver that inasmuch as the Deed of Sale purportedly executed by them in favor of Delos Reyes was a forgery, she could not pass any valid right or title to the Burgos siblings and Leonarda. The Rufloes also contend that since the Burgos siblings and Leonarda acquired the subject property with notice that another person has a right to or interest in such property, they cannot be considered innocent purchasers in good faith and for value.

For their part, the Burgos siblings and Leonarda insist that their title is valid and binding. They maintain that under the Torrens System, a person dealing with registered land may safely rely on the correctness on the certificate of title without the need of further inquiry. For this reason, the Court cannot disregard the right of an innocent third person who relies on the correctness of the certificate of title even if the sale is void.

We find merit in the petition.

The issue concerning the validity of the deed of sale between the Rufloes and Delos Reyes had already been resolved with finality in Civil Case No. M-7690 by the RTC of Pasay City which declared that the signatures of the alleged vendors, Angel and Adoracion Rufloe, had been forged.[12] It is undisputed that the forged deed of sale was null and void and conveyed no title. It is a well-settled principle that no one can give what one does not have, nemo dat quod non habet. One can sell only what one owns or is authorized to sell, and the buyer can acquire no more right than what the seller can transfer legally.[13] Due to the forged deed of sale, Delos Reyes acquired no right over the subject property which she could convey to the Burgos siblings. All the transactions subsequent to the falsified sale between the spouses Rufloe and Delos Reyes are likewise void, including the sale made by the Burgos siblings to their aunt, Leonarda.

We now determine whether respondents Burgos siblings and Leonarda Burgos were purchasers in good faith. 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.[14]

An innocent purchaser for value is one who buys the property of another without notice that some other person has a right to or interest in it, and who pays a full and fair price at the time of the purchase or before receiving any notice of another person's claim.[15] The burden of proving the status of a purchaser in good faith and for value lies upon one who asserts that status. This onus probandi cannot be discharged by mere invocation of the ordinary presumption of good faith.[16]

As a general rule, every person dealing with registered land, as in this case, may safely rely on the correctness of the certificate of title issued therefor and will in no way oblige him to go beyond the certificate to determine the condition of the property. However, this rule admits of an unchallenged exception:

> ... a person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further except when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith and, hence, does not merit the protection of the law.[17]

The circumstances surrounding this case point to the absolute lack of good faith on the part of respondents. The evidence shows that the Rufloes caused a notice of adverse claim to be annotated on the title of Delos Reyes as early as November 5, 1979.[18] The annotation of an adverse claim is a measure designed to protect the interest of a person over a piece of real property, and serves as a notice and warning to third parties dealing with said property that someone is claiming an interest on the same or may have a better right than the registered owner thereof. Despite the notice of adverse claim, the Burgos siblings still purchased the property in question.

Too, at the time the Burgos siblings bought the subject property on December 4, 1984, Civil Case No. M-7690,[19] an action for damages, and Criminal Case No. 10914-P,[20] for estafa, filed by the Rufloes against Delos Reyes, were both pending before the RTC of Pasay City. This circumstance should have alerted the Burgos siblings as to the validity of Delos Reyes' title and her authority and legal right to sell the property.

Equally significant is the fact that Delos Reyes was not in possession of the subject property when she sold the same to the Burgos siblings. It was Amado Burgos who bought the property for his children, the Burgos siblings. Amado was not personally acquainted with Delos Reyes prior to the sale because he bought the property through a real estate broker, a certain Jose Anias, and not from Delos Reyes herself. There was no showing that Amado or any of the Burgos siblings exerted any effort to personally verify with the Register of Deeds if Delos Reyes' certificate of title was clean and authentic. They merely relied on the title as shown to them by the real estate broker. An ordinarily prudent man would have inquired into the authenticity of the certificate of title, the property's location and its owners. Although it is a recognized principle that a person dealing with registered land need not go beyond its certificate of title, it is also a firmly established rule that where circumstances exist which would put a purchaser on guard and prompt him to investigate further, such as the presence of occupants/tenants on the property offered for sale, it is expected that the purchaser would inquire first into the nature of possession of the occupants, i.e., whether or not the occupants possess the land in the concept of an owner. Settled is the rule that a buyer of real property that is in the possession of a person other than the seller must be wary and should investigate the rights of those in possession. Otherwise, without such inquiry, the buyer can hardly be regarded as a buyer in good faith.[21]

In the same vein, Leonarda cannot be categorized as a purchaser in good faith. Since it was the Rufloes who

continued to have actual possession of the property, Leonarda should have investigated the nature of their possession.

We cannot ascribe good faith to those who have not shown any diligence in protecting their rights. Respondents had knowledge of facts that should have led them to inquire and investigate in order to acquaint themselves with possible defects in the title of the seller of the property. However, they failed to do so. Thus, Leonarda, as well as the Burgos siblings, cannot take cover under the protection the law accords to purchasers in good faith and for value. They cannot claim valid title to the property.

Moreover, the defense of indefeasibility of a Torrens title does not extend to a transferee who takes it with notice of a flaw in the title of his transferor. To be effective, the inscription in the registry must have been made in good faith. A holder in bad faith of a certificate of title is not entitled to the protection of the law, for the law cannot be used as a shield for fraud.[22]

We quote with approval the following findings of the trial court showing that the sale between the Burgos siblings and Leonarda is simulated:

> - The sale was not registered, a circumstance which is inconceivable in a legitimate transfer. A true vendee would not brook any delay in registering the sale in his favor. Not only because registration is the operative act that effects property covered by the Torrens System, but also because registration and issuance of new title to the transferee, enable this transferee to assume domiciliary and possessory rights over the property. These benefits of ownership shall be denied him if the titles of the property shall remain in the name of vendor. Therefore, it is inconceivable as contrary to behavioral pattern of a true buyer and the empirical knowledge of man to assume that a buyer who invested on the property he bought would be uninvolved and not endeavor to register the property he bought. The nonchalance of Leonarda amply demonstrates the pretended sale to her, and the evident scheme of her brother Amado who invested on the property he bought.
>
> - Despite the sale of property to Leonarda, the sellers continued paying taxes on the property from the time they acquired it from Elvira in 1984 up to the present or a period of ten years. The tax payment receipts remained in the name of Anita and her siblings, (Exhibits "16" to "16-H"). On the other hand, Leonarda does not even pretend to have paid any tax on the land she allegedly bought in 1985. Even the Tax Declaration issued in 1988, three years after the sale to her (Leonarda) is still in the name of her nieces and nephew. These circumstances can only account for the fact that her nieces and nephew remained the owners of the land and continued paying taxes thereon.
>
> - Leonarda never exercised the attributes of ownership. Far from it, she vested the exercise of domiciliary and possessory rights in her brother Amado the father of Anita, Angelina, Angelito and Amy, by constituting him with full power including the ejectment of plaintiffs, to defend and to enter a compromise of any case he may file. She allowed the children of Amado to remain as the registered owners of the property without pressing for its transfer to her.
>
> - And, this simulated sale is the handiwork of Amado who apparently acted advisedly to make it appear that his sister Leonarda as the second transferee of the property is an innocent purchaser for value. Since he or his children could not plausibly assume the stance of a buyer in good faith from the forger Elvira Delos Reyes, knowing of Elvira's defective title, Amado hoped that the entry of his sister Leonarda, might conjure the image and who might pass off as an innocent purchaser, specially considering that the notice of adverse claim of the Plaintiffs which was annotated in Elvira's title was not, strangely enough, NOT carried over in the title of his children, who were made to appear as the sellers to their Aunt Leonarda. It was a neat chicanery of Amado to bring the property out of the reach of Plaintiffs thru a series of transfers involving a third party, to make her appear as an innocent purchaser for value. His sister could be manipulated to evict or oust the real owners from their own property thru a documentary manipulation. Unfortunately, his scheme has not passed unnoticed by a discerning and impartial evaluator, like this court. The Municipal Court of Muntinlupa in Civil Case No. 17446

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> has even established that Amado's children Anita and others are buyers in bad faith who knew of the defective title of their transferor Elvira Delos Reyes, the forger, as aforestated.

These circumstances taken altogether would show that the sale, which occurred between Leonarda and the Burgos siblings, was simply a scheme designed to cleanse the title passed on to them by the forger Delos Reyes. Respondents had to resort to this strategy because they were fully aware that their title, having originated from the forged deed of sale of Delos Reyes, was not a clean and valid title. The trial court explained, thus:

> And, this simulated sale is the handiwork of Amado who apparently acted advisedly to make it appear that his sister Leonarda as the second transferee of the property is an innocent purchaser for value. Since he or his children could not plausibly assume the stamp of a buyer in good faith from the forger Elvira Delos Reyes, knowing Elvira's defective title, Amado had hoped that the entry of his sister Leonarda, might conjure the image and might pass off as an innocent purchaser. xxx. It was a neat chicanery of Amado to bring the property out of the reach of plaintiffs [herein petitioners] thru a series of transfers involving a third party, to make her appear as an innocent purchaser for value. Unfortunately, his scheme has not passed unnoticed by a discerning and impartial evaluator, like this Court.[23] (Words in bracket ours)

Patently, the Burgos siblings were not innocent purchasers for value and the simulated sale to Leonarda did not remove the defect in their title.

Accordingly, we sustain the trial court's award of P20,000.00 as moral damages, P50,000.00 as exemplary damages, and P50,000.00 as attorney's fees.[24]

However, the actual damages in the amount of P134,200.00 should be deleted. In view of this Court's ruling that the property rightfully belongs to petitioners and must be restored to them, there is no more basis for the award of said actual damages to the Rufloes.

WHEREFORE, the petition for review is hereby GRANTED. The assailed decision and resolution of the Court of Appeals in CA-G.R. CV. No. 49939 are REVERSED and SET ASIDE. Accordingly, the decision of the trial court is hereby REVIVED, except the award of actual damages which must be deleted.

SO ORDERED.

Carpio, [**](Acting Chairperson), Austria-Martinez,[***]Corona, and Carpio Morales, JJ., concur.
Puno, J., on official leave.

[**] Acting Chairperson in lieu of Chief Justice Reynato S. Puno as per Special Order No. 552-A.

[***] Additional Members in lieu of Chief Justice Reynato S. Puno and Justice Adolfo S. Azcuna as per Special Order No. 553.

[1] Penned by then Associate Justice Romeo A. Brawner, now Commissioner of the Commission on Elections, with Associate Justice Fermin A. Martin, Jr. (now ret.) and Associate Justice Renato C. Dacudao (now ret.) concurring; rollo, pp.45-50.

[2] Id., at 52.

[3] Id., at 83-90.

[4] Presided by Judge N.C. Perello.

[5] Entitled, "Adoracion Rosales Rufloe, Alfredo Rufloe and Rodrigo Rufloe v. Elvira Delos Reyes, Pedro

Solima, Estrellita Solima, Estollo Calalang and Julian Tubig"; records, pp. 131-134.

[6] Presided by Judge Priscilla C. Mijares; rollo, pp. 72-75.

[7] Records, pp. 1-11.

[8] Id., at 28-33.

[9] Supra note 3.

[10] Rollo, p. 49.

[11] Id., at 11-12.

[12] See note 6.

[13] Consolidated Rural Bank, Inc. v. Court of Appeals, G.R. No. 132161, January 17, 2005, 448 SCRA 347, 363.

[14] Cayana v. Court of Appeals, G.R. No. 125607, March 18, 2004, 426 SCRA 10, 22.

[15] Domingo v. Reed, G.R. No. 157701, December 9, 2005, 477 SCRA 227, 241.

[16] Uy v. Court of Appeals, G.R. No. 109197, June 21, 2001, 359 SCRA 262, 271.

[17] Sandoval v. Court of Appeals, G.R. No. 106657, August 1, 1996, 260 SCRA 283, 295.

[18] Documentary Exhibits of Leonarda Burgos, et al., Exhibit 12, p. 22.

[19] Supra note 5.

[20] Records, pp. 126-130.

[21] Republic v. De Guzman, G.R. No. 105630, February 23, 2000, 326 SCRA 267, 277.

[22] Samonte v. Court of Appeals, G.R. No. 104223, July 12, 2001, 361 SCRA 173, 183.

[23] Rollo, p. 87.

[24] Article 2208 (1), Civil Code of the Philippines.

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