

**SPOUSES LEONARDO P. DIMACULANGAN AND LUZ DIMACULANGAN,
SPOUSES NORBERTO M. VILLALUNA AND MILAGROS VILLALUNA,
ROSAURO K. HERNANDEZ, SPOUSES FLORENTINO C. REYES, JR. AND
LOLITA RE...**

G.R. No. 147029. February 27, 2004

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The present petition for review on certiorari seeks to set aside and nullify the January 31, 2001 decision of the Court of Appeals in CA-GRCV. No. 58048.

The antecedents of the case culled from the records are as follows:

On November 11, 1954, Roman Aquino, owner of a parcel of land located in San Mateo, Norzagaray, Bulacan, containing 75 hectares, 51 ares and 12 centares and registered in his name under Original Certificate of Title No. 6 issued by the Register of Deeds of Meycauayan, Bulacan, together with his wife Valentina Bernardo Aquino executed a Deed of Absolute Sale covering the land in favor of the spouses Juan and Esperanza Fabella (spouses Fabella or the Fabellas) in consideration of P17,500.00. The real agreement of the parties, however, was one of mortgage to secure the payment of a loan extended by the Fabellas in favor of the Aquinos.

By virtue of the Deed of Absolute Sale, Juan Fabella was able to transfer the title of the land to his name, under Transfer Certificate of Title (TCT) No. 15770.

Juan Fabella later sold the land to the siblings Saturnino, Domingo, Raymundo and Rosie D. Liwanag (Liwanag group) in consideration of P40,000.00. TCT No. 15770 was thus cancelled and TCT No. 17592 was in its stead issued in the name of the Liwanag group.

On September 9, 1956, Valentina, on her behalf and in her capacity as administratrix of the estate of her deceased husband Roman Aquino, filed before the then Court of First Instance of Bulacan a complaint against the Fabellas for reformation of the Deed of Absolute Sale to Deed of Mortgage, cancellation of TCT Nos. 15770 and 17592, and damages, which complaint was docketed as Civil Case No. 1376-M. Valentina lost no time in causing the annotation of a Notice of Lis Pendens on the Liwanag group's TCT No. 17592 at the local Registry of Deeds which recorded it as follows:

Entry No. 36645;
Kind: Notice of Lis Pendens;
Executed in favor of: Valentina Bernardo Vda. de Aquino;
Conditions: A complaint has been filed in Court (Civil Case No. 1376, Court of First Instance of Bulacan), affecting the parcel of land herein described and now pending;
Date of the Instrument: Oct. 9, 1956;

Date of Inscription: Oct. 9, 1956 at 9:40 a.m.

xxx[1]

The Liwanag group moved to intervene in Civil Case No. 1376-M which was granted by the trial court on March 4, 1961.

After Valentina rested her case in court, the defendants Fabellas, instead of presenting evidence, filed a Manifestation dated July 17, 1968, the pertinent portion of which reads:

2. x x x x

3. That however, in fairness to the plaintiff, herein defendants confirm plaintiffs testimony to the effect, among others, that the true intention and real agreement between her and herein defendants with respect to the property in litigation has always been one of mortgage to secure the payment of the original consolidated loan of P16,500.00 pesos extended by the defendants ESPERANZA VDA. DE FABELLA to the plaintiff and her deceased husband ROMAN AQUINO, but not a sale of said property to defendant JUAN FABELLA;

4. x x x x

5. That with plaintiffs case already rested and on the basis of the foregoing manifestation and confession of judgment, herein defendants respectfully submit this case for decision. x x x.[2] (Emphasis and underscoring supplied)

The Liwanag group subsequently filed on November 21, 1968 a Manifestation stating that the “confession of judgment [contained in the partly quoted Manifestation of the Fabellas] appears to have been executed under oath by defendants alone and does not show whether the same was prepared and filed with the assistance and/or consent of their counsel as the latter has no signature thereon,” hence, its [Liwanag group] filing of a Manifestation “in order to insure whether the confession of judgment was prepared and filed [by the Fabellas] knowing the full meaning of the same, to afford the intervenor [Liwanag group] opportunity to amend [its] pleadings in accordance therewith; and to determine whether [the Fabellas] may be proceeded against for violation of the provisions of the Revised Penal Code.”[3]

On October 31, 1971, Valentina filed a “Motion to Render Judgment,” which was set for hearing on February 22, 1972 on which latter date, however, the parties failed to appear despite notice, prompting the trial court[4] to dismiss the case.[5]

Both Valentina and the Liwanag group moved to reconsider the dismissal order.

In the meantime or on August 24, 1972, Valentina died.[6]

By Order of August 31, 1972, the trial court reconsidered the February 22, 1972 order dismissing the case.

By Order of October 31, 1972, the trial court, under a new presiding judge,[7] noted that during the hearing of the case on October 26, 1972, “only Camalayan, for the office of K. V. Faylona, appeared and manifested that he was submitting the case for the intervenor without submission of any evidence inasmuch as the defendant Esperanza Vda. de Fabella had confessed judgment as of July 2, 1968 in favor of intervenor Liwanag in the amount of P15,000.00.” The trial court concluded its order by stating that “if no request to submit memorandum is received, within ten days from receipt hereof, the case will be deemed submitted for decision.”

About four years later or on October 18, 1976, the trial court, under a new presiding judge,[8] issued an order calling the parties to an annual conference and setting the same to November 13, 1976. The parties, however, failed to appear at said scheduled conference of November 13, 1976, drawing the trial court to, on even date,

consider them as lacking interest “to proceed with this case.”[9] The trial court thereupon ordered the case dismissed “for failure to prosecute.” Before the court adjourned its session, the counsel of Valentina arrived and verbally moved to reconsider the order of dismissal. The trial court thereafter issued the following order:

After the case was ordered dismissed for failure of the parties and their counsels to appear and before the Court adjourned its session, Atty. Arsenio L. Cabrera came in to move for a reconsideration of the order of dismissal. Considering this has been pending for twenty (20) years and the Court is now busy trying other cases, the Court believes that the movant should better be given ten (10) days from today to submit his written motion for reconsideration stating therein the history of the case and the reason why the order of dismissal should be set aside. A copy of such motion should be furnished the defendants who shall have five (5) days from receipt of a copy thereof to reply thereto, if they so desire and thereafter, the motion for reconsideration shall be submitted for resolution.[10] (Emphasis supplied)

It appears, however, that no written motion for reconsideration was ever filed by Valentina’s counsel.

In the meantime, the Liwanag group offered to sell the property to herein petitioners spouses Leonardo and Luz Dimaculangan, et al. Upon noting the notice of lis pendens annotated on the Liwanag group’s TCT No. 17592, petitioners imposed the condition that such annotation must first be cancelled before they consider the offer.[11]

Lawyer-real estate broker Florentino Reyes, Jr., one of herein petitioners, thereafter helped [12] the Liwanag group secure a certification[13] dated January 27, 1977, issued by one “Spl. Deputy Clerk” Serafin R. Santos, who appears to have been a court interpreter of the Court of First Instance of Bulacan, Branch I, reading:

This is to certify that the Order issued by this Court on November 13, 1976 [dismissing] Civil Case No. 1376-M, entitled VALENTINA BERNARDO DE AQUINO, Versus ESPERANZA VDA. DE FABELLA. et al., SATURNINO LIWANAG, et al., Intervenors, is already final and executory.

Issued upon request of Rosie D. Liwanag of 1167 Antipolo cor. J.A. Santos, Tondo, Manila for all legal intents and purposes. (Emphasis and underscoring supplied)

On the basis of the above-mentioned certification, the following entry was annotated on TCT No. T-17592:

Entry No. 3629 (M). Kind: Order of the Court of First Instance of Bulacan, Branch I, dismissing Civil Case No. 1376-M, VALENTINA BERNARDO DE AQUINO versus ESPERANZA VDA. DE FABELLA, Defendants, for failure to prosecute, which Order has become final and executory as per Certificate of the Deputy Clerk of Court dated January 27, 1977, copies of which are on file with this Office. Date of Instrument: November 13, 1976; Date of Inscription: January 27, 1977 at 10:40 a.m.[14]

On June 1, 1978, the Registry of Deeds of Meycauayan, Bulacan issued the following certification:[15]

This is to certify that according to the records available in this Office, the original of Transfer Certificate of Title No. T-17592 (T-2942 (m), Bulacan Registry, (Meycauayan Branch), is complete and intact; and that there are no liens and/or encumbrance appearing at the time of the issuance of this certificate.

Issued at the request of Mr. Domingo Liwanag, of Tondo Manila, who paid the certification fee of P3.00 under O.R. No. 0923146, issued on June 1, 1978. (Emphasis and underscoring supplied)

On August 10, 1978, the Liwanag group executed a Deed of Absolute Sale[16] covering the land in favor of petitioners.

TCT No. T-17592 was thus cancelled on August 11, 1978 and TCT No. T-1702-P was in its stead issued in the name of petitioners.[17]

On February 16, 1983, the Aquino children (respondents-heirs of Valentina) filed a motion to set aside the order

of dismissal issued on November 13, 1976 (for failure of the parties to appear for the annual conference) at Branch 8 of the now Regional Trial Court where the case was eventually lodged, anchored on the following grounds:

x x x

7. That, the apparent reason as to why Atty. Arsenio M. Cabrera, counsel for plaintiff Valentina B. Vda. de Aquino, was not so able to file his promised Motion to Set Aside Order of Dismissal, was that plaintiff had already died as evidenced by her Certificate of Death, certifying that she died on AUGUST 24, 1972, EXHIBIT "A" of Motion for Substitution of plaintiff, and for which reasons, she was unable to appear anymore on November 13, 1976 when so called for conference by then Honorable Fidel L. Purisima, on which date the above-entitled case was ordered dismissed for failure to prosecute;

8. That, plaintiffs now most respectfully submit that the then plaintiff Valentina B. de Aquino had already prosecuted her case, duly submitted and closed her case and it was then for the defendants and intervenors to present their evidence, which by reason of technicalities of the law and dilatory tactics resorted to by said defendants and intervenors, the above-entitled case had up to the present remained pending;

9. That, it is further respectfully submitted that Sec. 6 of Rule 22 of the Rules of Court refers to annual conference on pending cases, and with due respect to this Honorable Court, the said conference is a matter of an administrative ways and means in order to justifiable termination of all cases pending before courts of justice and does not become a ground for dismissal of any case on the basis of parties' and counsels' non-appearance in said conference. x x x"[18] (Emphasis and underscoring supplied)

The motion was denied by Order of June 7, 1983.

Respondents-heirs of Valentina filed a Motion for Reconsideration of said June 7, 1983 Order which was, by Order of August 26, 1986, by again a new presiding judge,[19] granted on the ground that respondents-heirs of Valentina did not fail to prosecute the case.[20] Said the trial court:

First for reconsideration is the issue of whether the dismissal done in open court by then Judge Purisima has ever become final. Nowhere in the record does it show that the motion for its reconsideration interposed immediately after the dismissal has been resolved. It is true that counsel for the plaintiffs failed to file within the extended time the formal motion as required by then Judge Purisima in his order, but after a scrutinizing second look at the circumstances, the court now believes that such failure should not be held to have resulted in the cancellation or withdrawal of the standing verbal motion. A careful perusal of said order reveals that it was not meant to disregard the oral motion but to afford the then presiding judge, who was still unfamiliar with the progress of the case, the opportunity to be better apprised of its history and development. Proof enough that the judge needed a briefing is the fact that he dismissed the case "for failure to prosecute" when the voluminous record shows that there had already been several incidents, and in fact, trial, particularly the presentation of evidence by the plaintiff, and the confession of judgment by the defendant, had taken place before he became a judge of this court. In fact, the record reveals that the plaintiff has submitted an unusual bulk of documentary evidence consisting of thirty-nine (39) exhibits ("A" to "Z" to "AA-1").[21] (Emphasis and underscoring supplied)

On the merits of respondents-heirs of Valentina's Motion for Reconsideration of the November 13, 1976 Order of dismissal, the trial court held:

And now to the merits of the oft-repeated verbal motion for reconsideration. With respect to the question of whether it is in order for the substituting plaintiffs to suffer dismissal of their case by the mere tardiness of their counsel at the conference set on November 13, 1976, it should be emphasized that this conference was called under Section 6 of Rule 22 of the Rules of Court, which reads:

Sec. 6. Annual Conference on pending cases. —At the end of one year from the day the trial proper has

commenced, and every year thereafter, if the trial has not been terminated, the judge shall call the parties and their counsel to a conference to devise ways and means of terminating the trial. A statement of the result of the conference, signed by the judge and counsel, shall be attached to the record, showing the reason why the trial has not terminated, number and names of witnesses yet to be presented by the parties; any facts stipulated during the conference; the efforts exerted to settle the case and similar matters. Copy of the statement shall be furnished the Supreme Court and the Secretary of Justice within ten (10) days after such conference.[22]

The trial court thus disposed:

Premises considered,

- 1) The order of June 7, 1983 denying the motion to set aside is hereby reconsidered in the sense that the order dated November 13, 1976 is deemed not to have become final;
- 2) The said order of dismissal of November 13, 1976 is hereby reconsidered, since factually, the plaintiffs did not fail to prosecute; and
- 3) The parties are hereby enjoined to move in the premises within fifteen days from receipt hereof for whatever further proceedings that may now follow in accordance with the rules [23]

On October 4, 1988, the trial court, under still another judge,[24] finding that the contract between the Aquinos and the Fabellas was one of equitable mortgage, rendered judgment in favor of respondents-heirs of Valentina, the dispositive portion of which reads:

WHEREFORE, the Court hereby renders judgment as follows:

- 1) Declaring the Contract of Deed of Sale dated November 11, 1954, executed by the spouses Roman Aquino and Valentina Bernardo in favor of Juan Fabella over the property covered by Original Certificate of Title No. 6, Registry of Deeds of Bulacan, as an equitable mortgage;
- 2) Ordering the Register of Deeds of Malolos, Bulacan, to annul and cancel Transfer Certificate of Title No. 15770 in the name of Juan Fabella, and Transfer Certificate of Title No. 17592 in the names of Saturnino D. Liwanag, Domingo D. Liwanag, Raymundo D. Liwanag, and Rosie D. Liwanag, over the property subject matter of this case, and to issue the corresponding title thereon in the names of Spouses Roman Aquino and Valentina Bernardo;
- 3) Ordering the spouses Roman Aquino and Valentina Bernardo to pay the amount of P40,000.00 to the intervenors as reimbursement of the purchase price of the land subject thereof, with legal interest of 12% per annum from October 1956 until paid, the amount of P12,000.00 as moral and exemplary damages, and P15,000.00 as attorney's fees, plus expenses of litigation.[25] (Emphasis and underscoring supplied)

There appears to have been no appeal taken from the above-said judgment.

Respondents-heirs of Valentina, alleging that when their counsel sought to execute the judgment, he discovered that the Liwanag group had sold the land to petitioners, filed on August 14, 1992 before the RTC of Bulacan a complaint,[26] docketed as Civil Case No. 534-M-92, for revocation and annulment of title and reconveyance, against petitioners and the Liwanag group, they alleging that they (said respondents-heirs of Valentina) have been in open, continuous possession and occupation of the land, and that the defendants were in bad faith.

In their Answer with compulsory counterclaim,[27] petitioners denied that respondents-heirs of Valentina have been in open, continuous possession and occupation of the land, they contending that they were the ones who exercised ownership thereover after they bought it (on August 10, 1978) and have been paying real estate taxes thereon; and that they are innocent purchasers for value of the land because at the time of the purchase, there were no liens and/or encumbrances annotated on the title.

Replying,[28] respondents-heirs of Valentina denied the allegations of petitioners, they contending that payment of real estate taxes does not accord petitioners better right to the land; that petitioners were not in good faith and purchasers for value considering that the land has been under litigation for more than 30 years; and that the January 27, 1977 certification issued by the “Spl. Deputy Clerk” that the November 13, 1976 dismissal order of the trial court had become final and executory should have necessarily put petitioners on guard and prompted them to determine the actual status of the land.

Claiming *res judicata*, the Liwanag group filed a motion to dismiss[29] the case, inviting attention to a portion of the decision rendered in Civil Case No. 1376-M reading:

X X X X

The resolution of this Court to decide this case is not based merely on the desire to give the parties their just due and put an end to a protracted litigation. Rather, it finds support under the assumption that the confession of judgment made by the defendant and concurred in by the plaintiffs and the intervenors with their corresponding rights and obligations is in the form of a compromise agreement.

X X X X

Defendants (Esperanza Vda. de Fabella, et al.) admit the claim of plaintiffs that the contested document was in fact a mortgage and not a sale, and his liability to the intervenors (Saturnino D. Liwanag, et al.). Plaintiffs, in exchange for having the title of the property reverted to them, will assume the liabilities of defendants to intervenors and also waived their claim for damages. On reimbursement of the purchase price, damages and attorney’s fees without presenting evidences, but will return the title to the plaintiffs. Although no direct confrontation or meeting was held among the parties, it is evident and apparent that there is an agreement to settle the dispute in court. A confession of judgment which is intended to put an end to a litigation is in the nature of a compromise. (Republic vs. Gacuy, L-21416, Dec. 31, 1965). CONTRACT OR AGREEMENT, THEREFORE, IS PRESUMED TO HAVE BEEN ENTERED INTO. (Underlining in the original)[30]

In respondents-heirs of Valentina’s opposition[31] to the Liwanag group’s motion to dismiss, they contended that there was no identity of cause of action between Civil Case No. 1376-M and Civil Case No. 534-M-92 as the former involved a reformation of contract while the latter involved the cancellation of title of petitioners due to fraud and bad faith; and that the Liwanag group should not be given the “courtesy” of a liberal interpretation of the Rules since they are the ones to be blamed for this second action as they, in bad faith, sold the land.

Petitioners also filed their own motion to dismiss,[32] alleging that they are innocent purchasers for value, it having sufficed that a certificate of title on its face is free from all liens and encumbrances, valid and on file with the Register of Deeds at the time of purchase; and that they had been paying the real property taxes thereon under color of a valid title for more than ten (10) years and, therefore, they are deemed to have acquired the land by ordinary prescription, hence the complaint in Civil Case No. 534-M-92 had long prescribed under Article 1134 of the Civil Code.

Respondents-heirs of Valentina later filed a motion for admission[33] of, to which was attached, their amended complaint,[34] alleging that, *inter alia.*, the certification issued by the “Spl. Deputy Clerk” was illegal and improper and had no legal force and effect as he is not a lawyer and no entry of such order appeared in the judgment book; that both petitioners and the Liwanag group concocted the strategy of procuring said certification for they fully knew that at the time of the issuance of the dismissal order, the case was already submitted for decision and there was a pending verbal motion for reconsideration of the same order; and that at the time of purchase by petitioners, the land was still under litigation and the sale should, therefore, have borne the approval of the trial court.

The Amended Complaint was admitted.

Answering the Amended Complaint,[35] petitioners raised prescription and invoked Section 48 of Presidential Decree No. 1529 (PD1529) which provides that a certificate of title shall not be subject to collateral attack and cannot be altered, modified or cancelled except in a direct proceeding in accordance with law.

As defined in the trial court's Pre-trial Order, the following issues were raised:[36]

1. Whether or not the Order of the Court dismissing Civil Case No. 1376-[M] for failure to prosecute, dated November 13, 1976, was ever entered in the Judgment Book pursuant to Sec. 9 of Rule 136 of the Rules of Court;
2. Whether or not the certification issued by [Spl. Deputy Clerk] Serafin Santos that the Order of Dismissal of Civil Case No. 1376-[M] had become final and executory was valid;
3. Whether or not the plaintiffs have been in open, adverse, continuous possession and occupation in the concept of owners of the property subject matter of the instant case since the time of Roman Aquino up to the present;
4. Whether or not the defendants Dimaculangans, et al., are buyers in good faith and for value;
5. Whether or not moral and exemplary damages as well as attorney's fees may be awarded to the prevailing party. (Underscoring supplied)

Finding petitioners to be buyers in good faith and for value, and the cause of action for damages against the Liwanag group to have prescribed, the trial court, by Decision[37] of June 25, 1996, dismissed the complaint "including the counterclaims of both sets of defendants for damages and attorney's fees which are considered as mere natural consequences of a legitimate litigation not tainted with malice."

On respondents-heirs of Valentina's motion for reconsideration, the trial court,[38] holding that "it is more in accord with justice and equity to rule x x x [that] the action taken by respondents [-heirs of Valentina] against the Liwanag group has not yet prescribed,"[39] partially reconsidered its decision by Order of August 20, 1997.

In partially reconsidering its decision, the trial court held:

As the Court has found and still finds clear from the evidence presented, it was the group of the sellers, the defendant Liwanags, who defrauded the plaintiffs and apparently misled defendant Dimaculangans. et al., as their innocent buyers, into believing that the case against them by plaintiffs had indeed been already terminated for good, as attested to by the certification of the finality of the dismissal order. The truth, however, and these defendant Dimaculangans knew about it all along, is that they had no right to sell the property to anyone, because the court then trying plaintiffs' complaint against them had already declared that plaintiffs had a better right to the property in question.[40]

The trial court accordingly disposed as follows:

WHEREFORE, conformably with all the foregoing, the Decision of the Court dated June 25, 1996, is hereby partially reconsidered and modified with the judgment ordering defendants Saturnino D. Liwanag, Domingo D. Liwanag, Raymundo D. Liwanag, Rosie D Liwanag. and/or their respective lawful heirs in case of death, to pay, jointly and severally, the herein plaintiffs the amount of P5,000,000.00 as damages[,] including actual, moral, exemplary, and attorney's fees.

The dismissal of the case against defendant Dimaculangans, et al.. including the counterclaims, remains, still without pronouncement as to costs.[41] (Underscoring supplied)

Respondents-heirs of Valentina and the Liwanag group appealed to the Court of Appeals.

During the pendency of the appeal or on February 15, 2000, the Court of Appeals approved the sale of the rights and interests of respondents-heirs of Valentina to Royal Moluccan Realty Holdings, Inc. and granted the motion for substitution of parties.

By its challenged decision,[42] the Court of Appeals, finding petitioners not to be innocent purchasers for value, modified that of the trial court, disposing as follows:

WHEREFORE, premises considered, the Decision dated June 25, 1996 as modified by the Order dated August 20, 1997 is further MODIFIED. Transfer Certificate of Title No. T-1702 -P(M) issued in the names of Sps. Leonardo and Luz Dimaculangan, Sps. Norberto and Milagros Villaluna, Rosauro Hernandez and Sps. Florentino and Lolita Reyes, Jr.. is hereby declared NULL and VOID, and the Register of Deeds of Bulacan is ORDERED to issue a new Transfer Certificate of Title to Royal Moluccan Realty Holdings, Inc.. The award of P5,000,000.00 as damages and attorney's fees being excessive is likewise reduced to P50,000.00. Costs against the LIWANAG GROUP.

Hence, the present petition by petitioners Dimaculangan et al. raising the following issues:

A. WHETHER OR NOT THE COURT OF APPEALS RADICALLY DEPARTED FROM JURISPRUDENCE IN HOLDING THAT PETITIONERS ARE INNOCENT PURCHASERS FOR VALUE OF THE SUBJECT PROPERTY[;]

B. WHETHER OR NOT THE COURT OF APPEALS ACTED CONTRARY TO LAW AND JURISPRUDENCE IN REJECTING THE PETITIONERS' ARGUMENT OF PRESCRIPTION AND LACHES[; and]

C. WHETHER OR NOT THE COURT OF APPEALS ACTED CONTRARY TO LAW, JURISPRUDENCE AND DEVIATED FROM ACCEPTED STANDARDS IN APPLYING THE DOCTRINE OF CONCLUSIVENESS OF JUDGMENT TO PETITIONERS DESPITE THEIR BEING INNOCENT PURCHASERS FOR VALUE.

In holding that petitioners were not innocent purchasers for value, the Court of Appeals rationalized:

In the case at bar, it is undisputed that defendant-appellee Florentino C. Reyes, Jr., one of the co-owners of the lot subject of this case, the others being Spouses Leonardo P. Dimaculangan x x x , was the lawyer and broker in the negotiations for the purchase of the lot from appellees LIWANAG GROUP. As broker and agent of the LIWANAG GROUP and as lawyer, consultant and broker of Leonardo Dimaculangan, et al., it cannot be doubted that Atty. Reyes was very much aware of Civil Case No. 1376-M involving the same land subject of the negotiations between the LIWANAG GROUP and the DIMACULANGAN GROUP, to wit:

x x x

From the foregoing admissions of Florentino C. Reyes, Jr., it can be inferred that he went over the records of Civil Case No. 1376-M. Presumably, he read and went over the major pleadings of the parties, the orders in said Civil case No. 1376-M and the transcripts and minutes of the proceedings. And, assuming that Atty. Reyes did not go over the case records of Civil Case No. 1376-M by reason of the November 13, 1976 Order of Dismissal, such failure or refusal to verify the actual status of the case when such knowledge of the dismissal order should put him to possible defects of the title of the LIWANAGs will not make him and the rest of the DIMACULANGAN GROUP innocent purchasers in good faith if afterwards it turns out that such title is actually defective. The purchasers, DIMACULANGAN GROUP, by the carry over of the notice of lis pendens from TCT No. 15770 registered in the name of Juan Fabella and Esperanza to the title of LIWANAGs should have been put on guard of the legality and validity of the title of the LIWANAGs since the case dates back to the title of the predecessors-in-interest of the LIWANAGs and therefore, the title of the LIWANAGs were issued even during the pendency of Civil Case No. 1376-M.

Moreover, as lawyer and as broker of the proposed seller and the proposed buyer, Atty. Reyes should have conducted a thorough research and investigation of the title and rights of LIWANAG. More so that the order of dismissal was made under Rule 22 which is not a judgment on the merits. Well-established is the rule that a purchaser who has knowledge of the facts should put him into inquiry and investigation as to possible defects of the title of the vendor and fails to make such inquiry and investigation cannot claim that he is purchaser in good faith. Knowledge of prior transfer of registered property by a subsequent purchaser makes him a purchaser in bad faith and his knowledge of such transfer vitiates his title acquired by virtue of the later instrument of conveyance which was registered in the Registry of Property.[43] (Citations omitted)

Petitioners contend that there is nothing in the testimony of Atty. Reyes, or any other witness, to support the conclusion of the Court of Appeals that Atty. Reyes acted as counsel for the petitioners and/or for the Liwanag group in the negotiations for the purchase of the land, for while he testified that he was the only lawyer in the group, it does not follow that he acted as lawyer in the consummation of the sale.

Petitioners also claim that no bad faith can be imputed to Atty. Reyes in proceeding with the sale as he was armed with the dismissal order of Civil Case No. 1376-M and the certification of finality thereof issued by the “Spl. Deputy Clerk.”

Invoking the ruling in *Maneclang v. Baun*,^[44] petitioners contend that it was not incumbent upon them to go beyond the order of dismissal, otherwise, as *Maneclang* held, no order of any court can be relied upon by the parties.

In *Centeno v. Court of Appeals*,^[45] this Court ruled:

Well settled is the rule that all persons dealing with property covered by Torrens certificate of title are not required to go beyond what appears on the face of the title. When there is nothing on the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance therein, the purchaser is not required to explore further than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. (Underscoring supplied)

In the present case, although at the time of purchase by petitioners, the notice of lis pendens annotated on the Liwanag groups title was already cancelled by a subsequent annotation, they were put ‘on notice of a litigation involving the land as the title of the Liwanag group bore the said annotations as in fact they even imposed as a condition before purchasing the property the cancellation thereof.

Even if petitioners were issued the certification, they should have been put on guard as to the possibility of the existence of any defect or flaw therein since it did not mention that the judgment was entered in the book of entries of judgments as required by the Rules of Court,^[46] knowledge or awareness of which by petitioner Atty. Reyes, a member of the legal profession, was expected. As held in *Egao v. Court of Appeals*:^[47]

Where a purchaser neglects to make the necessary inquiries and closes his eyes to facts which should put a reasonable man on his guard as to the possibility of the existence of a defect in his vendor’s title, and relying on the belief that there was no defect in the title of the vendor, purchases the property without making any further investigation, he cannot claim that he is a purchaser in good faith for value.

In ruling out prescription of respondents-heirs of Valentina’s cause of action, the Court of Appeals declared:

As discussed earlier, the date of registration of the title to the names of the DIMACULANGAN GROUP on August 11, 1978 cannot be the date when the ten (10) year prescription should be reckoned because on that date, Civil Case No. 1376-M was still pending as per the Ligot-Telan Order. Moreover, it was only on October 4, 1989 when Civil Case No. 1376-M was finally decided by Judge Valentin Cruz in their favor and that the instant suit was filed on August 14, 1992 or only three (3) years since then. Therefore, in view of such fact, the

present case has not yet prescribed in the same manner that the principle of laches cannot also be applied, for it was only when they tried to execute the final judgment in Civil Case No. 1376-M that they discovered that the property was already sold to the DIMACULANGAN GROUP.

The provision therefore that an action for reconveyance of real property resulting from fraud prescribes in four (4) years from the discovery of fraud or that an action based on implied constructive trust prescribes in ten (10) years cannot be applied in the case at bar based on attendant circumstances above stated.[48] (Underscoring supplied)

Petitioners submit that the above ruling is contrary to Section 52 of PD 1529 which reads:

SECTION 52. Constructive notice upon registration. - Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering,

Petitioners argue that if the action for reconveyance is based on fraud, it prescribes in four (4) years from discovery thereof, and if it is based on the existence of a constructive trust, it prescribes in ten (10) years from the date of its creation. In both cases, petitioners continue, discovery of fraud and the creation of the trust are deemed to have taken place at the time of registration, they citing *Buenaventura v. Court of Appeals* [49] and *Millena v. Court of Appeals*. [50] They conclude that as the instant case was filed by respondents-heirs of Valentina on August 14, 1992 or fourteen (14) years after the title of petitioners were registered, the action had already prescribed.

Petitioners' thesis does not persuade.

With the annotation of *lis pendens* on the spouses Fabellas' title, which annotation was subsequently carried over to the title issued to the Liwanag group, respondents-heirs of Valentina were assured that their rights would be protected regardless of how many times ownership of the land is transferred since the annotation would always be carried over to subsequent titles.

As Civil Case No. 1376-M was terminated only in 1988, respondents-heirs of Valentina had the right to believe that it was only at such time that the notice of *lis pendens* would be cancelled and any transfer of the subject property before 1988 would always be subject to the notice of *lis pendens*.

Since the cancellation of the Fabellas' title while the litigation remained pending did not cancel the notice of *lis pendens* as it was carried over to the subsequent titles of the Liwanag group, to consider the prescriptive period to have run from the registration of petitioners' title would result to manifest injustice to respondents-heirs of Valentina. It bears emphasis that the rules on prescription and constructive notice are intended to prevent, not cause, injustice.

The Liwanag group's submission in its Comment to the petition at bar that it cannot be considered guilty of fraud in the absence of supporting evidence; and that the trial court's dismissal order in Civil Case No. 1376-M, together with the certification as to its finality and the records of the Register of Deeds, led them to entertain the honest belief that it was already free to sell the land, does not lie. For it knew that its predecessors, the spouses Fabella, were not the owners of the land as they were just mortgagees.

WHEREFORE, the petition is hereby DENIED.

SO ORDERED.

Vitug, (Chairman), Sandoval-Gutierrez, and Corona, JJ., concur.

[1] Records at 439.

[2] Id. at 7-8.

[3] Court of Appeals (CA) Rollo at 118.

[4] Presided by Judge Muñoz, CA Rollo at 118.

[5] Rollo at 10-11, 46.

[6] On January 24, 1988, Valentina's children moved that they substitute their deceased mother, which motion was granted. They were later to sell their rights and interests to Royal Moluccan Realty Holdings, Inc. which substituted them as party respondent as reflected in the title of the case.

[7] Judge Floreliana Castro-Bartolome.

[8] Judge Fidel P. Purisima.

[9] Records at 383.

[10] Id. at 384.

[11] Transcript of Stenographic Notes (TSN), February 14, 1995 at 20-21.

[12] Id. at 38, 59-62.

[13] Records at 448.

[14] Id. at 440.

[15] Id. at 443.

[16] Id. at 444-447.

[17] Id. at 465-466.

[18] Id. at 405.

[19] Judge Elsie Ligot-Telan.

[20] Records at 409.

[21] Id. at 416-417.

[22] Id. at 417.

[23] Id. at 409-410.

[24] Judge Valentin R. Cruz.

[25] Records at 11.

[26] Id. at 1.

[27] Id. at 34.

[28] Id. at 60.

[29] Id. at 83.

[30] Id. at 193-194.

[31] Id. at 95.

[32] Id. at 99.

[33] Id. at 107.

[34] Id. at 109.

[35] Id. at 159.

[36] Id. at 314.

[37] Id. at 497.

[38] Judge Crisanto C. Concepcion.

[39] Records at 773.

[40] Ibid.

[41] Id. at 773-774.

[42] Rollo at 89.

[43] Id. at 112-115.

[44] 208 SCRA 179 (1992).

[45] 139 SCRA 545 (1985).

[46] Rule 51 of the old Rules of Court (now Sec. 2, Rule 36 of the 1997 Revised Rules of Court).

[47] 174 SCRA 484 (1989).

[48] Rollo at 110.

[49] 216 SCRA 818 (1992).

[50] 324 SCRA 126(2000).

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