

SPS. EMMANUEL (DECEASED) AND EDNA CHUA AND SPS. MANUEL AND MARIA CHUA, PETITIONERS, VS. MSGR. VIRGILIO SORIANO. SUBSTITUTED BY SISTER MARY VIRGILIA CELESTINO SORIANO, RESPONDENT.

G.R. NO. 150066. April 13, 2007

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

Before the Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court assailing the Decision[1] dated September 21, 2001 of the Court of Appeals (CA) in CA-G.R. CV No. 56568 which affirmed with modification the Decision[2] dated July 10, 1997 of the Regional Trial Court, Branch 81, Quezon City (RTC) in Civil Case No. Q-90-6439.

The factual background of the case is as follows:

Msgr. Virgilio C. Soriano (Soriano) owned a 1,600 square meter parcel of land located in Barangay Banlat, Quezon City, covered by Transfer Certificate of Title (TCT) No. 363471 of the Registry of Deeds of Quezon City.

Sometime in the early months of 1988, Soriano's first cousin and godson, Emmanuel C. Celestino, Sr. (Celestino) asked Soriano to lend him TCT No. 363471 as a security for a loan to be used in the business operation of Celestino's company, Digital Philippines, Inc.[3] Acceding to Celestino's request, Soriano executed on March 29, 1988 a Special Power of Attorney (SPA) authorizing Celestino to mortgage said property.[4]

Then came the June 11, 1988 fire that gutted a portion of the Quezon City Hall and destroyed in the process the original copy of TCT No. 363471 on file with the Registry of Deeds of Quezon City.

On August 22, 1988, Soriano executed a SPA authorizing Celestino and one Carlito Castro to initiate administrative reconstitution proceedings of TCT No. 363471.[5] On April 17, 1990, the reconstituted title, TCT No. RT-3611 (363471) PR 1686, was issued.[6]

During the pendency of the administrative reconstitution proceedings, Soriano asked Celestino whether there was any truth to the spreading rumor that he had already sold the subject property.[7] Celestino denied the rumor but informed Soriano that the subject property was mortgaged with a foreign bank.[8] Dissatisfied with Celestino's explanation, Soriano made inquiries with the Registry of Deeds of Quezon City[9] and discovered, to his dismay, that TCT No. 363471 had been canceled by TCT No. 14514[10] in the name of spouses Emmanuel and Edna Chua and spouses Manuel and Maria Chua (Chuas). By virtue of a SPA[11] dated March 9, 1989 with Soriano's purported signature, Celestino sold to the Chuas the property in an Absolute Deed of Sale[12] dated July 4, 1989 for P500,000.00.

Claiming that his signature in the SPA is a forgery, Soriano filed on August 20, 1990 a complaint against Celestino and the Chuas for annulment of deed of sale and special power of attorney, cancellation of title and

reconveyance with damages.[13]

The defense of Celestino is that he was duly authorized to sell the property[14] while the Chuas contend that they are purchasers in good faith since they bought the property from Celestino by virtue of a SPA which was duly inscribed and annotated on the owner's duplicate of the TCT and the tax declaration and that they have duly inspected the property before purchasing it.[15]

Soriano died during the pendency of the trial.[16] He was substituted by his sister, Florencia Celestino Soriano, also known as Sister Mary Virgilia Celestino Soriano (Sis. Soriano).[17]

On July 10, 1997, the RTC rendered its Decision[18] in favor of Soriano, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

- Declaring the special power of attorney dated March 19, 1985 and the Deed of Sale dated July 4, 1989 as without legal force and effect;
- Declaring Transfer Certificate of Title No. 14514 in the name of the defendants Chuas as null and void;
- Directing defendants Chuas to reconvey the subject property to plaintiff Soriano.
- Ordering defendant Celestino to pay to the plaintiff the amounts of P100,000.00 as moral damages, P20,000.00 as attorney's fees and P10,000.00 as litigation expenses;
- Ordering defendant Celestino to pay to the defendants Chuas the amount of P500,000.00 plus interest at the legal rate from July 4, 1989 until fully paid;
- Ordering defendant Celestino to pay the defendants Chuas the amounts of P20,000.00 as attorney's fees and P10,000.00 as litigation expenses.

With costs against defendant Celestino.

SO ORDERED.[19]

The RTC held that Soriano's purported signature in the SPA dated March 9, 1989 is a forgery based on the opinion of expert witness Arcadio A. Ramos, Chief of the Questioned Documents Division of the National Bureau of Investigation (NBI), that a comparison of Soriano's sample signature and the one appearing on the SPA dated March 9, 1989 revealed that they were "not written by one and the same person;"[20] that the Chuas are not purchasers in good faith since they did not personally verify the title of the subject property but relied only upon its tax declaration; that the Chuas were placed on guard to ascertain the authenticity of the authority of Celestino since they were not dealing with Soriano, the registered owner.

Dissatisfied, Celestino and the Chuas filed separate appeals with the CA, docketed singly as CA-G.R. No. 56568.[21] On September 21, 2001, the CA rendered its Decision,[22] the dispositive portion of which reads:

WHEREFORE, for the lack of merit, this Court DISMISSES the appeal and AFFIRMS the appealed Decision except paragraph number 3 of the dispositive part which is hereby completely DELETED and replaced with the following: 3. The Register of Deeds of Quezon City is ordered to reinstate and reactivate Transfer Certificate of Title No. RT-3611 (363471) PR-1686 in the name of appellee Soriano.

SO ORDERED.[23]

The CA held that that there was no cogent reason to set aside the RTC's reliance on the testimony of the expert witness since there is no contrary evidence to rebut the same. The CA also agreed with the RTC's findings that the Chuas are not purchasers in good faith since they failed to determine the veracity of Celestino's alleged authority

to sell the property.

No appeal was filed by Celestino. The Chuas filed the present petition anchored on the following grounds:

THE HONORABLE COURT OF APPEALS HAS DECIDED A QUESTION IN A WAY NOT PROBABLY IN ACCORD WITH THE LAW AND WITH THE DECISIONS OF THE HONORABLE SUPREME COURT; AND

THE HONORABLE COURT OF APPEALS HAS SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS.[24]

The Chuas argue that they are purchasers in good faith since they dealt with Celestino who had in his possession the owner's duplicate title and the SPA dated March 9, 1989 with Soriano's purported signature; that the SPA was inscribed and annotated in the owner's duplicate title; that since verification with the original title in the Registry of Deeds of Quezon City was not possible, they checked the tax declaration of the property; that the SPA dated March 9, 1989 was duly annotated in the tax declaration; that they inspected the property and found three squatter occupants; that they paid off the two squatters and appointed the third squatter occupant as caretaker of the property; that Soriano was responsible for his predicament since he entrusted the owner's duplicate title to Celestino; that the fact that Soriano's purported signature in the SPA dated March 9, 1989 was later declared by the NBI handwriting expert as a forgery is of no moment since they are not handwriting experts and they had the right to assume that the SPA was perfectly legal for otherwise, it could not have been annotated at the back of the title.

Sis. Soriano, on the other hand, avers that the Chuas are not purchasers in good faith since they failed to check the veracity of Celestino's alleged authority to sell the property; that had the Chuas conferred with Soriano about the sale transaction proposed by Celestino, they would have readily discovered the fraud being then hatched by Celestino.

Emmanuel Chua died during the pendency of the present petition.[25] He was substituted by his surviving spouse and co-petitioner, Edna L. Chua, and his children, Erlyn, Ericson, Emmanuel and Elise, all surnamed Chua.[26]

The sole issue to be resolved in the present petition is this: whether or not the Chuas are purchasers in good faith.

The question of whether or not a person is a purchaser in good faith is a factual matter that will generally be not delved into by this Court, since only questions of law may be raised in petitions for review.[27]

The established rule is that in the exercise of the Supreme Court's power of review, the Court, not being a trier of facts, does not normally embark on a re-examination of the evidence presented by the contending parties during the trial of the case considering that the findings of facts of the CA are conclusive and binding on the Court.[28] This rule, however, has several well-recognized exceptions: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.[29] Exception (4) is present in the instant case.

A purchaser in good faith is one who buys property without notice that some other person has a right to or interest in such property and pays its fair price before he has notice of the adverse claims and interest of another person in the same property. The honesty of intention which constitutes good faith implies a freedom from knowledge of circumstances which ought to put a person on inquiry.[30] As the Court enunciated in *Lim v. Chuatoco*: [31]

x x x good faith consists in the possessor's belief that the person from whom he received the thing was the owner of the same and could convey his title. Good faith, while it is always to be presumed in the absence of proof to the contrary, requires a well founded belief that the person from whom title was received was himself the owner of the land, with the right to convey it. There is good faith where there is an honest intention to abstain from taking any unconscientious advantage from another. Otherwise stated, good faith is the opposite of fraud and it refers to the state of mind which is manifested by the acts of the individual concerned.[32]

Consistently, this Court has ruled that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property. Where there is nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore further than what the Torrens Title upon its face indicates in quest for any hidden defects or inchoate right that may subsequently defeat his right thereto.[33]

However, when a person who deals with registered land through someone who is not the registered owner, he is expected to look behind the certificate of title and examine all the factual circumstances, in order to determine if the vendor has the capacity to transfer any interest in the land.[34] He has the duty to ascertain the identity of the person with whom he is dealing and the latter's legal authority to convey.[35]

The law "requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is not the registered owner is expected to examine not only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land." [36]

The strength of buyer's inquiry on the seller's capacity or legal authority to sell depends on the proof of capacity of the seller. If the proof of capacity consists of a special power of attorney duly notarized, mere inspection of the face of such public document already constitutes sufficient inquiry. If no such special power of attorney is provided or there is one but there appear flaws in its notarial acknowledgment, mere inspection of the document will not do; the buyer must show that his investigation went beyond the document and into the circumstances of its execution.[37]

In the present case, the Chuas were dealing with Celestino, Soriano's attorney-in-fact, who presented Soriano's duplicate title, a SPA dated March 9, 1989 with Soriano's purported signature, and tax declaration.

An examination of the assailed SPA shows that it is valid and regular on its face. It contains a notarial seal.[38] A notarial seal is a mark, image or impression on a document which would indicate that the notary public has officially signed it.[39] The long-standing rule is that documents acknowledged before a notary public have the evidentiary weight with respect to their due execution and regularity.[40] The assailed SPA is a notarized document and therefore, presumed to be valid and duly executed.

Thus, the reliance by the Chuas on the notarial acknowledgment found in the duly notarized SPA presented by Celestino is sufficient evidence of good faith. The Chuas need not prove anything more for it is already the function of the notarial acknowledgment to establish the appearance of the parties to the document, its due execution and authenticity.[41]

Moreover, the SPA was accepted by the Register of Deeds. It was registered with the Registry of Deeds of Quezon City[42] and inscribed and annotated in the owner's duplicate title,[43] further bolstering the appearance of due execution and regularity.

The fact that Soriano's purported signature in the SPA dated March 9, 1989 was declared to be a forgery does not alter the Chuas' status as purchasers in good faith. The Court's recent pronouncements in *Bautista v. Silva*[44] are enlightening to quote:

When the document under scrutiny is a special power of attorney that is duly notarized, we know it to be a public document where the notarial acknowledgment is prima facie evidence of the fact of its due execution. A purchaser presented with such a document would have no choice between knowing and finding out whether a forger lurks beneath the signature on it. The notarial acknowledgment has removed the choice from him and replaced it with a presumption sanctioned by law that the affiant appeared before the notary public and acknowledged that he executed the document, understood its import and signed it. In reality, he is deprived of such choice not because he is incapable of knowing and finding out but because, under our notarial system, he has been given the luxury of merely relying on the presumption of regularity of a duly notarized SPA. And he cannot be faulted for that because it is precisely that fiction of regularity which holds together commercial transactions across borders and time.[45]

Thus, the fact that Soriano's signature in the SPA dated March 9, 1989 was subsequently declared by the trial court to have been falsified would not revoke the title subsequently issued in favor of the Chuas. With the property in question having already passed to the hands of purchasers in good faith, it is now of no moment that some irregularity attended the issuance of the SPA, consistent with our pronouncement in *Heirs of Spouses Benito Gavino and Juana Euste v. Court of Appeals*,[46] to wit:

x x x, the general rule that the direct result of a previous void contract cannot be valid, is inapplicable in this case as it will directly contravene the Torrens system of registration. Where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights and order the cancellation of the certificate. The effect of such outright cancellation will be to impair public confidence in the certificate of title. The sanctity of the Torrens system must be preserved; otherwise, everyone dealing with the property registered under the system will have to inquire in every instance as to whether the title had been regularly or irregularly issued, contrary to the evident purpose of the law.[47]

Being purchasers in good faith, the Chuas already acquired valid title to the property. A purchaser in good faith holds an indefeasible title to the property and he is entitled to the protection of the law. Accordingly, TCT No. 14514 issued in the name of the Chuas is valid. The amount of P500,000.00, representing the purchase price in the Absolute Deed of Sale[48] dated July 4, 1989, which the RTC directed Celestino to pay to the Chuas should instead be paid to Soriano as part of the actual damages awarded to him. Such amount shall earn interest rate of 6% from August 20, 1990, the time of the filing of the complaint until its full payment before finality of judgment. After the judgment becomes final and executory until the obligation is satisfied, the amount due shall earn interest at 12% per year, the interim period being deemed equivalent to a forbearance of credit.[49]

For the Court to uphold the effects of a SPA that is rooted in falsity may be disconcerting. Yet whatever sympathies may be judicially appreciated for the deceived party must be balanced in deference to the protection afforded by law to the purchaser in good faith. If such innocence or good faith is established by the evidence, or insufficiently rebutted by the disputant, then the corresponding duty of the Court is simply to affirm the rights of the purchaser in good faith. It is mischief at worse, and error at least, for a court to misread or inflate the facts to justify a ruling for the defrauded party, no matter how wronged he or she may be.[50]

WHEREFORE, the petition is GRANTED. Petitioners are hereby declared purchasers in good faith. Accordingly, the Decision of the Court of Appeals dated September 21, 2001 in CA-G.R. CV No. 56568 is PARTLY REVERSED and SET ASIDE insofar as it affirms the Decision of the Regional Trial Court, Branch 81, Quezon City dated July 10, 1997 in Civil Case No. Q-90-6439 finding the Chuas as purchasers in bad faith.

The Decision dated July 10, 1997 of the Regional Trial Court, Branch 81, Quezon City (RTC) in Civil Case No. Q-90-6439 is MODIFIED to read as follows:

- Declaring the special power of attorney dated March 9, 1985 and the Deed of Sale dated July 4, 1989 and the Transfer Certificate of Title No. 14514 in the name of the defendants Chuas as valid;

- Ordering Celestino to pay plaintiff the amount of P500,000.00 as actual damages, with interest rate of 6% p.a. computed from the time of the filing of the complaint until its full payment before finality of judgment; thereafter, if the amount adjudged remains unpaid, the interest rate shall be 12% p.a. computed from the time the judgment becomes final and executory until fully satisfied;

- Ordering defendant Celestino to pay to the plaintiff the amounts of P100,000.00 as moral damages, P20,000.00 as attorney's fees and P10,000.00 as litigation expenses;

With costs against defendant Celestino.

SO ORDERED.

No costs.

SO ORDERED.

Ynares-Santiago, (Chairperson), Callejo, Sr., Chico-Nazario, and Nachura, JJ., concur

[1] Penned by Associate Justice Hilarion L. Aquino (now retired) and concurred in by Associate Justices Cancio C. Garcia (now Associate Justice of this Court) and Jose L. Sabio, Jr.; CA rollo, p. 160.

[2] Penned by Judge Wenceslao I. Agnir, Jr. (later Associate Justice of the Court of Appeals, now retired); Original Records, p. 378.

[3] TSN, Testimony of Msgr. Virgilio Soriano, May 17, 1991, p. 6.

[4] Exhibit "I", Folder of Exhibits, p. 14.

[5] Exhibit "J", Folder of Exhibits, p. 16.

[6] Exhibit "A-1", Original Records, p. 9.

[7] TSN, Testimony of Msgr. Virgilio Soriano, July 3, 1991, p. 20.

[8] Id.

[9] TSN, Testimony of Msgr. Virgilio Soriano, May 17, 1991, pp. 8-9; and July 3, 1991, p. 20.

[10] Exhibit "B", Original Records, p. 10.

[11] Exhibit "D", Folder of Exhibits, p. 14.

[12] Exhibit "C", id. at 12.

[13] Original Records, p. 1.

[14] Id. at 44.

[15] Id. at 23.

[16] Original Records, p. 331.

[17] Id. at 347.

[18] Supra note 2.

[19] Id. at 400.

[20] Exhibit "N-2-e", id. at 127.

[21] CA rollo, pp. 36, 97.

[22] Supra note 1.

[23] Id. at 169.

[24] Rollo, p. 14.

[25] Id. at 296.

[26] Id. at 297.

[27] Sigaya v. Mayuga, G.R. No. 143254, August 18, 2005, 467 SCRA 341,352; Centeno v. Spouses Viray, 440 Phil. 881, 887 (2002); Villarico v. Court of Appeals, 424 Phil. 26, 32 (2002).

[28] Heirs of Dicman v. Cariño, G.R. No. 146459, June 8, 2006, 490 SCRA 240, 261; Bank of the Philippine Islands v. Sarmiento, G.R. No. 146021, March 10, 2006, 484 SCRA 261, 267-268; Almendrala v. Ngo, G.R. No. 142408, September 30, 2005, 471 SCRA 311, 322.

[29] Heirs of Dicman v. Cariño, supra at 261-262; Bank of the Philippine Islands v. Sarmiento, supra; Almendrala v. Ngo, supra.

[30] Sigaya v. Mayuga, supra note 27 at 354-355; Occeña v. Esponilla, G.R. No. 156973, June 4, 2004, 431 SCRA 116, 124.

[31] G.R. No. 161861, March 11, 2005, 453 SCRA 308.

[32] Id. at 317-318.

[33] Sigaya v. Mayuga, supra note 27 at 355; Lim v. Chuatoco, supra note 31 at 318.

[34] Abad v. Guimba, G.R. No. 157002, July 29, 2005, 465 SCRA 356, 368; De Lara v. Ayroso, 95 Phil. 185, 189 (1954); Revilla and Fajardo v. Galindez, 107 Phil. 480, 485 (1960).

[35] Abad v. Guimba, supra.

[36] Abad v. Guimba, supra note 34; Bautista v. Court of Appeals, G.R. No. 106042, February 28, 1994, 230 SCRA 446, 456; Revilla and Fajardo v. Galindez, supra.

[37] Bautista v. Silva, G.R. No. 157434, September 19, 2006. See also Domingo v. Reed, G.R. No. 157701, December 9, 2005, 477 SCRA 227, 242-244.

[38] Exhibit "D", Folder of Exhibits, p. 6.

- [39] Bautista v. Silva, *supra* note 37; 2004 Rules of Notarial Practice, Rule II, Section 13 and Rule VII, Section 2.
- [40] Penson v. Maranan, G.R. No. 148630, June 20, 2006, 491 SCRA 396, 408-409; Bravo-Guerrero v. Bravo, G.R. No. 152658, July 29, 2005, 465 SCRA 244, 264; Veloso v. Court of Appeals, 329 Phil. 398, 407 (1996).
- [41] *Supra* note 37; See 2004 Rules on Notarial Practice. See also Lim v. Chuatoco, *supra* note 31, at 323.
- [42] Exhibit "D" (dorsal side), *supra* note 38.
- [43] Exhibit "A", Original Records, p. 8.
- [44] *Supra* note 37.
- [45] *Id.*
- [46] 353 Phil. 686 (1998); Peña, Peña and Peña, Registration of Land Titles and Deeds, 1988 Rev. Ed., p. 143.
- [47] *Id.* at 700; 509; Section 39, Act 496, The Land Registration Act.
- [48] Exhibit "C", Original Records, p. 12.
- [49] Eastern Shipping Lines, Inc. v. Court of Appeals, G.R. No. 97412, July 12, 1994, 234 SCRA 78, 96-97.
- [50] Lim v. Chuatoco, *supra* note 31, at 324.

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