

**KEN MARTIN CLEMENTE, CHARLIE CLEMENTE III, ASSISTED BY
THEIR PARENTS AND NATURAL GUARDIANS CHARLES L.
CLEMENTE, JR. AND LORENA P. CLEMENTE, PETITIONERS, VS.
ANTONIO RAZO, ELMA R...**

G.R. NO. 151245. March 04, 2005

Ponente: GARCIA, J.

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GARCIA, J.:

Assailed and sought to be set aside in this petition for review on certiorari under Rule 45 of the Rules of Court are the following issuances of the Court of Appeals in CA-G.R. CV No. 56367, to wit:

- Decision dated 10 August 2001,[1] reversing and setting aside an earlier decision of the Regional Trial Court at Legaspi City, Branch 2, in Civil Case No. 9170, an action for annulment of title and/or recovery of possession, thereat commenced by the herein respondents against the petitioners; and
- Resolution dated 15 November 2001,[2] denying petitioners' motion for reconsideration.

From the pleadings on record, the annexes thereto and the memoranda filed by the parties, the Court gathers the following factual antecedents:

Involved in the controversy is a parcel of land located at Legazpi City and containing an area of two hundred sixteen (216) square meters. The land was originally covered by Original Certificate of Title (OCT) No. 30 issued on 24 March 1966 in the name of Antonia Alaurin, married to Tomas Adamos. The title was entered pursuant to a Miscellaneous Sales Patent dated 14 March 1966.

In the course of time, the land in question became the subject of several cases between the original registered owner Antonia Alaurin, on one side, and the spouses Santos Yaptengco and Gregoria Yaptengco Keh, on the other.

The first of these cases was Civil Case No. 4391, an action for recovery of possession filed with the then Court of First Instance of Albay by Antonia Alaurin against the Yaptengco spouses.

Next was Civil Case No. 4412 filed with the same court, this time by the Yaptengcos against Antonia Alaurin, et al. This case was, however, withdrawn by the Yaptengcos and accordingly dismissed by the court in its order of 7 February 1975.

Meanwhile, pending the dismissal of Civil Case No. 4412, Tomas Adamos, husband of Antonia Alaurin, died. Thereafter, or more specifically on 14 March 1976, at which time Civil Case No. 4412 was still very much pending, Antonia and her two (2) legitimate children with Tomas, namely, Salvacion and Ester, both surnamed Adamos, executed a Deed of Extrajudicial Partition and Sale over the same land. Under that document, the land was sold to Eugenio Razo, predecessor-in-interest of the herein respondents. The sale to Eugenio Razo, however, was not registered with the Office of the Register of Deeds.

Then came Civil Case No. 5595, an action for annulment of Miscellaneous Sales Patent filed with the same court by the spouses Santos Yaptengco and Gregoria Yaptengco Keh against Antonia Alaurin, her two (2) children and the Director of Lands, it being alleged by the Yaptengcos that “while Civil Case No. 4391 is still pending”, Antonia and her two (2) children sold the property in dispute to Eugenio Razo “who bought the same in bad faith”.

Later, Civil Cases No. 4391 and 5595 were consolidated. A judgment was thereafter rendered thereon based on a compromise agreement entered into by Antonia Alaurin and the Yaptengco spouses. In that compromise agreement, the Yaptengcos recognized Antonia as the owner of the land in dispute.

On 20 February 1992, Gregoria Yaptengco Keh filed with the Regional Trial Court a petition for the issuance of another owner’s duplicate original copy of OCT No. 30 covering the subject land. Attached to the petition was an affidavit executed by Adelina Alaurin, allegedly one of the daughters of Antonia Alaurin, attesting to the fact the during the lifetime of her parents, they sold their rights over the subject land to Gregoria Yaptengco Keh and Robert Keh.

On 24 August 1992, the petition was granted. Subsequently, OCT No. 30 was cancelled, and, on 27 August 1992, Transfer Certificate of Title (TCT) No. (P) 911 was issued in the name of Gregoria Yaptengco Keh.

On 18 September 1992, Gregoria Yaptengco Keh sold the same land to herein petitioners Ken Marten Clemente and Charlie Clemente III, who, as minors, were represented by their mother and natural guardian, Lorena P. Clemente. This sale was thereafter registered with the Register of Deeds. Consequently, TCT NO. (P) 911 of Gregoria Yaptengco Keh was cancelled, and, on 30 September 1992, TCT No. (P) 914, under the names of Ken Marten Clemente and Charlie Clemente III, was issued in lieu thereof.

On 17 January 1996, herein respondents, as successors-in-interest of Eugenio Razo, filed with the Regional Trial Court at Legazpi City an action for annulment of title and/or reconveyance against the herein petitioners, which action was thereat docketed as Civil Case No. 9170 and raffled to Branch 2 of the court.

In a decision dated 21 January 1997,[3] the trial court rendered judgment for the herein petitioners upon its finding that the latter are innocent purchasers for value.

Therefrom, herein respondents appealed to the Court of Appeals, which appeal was thereat docketed as CA-G.R. CV No. 56367.

As stated at the outset hereof, the Court of Appeals, in the herein assailed Decision dated 10 August 2001, reversed and set aside the appealed decision of the trial court, thus:

“WHEREFORE, the appealed decision dated January 21, 1997 is hereby reversed and SET ASIDE and another one entered, as follows:

(1) The transfer certificate of title (TCT) No. (P) 914 issued in the name of defendants-appellees [referring to herein petitioners] and the deed of sale executed by Gregorio [sic] Yaptengco Keh covering the said property are hereby declared null and void;

(2) The defendants-appellees are hereby directed to reconvey said property to the plaintiffs-appellants [referring to herein respondents];

(3) The Register of Deeds is ordered to cancel the registration of said property in the name of defendants-appellees and to issue a new one in the name of herein plaintiffs-appellants.

SO ORDERED.”

In time, petitioners filed a motion for reconsideration but the same was denied by the appellate court in its equally challenged Resolution of 15 November 2001.

Hence, petitioners' present course on their lone submission that -

THE DECISION OF THE HONORABLE COURT OF APPEALS PROMULGATED ON AUGUST 10, 2001 REVERSING AND SETTING ASIDE THE EARLIER DECISION OF THE TRIAL COURT IN CIVIL CASE NO. 9170, AND ITS SUBSEQUENT RESOLUTION DATED NOVEMBER 15, 2001, DENYING THE MOTION FOR RECONSIDERATION FILED BY HEREIN PETITIONERS, ARE CONTRARY TO LAW AND JURISPRUDENCE.

The petition is impressed with merit.

As we see it, the recourse will either rise or fall on the decisive question of whether or not petitioners may be considered as innocent purchasers for value.

We rule and so hold that they are.

Concededly, the issue of whether or not one is an innocent purchaser for value is a question of fact which, as a rule, is not for this Court to determine.[4] In the same breath, however, there are recognized exceptions to such rule, not the least of which is when, as in this case, the findings of the Court of Appeals are contrary to that of the trial court.[5]

In concluding that herein petitioners could not be considered as innocent purchasers for value, the appellate court states:

We believe that, with the documentary evidence and testimonies of plaintiffs-appellants (referring to herein respondents) and their witnesses, defendant appellee (sic) Lorena P. Clemente, in her capacity as the natural guardian and mother of her co-defendants, minors Ken Marten Clemente and Charlie Clemente, did not diligently exercise and act in a manner expected of a cautious and reasonably prudent woman in consummating a contract of sale with Gregoria Yaptengco Keh on the basis of Transfer Certificate of Title No. (P) 911 in the latter's name, and on her verification in the Office of the Register of Deeds as to the status of the land, and on the mere assurance of the Register of Deeds that the title to the land was clear, clean and free from any encumbrance. Had she not relied, and had she gone further to the source or origin of TCT No. (P) 911, she would have easily discovered that the transfer and cancellation of Original Certificate of Title No. 30, and the consequent issuance of Transfer Certificate of Title No. (P) 911, in the name of Gregorio (sic) Yaptengco Keh, were irregular, defective and flawed, (Emphasis supplied),

and went further by saying -

From the aforesaid finding, it could be readily deduced that there was indeed an irregularity in the cancellation of O.C.T. No. 30 in the name of Antonia Alaurin and its transfer in the name of Gregoria Yaptengco [K]eh under Transfer Certificate of Title No. (P) 911. For, how can an affidavit of Adelina Alaurin (alleged daughter of Antonia) dated January 15, 1992 and designated as Doc. 103, Page No. 21, Book No. 91, Series of 1992 of the notarial register of Atty. Pedro C. Lelis confirm a later [D]eed of Absolute Sale (dated February 6, 1992) allegedly executed by her deceased parent Antonia Alaurin and Tomas Adamos and designated as Doc. No. 103, Page No. 92, Book No. 92, Series of 1992, of the same Notary Public, Atty. Pedro C. Lelis. This evident discrepancy and anomaly appearing on the face of the reconstituted owner's copy of O.C.T. No. 30, although not reflected and shown on the face of Transfer Certificate of Title No. (P) 911 in the name of Gregoria Yaptengco Keh should have put defendants on guard and cautioned them as to the status of the latter's title, (Emphasis supplied).

In short, the Court of Appeals faulted herein petitioners for not going beyond what appears on the face of the

vendor's TCT No. (P) 911. To said court, petitioners should have likewise scrutinized OCT No. 30, which is the source or origin of TCT No. (P) 911.

Regrettably, the appellate court's posture is inconsistent with law and established jurisprudence.

We have repeatedly ruled that where the real property involved is covered by a Torrens title, as here, the buyer, mortgagee, or, for that matter, any person dealing with said realty need not go beyond what appears on the face of the title. So it is that in the fairly recent case of *De Leon vs. Calalo*,^[6] we wrote:

Persons dealing with property covered by a torrens certificate of title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of torrens titles, as evidence of the lawful ownership of the land or of any encumbrance thereon, protects buyers and mortgagees who, in good faith, rely upon what appears on the face of the certificate of title.

Any buyer or mortgagee of realty covered by a Torrens certificate of title, in the absence of any suspicion, is not obligated to look beyond the certificate to investigate the titles of the seller appearing on the face of the certificate.^[7] And, he is charged with notice only of such burdens and claims as are annotated on the title.^[8]

We do acknowledge that the rule thus enunciated is not casts in stone. For, indeed, there are exceptions thereto. Thus, in *Sandoval vs. CA*,^[9] we made clear the following:

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

In the present case, however, we note that there is nothing in the assailed decision of the Court of Appeals which mentions of any circumstance which should have aroused the petitioners' suspicion other than the irregularity appearing on the face of OCT No. 30 – the source or origin of the vendor's TCT No. (P) 911. We must reiterate that petitioners have the right to rely merely on what appears on the face of TCT No. (P) 911 and need not delve into or scrutinize OCT No. 30 because at the time the subject land was sold to them, the same was already covered by TCT No. (P) 911. OCT No. 30 was then already nonexistent. And, there was no finding by the two (2) courts below that petitioners had actual knowledge of any irregularity in the issuance of TCT No. (P) 911 or its mother title, OCT No. 30.

Moreover, petitioners cannot be said to have been negligent in consummating the sale. It appears undisputed that they have examined the face of TCT No. (P) 911 and found no liens, encumbrances or irregularities appearing on its face, as in fact there was none. Likewise, prior to the sale, they made verifications with the Register of Deeds of Legazpi City and were assured that the land they were intending to buy was clear, clean and free from any encumbrance. Worse, they even conducted an ocular inspection of the land itself and saw the seller Gregoria Yaptengco Keh to be in actual possession thereof. We must stress that petitioners had all the reason to believe seller Gregoria Yaptengco Keh to be the lawful owner of the same land. For, as articulated by us in *Vda. de Retuerto vs. Barz*,^[10] "[i]t is 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."

Given the reality that petitioners had the right to rely on what appears on the face of the seller's TCT No. (P)911; had no actual knowledge of the irregularity in the issuance of the owner's duplicate copy of OCT No. 30; and had paid a full and fair consideration for the land sold to them, we rule and so hold that they are innocent purchasers for value. And with the property in question having already passed to the hands of innocent purchasers for value, it is now of no moment that some irregularity attended the issuance of the owner's duplicate copy of OCT No. 30, consistent with our pronouncement in *Cabuhat vs. CA*[11] where we reiterated the well-settled rule that "even if the procurement of a certificate of title was tainted with fraud and misrepresentation, such defective title may be the source of a completely legal and valid title in the hands of an innocent purchaser for value", the rationale therefor being expressed by us in the earlier case of *Republic vs. CA*[12] to wit:

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 total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing with property registered under the Torrens system would have to inquire in every instance whether the title has been regularly or irregularly issued. This is contrary to the evident purpose of the law. 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 behind the certificate to determine the condition of the property.

For sure, our resolution of the issue before us is very much consistent with Presidential Decree No. 1529, otherwise known as the Property Registration Decree, Section 53 of which reads in part:

SECTION 53. Presentation of the owner's duplicate upon entry of new certificates. – No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for causes shown.

The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith (Emphasis supplied).

FOR ALL THE FOREGOING, the Court resolves to GRANT, as it hereby GRANTS, the instant petition. Accordingly, the assailed Decision and Resolution of the Court of Appeals, are hereby REVERSED and SET ASIDE and the decision dated 21 January 1997 of the Regional Trial Court, Legazpi City, Branch 2, REINSTATED.

SO ORDERED.

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

Carpio-Morales, J., on leave.

[1] Rollo, pp. 51-60; Penned by Associate Justice Perlita J. Tria Tirona and concurred in by Associate Justices Eugenio S. Labitoria and Eloy R. Bello, Jr. of the Eighth Division.

[2] Rollo, pp. 62-63.

[3] Rollo, pp. 67-77.

[4] *Orquilla vs. CA*, 435 Phils. 323, 331 [2002].

[5] *Insular Life Assurance Company, Ltd. vs. CA*, G.R. No. 126850, April 28, 2004.

[6] 440 Phils. 449, 455 [2002].

[7] AFP Mutual Benefit Association, Inc. vs. CA, 383 Phils. 959, 977 [2000].

[8] Orquila vs. CA, 435 Phils. 323, 330 [2002].

[9] 260 SCRA 283, 295-296 [1996].

[10] 423 Phils. 1008, 1016 [2001].

[11] 418 Phils. 451, 456 [2001].

[12] 306 SCRA 81, 88-89 [1999].

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