

**CATALINA VDA. DE RETUERTO AS SURVIVING WIDOW OF THE LATE PANFILO RETUERTO; LORETO RETUERTO, REPRESENTED BY HIS SURVIVING HEIRS NAMELY: ROMEO RETUERTO; ANTONIA RETUERTO, NARCISA ...**

*G.R. No. 148180. December 19, 2001*

Ponente: KAPUNAN, J.

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**KAPUNAN, J.:**

This is a petition for review on certiorari of the decision of the Court of Appeals, dated December 29, 2000 in CA-GR CV No. 59975, affirming the decision of the Regional Trial Court, Branch 55, of Mandaue City in a case for quieting of title with damages filed by herein respondents Angelo and Melinda Barz against petitioners, as surviving heirs of the late Panfilo Retuerto. The RTC's decision declared respondents as the absolute owners of the lot subject of the litigation.

The facts as found by the Court of Appeals and admitted by herein petitioners are as follows:

During the period from September to October, 1911, a survey was made of a parcel of land, located in Mandaue, Cebu, identified as "Lot No. 896" of Plan No. II-5121, a part of the "Hacienda de Mandaue" occupied by the Spouses Esteban Perez and Lorenza Sanchez. The survey was amended during the period from November, 1926 to March 21, 1927, identified as Amendment No. 2, Ap-6243, with an area of 20,486 square meters, bearing the following boundaries:

"Northwest -

Lots 1251 and 1252 (Remigio Judilla and Manuel Judilla);

Southeast - Lot 894 (Gregorio Perez);

Southwest - Lot 895;

Northwest - Lots 897 and 898 (Juan Perez)"

When the Spouses Esteban Perez and Lorenza Sanchez died intestate, their rights over the property were inherited by their daughter, Juana Perez, married to Numeriano Barz, who then declared the property, for taxation purposes, under her name, under Tax Declaration No. 21969, but with an area of only 13,160 square meters, more or less, bounded on the north, by a piece of land, under the name of Pampila (sic) Retuerto, as follows:

North -

Pampila Retuerto

South - Vidal Judilla and Catalina Ceniza

East - Paula Perez

West - Felipe Berdijo

On April 16, 1929, Juana Perez, widow of Numeriano Barz, executed a deed confirming her execution of a "Deed of Absolute Sale," in favor of Panfilo Retuerto, married to Catalina Ceniza, over a parcel of land, located in Barrio Pagsabungan, Mandaue, Cebu, identified as Lot No. 896-A, a portion of the "Hacienda de Mandaue," Cebu, with an approximate area of 2,505 square meters, described as follows:

On the North - Remegio Judilla, measuring 29.72 sq.m.

On the East - Paula Perez, measuring 85.35 sq.m.

On the South- Juana Perez, measuring 29.72 sq.m.

On the West - Teofista Perez, measuring 84.32 sq.m.

However, on April 26, 1935, Panfilo Retuerto purchased the aforementioned parcel of land, this time, from the Archbishop of Cebu, under a "Deed of Absolute Sale," for the price of P150.00 (Exhibit "4") and declared the same for taxation purposes under Tax Declaration No. 34652, effective 1937 (Exhibit "2").

In the meantime, the San Carlos Seminary in Cebu filed a Petition with the then Juzgado de Primera Instancia in Cebu (now the Regional Trial Court) entitled and docketed "El Seminario de San Carlos de Cebu," Solicitante, Expediente No. 3, G.L.R.O. Record 4030 for the issuance of titles over several parcels of land in "Hacienda de Mandaue," including Lot No. 896-A, earlier purchased by Panfilo Retuerto from Juana Perez and from the Archbishop of Cebu. In August, 1937, the Court promulgated a Decision finding and declaring Panfilo Retuerto the owner of the said lot (Exhibit "9"). On July 22, 1940, the Court issued an Order directing the General del Registro de Terrenos (later the Land Registration Commission) for the issuance of the appropriate Decree in favor of Panfilo Retuerto over the said parcel of land. However, no such Decree was issued as directed by the Court because, by December 8, 1941, the Second World War ensued in the Pacific. However, Panfilo Retuerto failed to secure the appropriate decree after the war.

Two (2) decades elapsed. In the meantime, Juana Perez Barz died intestate and was survived by her son, Pedro Barz, who filed an application, with the then Court of First Instance of Cebu, sometime in 1966, for the confirmation of his title over Lot 896 of Plan No. II-5121, entitled and docketed as "IN THE MATTER OF THE REGISTRATION OF TITLE, Pedro Barz, Applicant," Land Registration Case No. N-529, LRC Record No. N24736. The Spouses Panfilo Retuerto did not file any opposition to the application. After appropriate proceedings, the Court promulgated a decision in favor of Pedro Barz declaring him the lawful owner of the said property. On August 18, 1966, Decree No. N-110287 was issued over the property, in favor of Pedro Barz, on the basis of which Original Certificate of Title No. 521 was issued, on November 13, 1968, by the Register of Deeds over the property (Exhibit "A"). The property was then subdivided into four (4) lots namely, Lot 896-A, with an area of 507 square meters (Exhibit "B-5"), Lot 896-B, with an area of 2,142 square meters (Exhibit "B-6"), Lot 896-C, with an area of 5,580 square meters (Exhibit "B-7"), and Lot 896-D, with an area of 12,253 square meters (Exhibit "B-8"). On October 18, 1967, Pedro Barz executed a "Deed of Absolute Sale" over subdivision Lot 896-C in favor of Jose Gesalem for P7,000.00. On the basis of the said deed, Original Certificate of Title was partially cancelled and, in lieu thereof, Transfer Certificate of Title No. 7509 was issued over said lot in favor of the vendee.

In the interim, Panfilo Retuerto declared the property, covered by Tax Declaration No. 34652, under his name, under Tax Declaration No. 54960, effective 1974 (Exhibit "3"). Subsequently, Panfilo Retuerto died intestate, on December 29, 1975, and was survived by his widow, Catalina Retuerto and their children, namely Gaudencio Retuerto, Loreto Retuerto, Francisca Retuerto, Francisco Retuerto, Efigenia Retuerto and Guillerma Retuerto. The

said heirs executed, on January 4, 1976, "Extrajudicial Settlement and Sale of the Estate of Panfilo Retuerto" adjudicating unto themselves, as owners, the said property and deeding the same unto Loreto Retuerto a portion thereof, with an area of 1,703 square meters, and the rest of the property, with an area of 440 square meters, to Efigenia Retuerto, as follows:

"FOR OR TO LORETO RETUERTO: `a portion of the above described parcel of land containing an area of ONE THOUSAND SEVEN HUNDRED TWO (1,702) SQUARE METERS and bounded by the following: on the Northeast by Pagsabungan Road; on the Southeast by Lot 896; on the Northwest by Lot 897; and on the Southwest by the portion sold to Efigenia Retuerto;

FOR OR TO EFIGENIA RETUERTO: `a portion of the parcel of land described in paragraph no. 7 hereof containing an area of FOUR HUNDRED FORTY (440) SQUARE METERS and bounded as follows: on the Northeast by the portion sold to Loreto Retuerto; on the Southeast by Lot 896; on the Northwest by Lot 897 and on the Southwest by Lot 896." (at page 38, Records)

Loreto Retuerto and Efigenia Retuerto then declared the property, for taxation purposes, under their names, under Tax Declaration No. 69084, effective 1976 (Exhibit "7"). The property covered by Tax Declaration No. 69084 was subdivided into two (2) lots, one with an area of 440 square meters, and the other, with an area of 1,702 square meters. Efigenia Retuerto declared the property, with an area of 440 square meters, under her name, under Tax Declaration No. 69083, effective 1976 (Exhibit "7-A") while Loreto Retuerto declared the property, with an area of 1,702 square meters, for taxation purposes, under his name, under Tax Declaration No. 01298 effective 1976. (Exhibit "7-B").

In the meantime, Pedro Barz died intestate and was survived by his heirs, Angelo P. Barz and Merlinda Barz. Loreto Retuerto likewise, died intestate and was survived by his heirs, namely, Romeo Retuerto, Antonia Retuerto, Narcisa Retuerto, Corazon Retuerto and Patrocinia Retuerto.

Ominously, the heirs of Panfilo Retuerto claimed ownership over subdivision Lot 896-B and a part of subdivision Lot 896-A, covered by Original Certificate of Title No. 521 under the name of Teofilo Barz. As it was, subdivision Lot 896-B was subdivided by the heirs of Panfilo Retuerto, one of which subdivision lots, with an area of 440 square meters, was forthwith sold to the Spouses Jose Gesalem and Rosa Gesalem. When apprised of the aforementioned events, Angelo Barz and Merlinda Barz, the heirs of Teofilo Barz, and the heirs of Panfilo Retuerto, including the Spouses Jose Gesalem had a confrontation during which the Spouses Jose Gesalem admitted having purchased a portion of subdivision Lot 896-B with an area of 440 square meters.

On September 5, 1989, Angelo P. Barz and Merlinda Barz filed a complaint against Catalina Retuerto and the other heirs of Panfilo Retuerto, including Loreto, who the Plaintiffs believed, was still alive, and the Spouses Jose Gesalem, with the Regional Trial Court of Mandaue for "Quieting of Title, Damages and Attorney's Fees." The Plaintiffs alleged, inter alia, that subdivision Lots 896-A and 896-B were portions of Lot 896 subject of LRC 529 and covered by Original Certificate of Title No. 521 under the name of Teofilo Barz after whose death, the Plaintiffs inherited the property, despite which the Defendants claimed ownership over Lots 896-A and 896-B covered by Original Certificate of Title No. 521. xxx

Romeo Retuerto, Antonia Retuerto, Narcisa Retuerto, Corazon Retuerto, Patrocinia Retuerto, the heirs of Loreto Retuerto, filed an Answer to the complaint alleging, inter alia, by way of affirmative defense, that their father, Loreto Retuerto, was already dead and was survived, by them as his heirs; what was sold to the Defendants Spouses Jose Gesalem was a portion of Lot 896, with an area of 440 square meters, which was conveyed to Efigenia Retuerto and not that portion of Lot 896-B deeded to Loreto Retuerto under the "Extrajudicial Settlement of Real Property of Panfilo Retuerto, who was the lawful owner of the said property, "that they were not aware of LRC Case No. 529 and/or that the property, sold by Juana Perez to Panfilo Retuerto, had been included in

Original Certificate of Title No. 521 under the name of Teofilo Barz. xxx

In their Answer to the complaint, the Defendants Spouses Jose Gesalem averred, inter alia, by way of affirmative defense, that they purchased a portion of subdivision Lot 896-B, with an area of 440 square meters, more or less; Lot 896-B (formerly Lot 896-A) which had been sold by Juana Perez Barz to Panfilo Retuerto had been the subject of LRC Case No. 3 wherein Panfilo Retuerto was declared the lawful owner of the property; that the inclusion of the subject property in Original Certificate of Title No. 521 issued to and under the name of Teofilo Barz did not vest ownership over the title in favor of Pedro Barz but constituted the latter merely as a trustee under a constructive trust with the concomitant obligation to convey the said property to the Defendants Heirs of Panfilo Retuerto and to the Defendants Spouses, as vendees of the said property; Plaintiffs' action was barred by laches. xxx

On April 3, 1997, the Regional Trial Court of Mandaue City promulgated its decision declaring herein respondents as the absolute owners in fee simple of Lots 896-A and Lot 896-B; declaring the documents adduced by herein petitioners unenforceable and ineffective against OCT No. 521; nullifying the deed of sale between herein petitioners and the spouses Gesalem; and ordering herein petitioners to vacate the premises of Lots 896-A and 896-B.[1] The Court of Appeals, on December 29, 2000, affirmed the decision of the trial court except as to the award of attorney's fees which was deleted.[2]

Hence, this appeal by the heirs of Panfilo Retuerto and the spouses Gesalem, assigning the following errors:

I

The Court of Appeals gravely erred in concluding that petitioners had only ten years from the date of issuance of OCT No. 521, which erroneously included their Lot No. 896-A, within which to ask for its reconveyance, in the light of their judicially declared and recognized possession thereof since time immemorial.

II

The Court of Appeals erred in not finding that it was respondents' right to question petitioners' ownership and possession over the subject property that has been lost thru laches.

III

The Court of Appeals erred in concluding that petitioners could not ventilate their claim of title over the subject property by way of affirmative defense as this would constitute collateral attack on respondents' original certificate of title.

We do not find merit in the petition. Both the Court of Appeals and the Regional Trial Court correctly applied the principles of the Torrens system of land registration to the present case.

It is a fundamental principle in land registration that a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein.[3] Such indefeasibility commences after the lapse or expiration of one year from the date of entry of the decree of registration.[4] The act of registration is considered a constructive notice to all persons[5] respecting title to property; hence, after the lapse of one year, title to the property can no longer be contested. This system was so effected in order to quiet title to land.

Records show that in 1966, an application for confirmation of title over Lot 896 was filed by Pedro Barz, herein respondents' predecessor-in-interest, with the Court of First Instance of Cebu docketed as LRC Case No. N-529. Thereafter, a decision declaring Pedro Barz as the lawful owner of the said property was rendered by the court and consequently, an original certificate of title, OCT No. 521, was issued in his name on November 13, 1968. Thus,

after the lapse of one year, which was November 13, 1969, private respondent's title to the property already became indefeasible and can no longer be controverted.

Petitioners contest such title and claim that as early as 1929, their predecessor-in-interest, Panfilo Retuerto, bought the property from Juana Perez Barz and that in 1937, the then Juzgado de Primera Instancia de Cebu adjudicated said property to Panfilo Retuerto in GLRO Record No. 4030. However, nowhere has it been shown that a decree of registration was ever issued affecting the property.

The alleged earlier sale of the subject property by petitioners' predecessor-in-interest to respondents' predecessor-in-interest was not registered. Also, despite the alleged decision in 1937 by the Juzgado de Primero Justancia in favor of Panfilo Retuerto, the latter failed to intervene and introduce the said decision in the petition for confirmation of title filed by Pedro Barz in 1966. Also, since the issuance of OCT No. 521 in the name of Pedro Barz in 1968, no action had been taken by petitioners directly attacking said title and seeking reconveyance of the property. It was only sometime in 1989 or twenty-one (21) years later, when they were finally impleaded by private respondents in an action for quieting of title that petitioners actively asserted ownership of the subject property in their answer to the complaint.

Petitioners insist that despite the indefeasibility of private respondents' title, they can still maintain an action for reconveyance of the said property on the ground of fraud pursuant to Section 32 of Presidential Decree No. 1529. It is alleged that respondents' predecessor-in-interest, Pedro Barz misrepresented with the land registration court that he inherited the whole of Lot 896 when in truth and in fact a portion thereof designated as Lot 896-A had already been disposed of to Panfilo Retuerto; hence, a constructive trust was created over the property for and in behalf of Panfilo Retuerto and his heirs.

The contention is bereft of merit. Constructive trusts are created in equity to prevent unjust enrichment, arising against one who, by fraud, duress or abuse of confidence, obtains or holds the legal right to property which he ought not, in equity and good conscience, to hold.[6] Petitioners failed to substantiate their allegation that their predecessor-in-interest had acquired any legal right to the property subject of the present controversy. Nor had they adduced any evidence to show that the certificate of title of Pedro Barz was obtained through fraud.

Even assuming arguendo that Pedro Barz acquired title to the property through mistake or fraud, petitioners are nonetheless barred from filing their claim of ownership. An action for reconveyance based on an implied or constructive trust prescribes within ten years from the time of its creation or upon the alleged fraudulent registration of the property.[7] Since registration of real property is considered a constructive notice to all persons, then the ten-year prescriptive period is reckoned from the time of such registering, filing or entering.[8] Thus, petitioners should have filed an action for reconveyance within ten years from the issuance of OCT No. 521 in November 16, 1968. This, they failed to do so.

Relying on the case of *Heirs of Jose Olviga vs. Court of Appeals*,[9] petitioners argue that the ten-year period for filing an action for reconveyance of property arising from an implied or constructive trust applies only when the person enforcing the trust is not in possession of the property, since if a person claiming to be the owner is in actual possession of the property, the action to seek reconveyance or to quiet title does not prescribe. Petitioners claim that they and their predecessors-in-interest were the ones in actual possession of the subject property alleging that in the survey made by Geodetic Engineer Leopoldo Tuastumban, it was reported that there were "nine houses and one rattan shop owned by the heirs of Loreto Retuerto constructed thereon." [10]

Again, the contention does not persuade us. In the 1966 decision of the Land Registration Court in LRC No. 529, it was found that Pedro Barz, private respondents' predecessor-in-interest, was the lawful owner of the subject property as he and his predecessors-in-interest had been in peaceful, continuous and open possession thereof in

the concept of owner since 1915. Said court declared that:

Lot 896: This lot is covered by Tax Declaration No. 21969 in the name of Juana Perez, Exh. "O-Pedro Barz," containing an area of 20,486 sq. meters. It originally belonged to the spouses Esteban Perez and Lorenza Sanchez. After their death, the same was inherited by Juana Perez who died in 1942 and was succeeded by her lone heir son Pedro Barz, Filipino citizen, married to Teofila Pedroza and resident of Mandaue, Cebu. Juana Perez owned and possessed this lot since 1915 up to her death in 1942 when Pedro Barz reached the age of consciousness or when he was around 8 years old; that her possession had been peaceful, continuous, open and in concept of owner. From 1942 up to the present, the possession of Pedro Barz over this property had been likewise peaceful, continuous and in concept of owner as he was religious in the payment of real estate taxes, as shown in Exh. "N-2 Pedro Barz." [11]

As previously stated, no action for reconveyance has been filed by herein petitioners. They interposed their claim of ownership for the first time in their Answer and by way of Affirmative Defenses to the complaint for quieting of title filed by herein respondents in 1989. This cannot be allowed. Under Section 48 of PD 1529 or the Property Registration Decree, "a certificate of title cannot be subject to collateral attack; it cannot be altered, modified or cancelled except in a direct proceeding." [12] The issue of the validity of title, i.e., whether or not it was fraudulently issued, can only be raised in an action expressly instituted for that purpose. [13]

WHEREFORE, the Decision of the Court of Appeals dated December 29, 2000 in CA-GR CV No. 59975 is hereby AFFIRMED.

**SO ORDERED.**

Davide, Jr., C.J., (Chairman), Pardo, and Ynares-Santiago, JJ., concur.  
Puno, J., on official leave.

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[1] Dispositive portion of the Court of Appeals' decision, pp. 40-41 of Rollo.

[2] Penned by Hon. Justice Romeo Callejo, Sr. and concurred in by Hon. Justices Martin Villarama, Jr. and Juan Enriquez, Jr.

[3] *Brusas vs. Court of Appeals*, 313 SCRA 176 (1999).

[4] *David vs. Malay*, 318 SCRA 711 (1999); *Eduarte vs. Court of Appeals*, 311 SCRA 18 (1999).

[5] *Serna vs. Court of Appeals*, 308 SCRA 527 (1999).

[6] *Marquez vs. Court of Appeals*, 300 SCRA 653 (1998).

[7] *Serna vs. Court of Appeals*, supra note 5; *Manangan vs. delos Reyes*, 308 SCRA 139 (1999).

[8] *Ibid.*

**[9] 227 SCRA 330 (1999).**

[10] Court of Appeals' decision, p. 7; Rollo, p. 40.

[11] *Id.*, at 15, *Id.*, at 48.

[12] Section 48, P. D. 1529 (Property Registration Decree).

[13] *Eduarte vs. Court of Appeals*, supra note 4; *Lagrosa vs. Court of Appeals*, 312 SCRA 298 (1999).

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