

SPOUSES EDUARDO ARENAS DOMINGO & JOSEFINA CHAVEZ DOMINGO, PETITIONERS, VS. LILIA MONTINOLA ROCES, CESAR ROBERTO M. ROCES, ANA INES MAGDALENA ROCES TOLENTINO, LUIS MIGUEL M. ROCE...

G.R. No. 147468. April 09, 2003

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This is a petition for review on certiorari of the decision of the Court of Appeals dated November 22, 2000 in CA-G.R. CV No. 62473,[1] as well as the resolution dated March 15, 2001, denying petitioners' Motion for Reconsideration.[2]

The facts are not in dispute.

The spouses Cesar and Lilia Roces were the owners of two contiguous parcels of land located on Arayat Street, Mandaluyong, covered by Transfer Certificates of Title Nos. 57217 and 57218.[3] On November 13, 1962, the Government Service Insurance System (GSIS) caused the annotation of an affidavit of adverse claim on the titles alleging that the spouses have mortgaged the same to it.[4]

Subsequently, GSIS wrote a letter to Cesar Roces demanding the surrender of the owner's duplicates of titles. When Roces failed to comply, GSIS filed a petition with the then Court of First Instance of Rizal, docketed as Civil Case No. R-1359, praying that the owner's duplicates in Roces' possession be declared null and void and that the Register of Deeds of Pasig be directed to issue new owner's duplicates to GSIS.[5] On September 5, 1977, the Court of First Instance issued an order granting the petition.[6] The order became final and executory, and TCT Nos. 57217 (11663) and 57218 (11664) were issued in the name of GSIS.[7]

Cesar Roces died intestate on January 26, 1980.[8] He was survived by his widow, Lilia Roces, and their children: Cesar Roberto Roces, Ana Ines Magdalena Roces Tolentino, Luis Miguel M. Roces, Jose Antonio Roces and Maria Vida Presentacion Roces, all of whom are the respondents in this case.

On July 22, 1992, Reynaldo L. Montinola, a nephew of Lilia Roces, executed an affidavit of self-adjudication over the Arayat properties. He alleged that the properties were owned by the spouses Cesar and Lilia Roces, both of whom died intestate, on September 13, 1987 and June 27, 1989, respectively; that the properties were acquired during the existence of their marriage; that the spouses left no heirs except the brother of Lilia Roces, who was his father; that neither of the spouses left any will nor any debts; and that he was the sole heir of the Roces spouses.[9]

On January 5, 1993, Montinola filed a petition against GSIS with the Regional Trial Court of Pasig, docketed as Civil Case No. R-4743, praying for the cancellation of TCT Nos. 57217 (11663) and 57218 (11664).[10] During the trial, GSIS failed to produce any document evidencing the alleged real estate mortgage by Roces of the properties. Hence, the trial court rendered judgment in favor of Montinola, declaring the owner's duplicates of

TCT No. 57217 (11663) and 57218 (11664) as null and void and ordering the Registry of Deeds of Mandaluyong to issue new owner's duplicates of the said titles.[11]

GSIS did not appeal the aforesaid judgment; thus, the same became final and executory. Accordingly, the Registry of Deeds of Mandaluyong issued TCT No. 7299 in the name of Montinola in lieu of TCT No. 57218 (11664).[12]

Sometime in July 1993, Montinola executed a deed of absolute sale of the property covered by TCT No. 7299 in favor of petitioner spouses Eduardo and Josefina Domingo.[13] Thereafter, TCT No. 7673 was issued in the names of petitioners.

Both TCT Nos. 7299 and 7673 contained the following annotation:

Subject to the provision of Section 4, Rule 74 of the Rules of Court with respect to the inheritance left by the deceased SPS. CESAR ROCES & LILIA MONTINOLA.[14]

When respondents learned of the sale of the property to petitioners, they filed a complaint against Montinola and petitioners with the Regional Trial Court of Pasig. They argued that the affidavit of self-adjudication was fraudulent because Montinola was not an heir of the Roces spouses and it was not true that Lilia Roces was dead. Therefore, the affidavit of self-adjudication, as well as the deed of absolute sale, TCT No. 7299, and TCT No. 7673, all covering the subject property, were null and void.[15]

In their answer, petitioners alleged that they were buyers in good faith and that their action was barred by estoppel and laches.[16]

After trial, the court a quo rendered judgment in favor of respondents, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs against the defendant Reynaldo L. Montinola who is hereby ordered to pay to the plaintiffs the following sums:

- a) P1,200,000.00 as actual damages, with interest thereon at the legal rate of six (6) per centum per annum until fully paid;
- b) Moral damages in the sum of P100,000.00;
- c) Exemplary damages in the sum of P50,000.00;
- d) Attorney's fees in the reasonable amount of P30,000.00; and costs.

The counterclaim of defendant spouses Eduardo and Josefina Domingo is dismissed and the complaint against the Register of Deeds is likewise dismissed without costs.

SO ORDERED.[17]

Respondents appealed to the Court of Appeals, reiterating the reliefs prayed for in their complaint below.[18] On November 22, 2000, the Court of Appeals rendered the assailed Decision, the decretal portion of which reads:

IN THE LIGHT OF ALL THE FOREGOING, the appeal is GRANTED. The Decision of the Court a quo appealed from is SET ASIDE AND REVERSED. Another Decision is hereby rendered in favor of the Appellants as follows:

- The "Affidavit of Self-Adjudication" (Exhibit "G"), Transfer Certificate of Title No. 7299 (Exhibits "N" and "22", Domingo), the "Deed of Absolute Sale" (Exhibit "20") and Transfer Certificate of Title No. 7673 (Exhibit "21") are hereby declared null and void.
- Transfer Certificate of Title No. 57218 (11664), under the names of Cesar P. Roces and Lilia Montinola, is

hereby reinstated.

- The Appellees are hereby ordered to pay, jointly and severally, to the Appellants the amount of P50,000.00 as and by way of attorney's fees.

- Appellants' claims for actual, moral and exemplary damages are dismissed.

- The Appellee Reynaldo Montinola is hereby ordered to pay to the Appellees Spouses Domingo the amount of P1,800,000.00, with interest thereon at the rate of 12% per annum from the date of the Decision of this Court until the said amount is paid in full by the said Appellee, the other cross-claims of the Appellees, inter se, are dismissed.

SO ORDERED.[19]

Petitioners filed a Motion for Reconsideration,[20] which was denied in a Resolution dated March 15, 2000.[21] Hence this petition, raising the following errors:

- THE COURT OF APPEALS ERRED IN HOLDING THAT THE ANNOTATION IN THE TITLE REGARDING SEC. 4, RULE 74 IS AN ENCUMBRANCE WHICH DISQUALIFIES PETITIONERS FROM BEING INNOCENT PURCHASERS FOR VALUE;

- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT IT WAS RESPONDENTS WHO MADE IT POSSIBLE FOR REYNALDO MONTINOLA TO PERPETUATE THE FRAUD AND, THEREFORE, THEY SHOULD BE THE ONE TO BEAR RESULTING DAMAGE;

- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT RESPONDENTS HAVE NO EXISTING INTEREST IN THE PROPERTY SINCE IT WAS PREVIOUSLY MORTGAGED AND FORECLOSED BY THE G.S.I.S.; AND

- THE COURT OF APPEALS ERRED IN HOLDING PETITIONERS LIABLE TO RESPONDENTS FOR ATTORNEY'S FEES, THEREBY ADDING MORE INJURY TO THEIR MISFORTUNE.[22]

The petition lacks merit.

It is true that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the title. He is charged with notice only of such burdens and claims as are annotated on the title. However, this principle does not apply 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. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith.[23]

As stated above, the titles, namely, TCT Nos. 7299 and 7673, contained annotations which made reference to the provisions of Rule 74, Section 4 of the Rules of Court, viz:

SEC. 4. Liability of distributees and estate. — If it shall appear at any time within two (2) years after the settlement and distribution of an estate in accordance with the provisions of either of the first two sections of this rule, that an heir or other person has been unduly deprived of his lawful participation in the estate, such heir or such other person may compel the settlement of the estate in the courts in the manner hereinafter provided for the purpose of satisfying such lawful participation. And if within the same time of two (2) years, it shall appear that there are debts outstanding against the estate which have not been paid, or that an heir or other person has been unduly deprived of his lawful participation payable in money, the court having jurisdiction of the estate may, by order for that purpose, after hearing, settle the amount of such debts or lawful participation and order how much and in what manner each distributee shall contribute in the payment thereof,

and may issue execution, if circumstances require, against the bond provided in the preceding section or against the real estate belonging to the deceased, or both. Such bond and such real estate shall remain charged with a liability to creditors, heirs, or other persons for the full period of two (2) years after such distribution, notwithstanding any transfers of real estate that may have been made.[24]

The foregoing rule clearly covers transfers of real property to any person, as long as the deprived heir or creditor vindicates his rights within two years from the date of the settlement and distribution of estate. Contrary to petitioners' contention, the effects of this provision are not limited to the heirs or original distributees of the estate properties, but shall affect any transferee of the properties.

In *David v. Malay*,[25] it was held that the buyer of real property the title of which contain an annotation pursuant to Rule 74, Section 4 of the Rules of Court cannot be considered innocent purchasers for value. In the same vein, the annotation at the back of TCT No. 7299 in this case referring to Rule 74, Section 4 of the Rules of Court was sufficient notice to petitioners of the limitation on Montinola's right to dispose of the property. The presence of an irregularity which excites or arouses suspicion should prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face thereof.[26] Purchasers of registered land are bound by the annotations found at the back of the certificate of title.[27] Hence, petitioners cannot be considered buyers in good faith and cannot now avoid the consequences brought about by the application of Rule 74, Section 4 of the Rules of Court.

Petitioner's claim that respondents were guilty of laches and estoppel is likewise untenable. Laches is the failure or neglect, for an unreasonable and unexplained length of time, to do that which, by exercising due diligence, could or should have been done earlier. The essential elements of laches are: (1) conduct on the part of defendant or one under whom he claims, giving rise to the situation complained of; (2) delay in asserting complainant's right after he had knowledge of the defendant's conduct and after he has an opportunity to sue; (3) lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his suit; and (4) injury or prejudice to the defendant in the event relief is accorded to the complainant.[28]

On the other hand, estoppel by laches arises from the negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned it or declined to assert it.[29]

In the case at bar, only four months elapsed from the time respondents discovered Montinola's fraudulent acts, sometime in May 1993, to the time they filed their complaint on September 6, 1993. This relatively short span of time can hardly be called unreasonable, especially considering that respondents used this period of time to investigate the transfers of the property.[30] Delay is an indispensable requisite for a finding of estoppel by laches, but to be barred from bringing suit on grounds of estoppel and laches, the delay must be lengthy and unreasonable.[31] No unreasonable delay can be attributed to respondents in this case.

WHEREFORE, in view of the foregoing, the instant petition for review is DENIED. The decision and resolution of the Court of Appeals in CA-G.R. No. CV No. 62473 are AFFIRMED in toto.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Vitug, Carpio, and Azcuna, JJ., concur.

[1] CA Rollo, pp. 228-229.

[2] *Id.*, p. 254.

- [3] Exhibits “7-M” and “7-N.”
- [4] Exhibit “7-0.”
- [5] Exhibit “7-C.”
- [6] Exhibit “7-Y.”
- [7] Exhibit “10” (Domingo) and “11” (Domingo).
- [8] Exhibit “B.”
- [9] Exhibit “G.”
- [10] Exhibit “17.”
- [11] Exhibit “18.”
- [12] Exhibit “N,” “22” (Domingo).
- [13] Exhibit “21” (Domingo).
- [14] Exhibits “N-4” & “O-4”.
- [15] CA Rollo, pp. 211-212.
- [16] *Id.*, p. 212.
- [17] Records, pp. 545-546; penned by Judge Ramon R. Buenaventura.
- [18] *Id.*, p. 247.
- [19] CA Rollo, pp. 228-229 (emphasis in the original). Penned by Associate Justice Romeo J. Callejo, Sr. (now a member of this Court); concurred in by Associate Justices Mercedes Gozo-Dadole and Juan Q. Enriquez, Jr.
- [20] *Id.*, p. 230.
- [21] *Id.*, p. 254.
- [22] Rollo, p. 20.
- [23] *Sandoval v. Court of Appeals*, 329 Phil. 48 (1996); citations omitted.
- [24] Rules of Court, Rule 74, Sec. 4 (*italics ours*).
- [25] G.R. No. 132644, 19 November 1999.
- [26] *Id.*, citing *Pino v. Court of Appeals*, G.R. No. 94114, 19 June 1991, 198 SCRA 434 and *Centeno v. CA*, G.R. No. 40105, 11 November 1985, 139 SCRA 545, citing *Anderson v. Garcia*, 64 Phil. 506 (1937) and *Fule v. Legare*, 117 Phil. 367 (1963).
- [27] *Vazquez v. Court of Appeals*, G.R. No. 83759, 12 July 1991, 199 SCRA 102, citing *Bel Air Village Association, Inc. v. Dionisio*, G.R. No. 38354, 30 June 1989, 174 SCRA 589, citing *Tanchoco v. Aquino*, G.R. No. 30670, 15 September 1987, 154 SCRA 1 and *Constantino v. Espiritu*, 150-A Phil. 953 (1972).
- [28] *Philippine Bank of Communications v. Court of Appeals*, G.R. No. 109803, 20 April 1998, 289 SCRA 178.
- [29] *Philippine National Construction Corporation v. National Labor Relations Commission*, 366 Phil. 678 (1999), citing *Tijam v. Sibonghanoy*, 131 Phil. 556 (1968) and *Medija v. Patcho*, 210 Phil. 509 (1983).

[30] Rollo, p. 85.

[31] Pio Barreto Realty Development Corporation v. Court of Appeals, G.R. No. 132362, 28 June 2001, 360 SCRA 127, citing R. Agpalo, Trademark Law & Practice in the Philippines, (1990), 32, citing La Insular V. Jao Oge, 47 Phil. 75 (1924); La Insular v. Yu So, 45 Phil. 398 (1923).

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