THE HEIRS OF ROMANA SAVES, NAMELY: FIDELA ALMAIDA, EMILIANO ALMAIDA, JESUS ALMAIDA, CATALINA ALMAIDA, ALFREDO RAMOS, GINA RAMOS, LUZ ALMAIDA, ANITA ALMAIDA, PETRA GENERAL, EDNA ...

G.R. No. 152866. October 06, 2010

Ponente: LEONARDO-DE CASTRO, J.

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LEONARDO-DE CASTRO, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court from the Decision[1] promulgated on June 28, 2001 by the Court of Appeals, in CA-G.R. CV No. 51058, entitled "The Heirs of Romana Saves, et al. v. The Heirs of Escolastico Saves, et al.," reversing the Decision[2] dated May 23, 1995 of the Regional Trial Court (RTC) of Dumaguete City, Branch 39 in Civil Case No. 7678, in favor of the petitioners.

The facts of this case as narrated in the assailed Court of Appeals' Decision are as follows:

> Sometime on January 1921, several persons filed their respective claims before the then, Court of First Instance of the province of Oriental Negros for the titling of the respective lots they occupy, among them were Severo Chaves and Benedicta Chaves, who filed their claim for Lot No. 382, to be titled in their names, together with Escolastico Saves, Maximo Saves, Romana Saves, Rafaela Saves, and Januaria Saves, in Cadastral Case No. 15.
>
> On April 22, 1921, a Decision was rendered by the court, adjudicating several parcels of land to different claimants, among the lots adjudicated, were as follows:
>
> - Lote No. 382 - Se adjudica pro indiviso y en partes iguales a los hermanos Benedicta Saves, Escolastico Saves, Romana Saves, finado Rafaela Saves, Januaria Saves y Maximo Saves finado en la proindiviso de una sixta parte cada uno. La parte que corresponde a los difuntos Romana Saves y Maximo Saves perteneceran a sus hijos respectivos;
>
> - Lote No. 383 - Se adjudica con las mejores existentes en el a la acciedad conyugal formada por Escolastico Saves y Gaudencia Valencia;
>
> - Lote No. 386 - Se adjudica con las mejoras ixistentes en el a la acciedad conyugal formada por Escolastico Saves y Gaudencia Valencia;
>
> Also on April 22, 1921, Decree No. 177831 was issued by the United States of America for the Court of First Instance of the Province of Negros ordering the registration of Lot No. 382 in the names of Benedicta Saves, Escolastica Saves, the sons of Romana Saves, deceased, Rafaela Saves, Januaria Saves, and the sons of Maximo Saves, deceased.
>
> Thereafter, Severo Saves died intestate, leaving his wife, Teresa Ramirez, his four (4) surviving children, and the heirs of his two children who predeceased him.
>
> On June 21, 1941, Adelaida S. Martinez and Felicidad S. Martinez, who were the heirs of Januaria Saves, who

predeceased them, sold their 1/6 share in Lot No. 382 to a certain Gaudencia Valencia evidenced by a public instrument, with Doc. No. 1029, Page 46, Book IV, Series of 1941, of the notarial register, per allegation in a Motion for the Issuance of Transfer Certificate of Title, filed by Gaudencia Valencia.

On June 30, 1941, a Deed of Sale was executed by the heirs of Romana Saves, namely: Sinforosa Alimayda, Juan Alimayda, Vicente Alimayda, Felimon Alimayda and Porferia Alimayda; the sole heir of Rafaela Saves, Pablo Saves Dizon; and the sole heir of Escolastico Saves, Teodoro Saves, their respective 1/6 share in Lot No. 382, or 3/6 of the property, to Gaudencia Valencia.

On June 6, 1947, Benedicta Saves and Marcela Saves, the sole heir of Maximo Saves, sold their respective 1/6 share in Lot No. 382, also to Gaudencia Valencia, or 2/6 of the property, as embodied in a Deed of Absolute Sale.

Considering that all the 1/6 share, rights, and participation of each co-owner in Lot No. 382 were already sold to Gaudencia Valencia, she initiated the titling of the said property under her name in a Motion for Issuance of Transfer Certificate of Title before the Court of First Instance of Negros Oriental. Subsequently, Transfer Certificate of Title No. 148 was issued by the Register of Deeds for Negros Oriental in the name of Gaudencia Valencia.

Sometime in 1961, Gaudencia Valencia sold the entire property to Enriqueta Chavez Abella, and Transfer Certificate of Title No. 110 was issued in the name of Enriqueta Chavez, who was married to Charles Abella.

In 1979, Meleriana Saves, who was then residing in Cebu, wrote her relatives in Negros Oriental, the herein appellees, asking them to verify from the Register of Deeds information pertaining to Lot 382, as they were among the heirs entitled to said property.

On March 17, 1981, a case for Reconveyance, Partition, and Damages was filed before the Regional Trial Court of Negros Oriental by plaintiffs-appellees, alleging, inter alia, that Lot No. 382 was fraudulently acquired by Gaudencia Valencia, and that Gaudencia Valencia fictitiously sold the lot to her grandchild Enriqueta Chaves Abella.

The complaint was amended twice by plaintiffs considering that the original plaintiffs and defendants were all deceased.

The parties failed to arrive to an amicable settlement during the pre-trial stage, but have agreed to exclude Lot 386 in the litigation and limited the issues as to the ownership of lots 382 and 383, thus, trial ensued.[3] (Citations omitted.)

The trial court rendered a Decision in favor of the petitioners, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing considerations, judgment is rendered -

1. Dismissing defendants' counterclaim;

2. Declaring the Deed of Sale and Deed of Absolute Sale null and void ab initio; and being derived from a polluted source, whatever documents Gaudencia Valencia executed in favor of defendant Enriquita Chavez Abella in relation to Lot No. 382, Dumaguete Cadastre and the issuance of TCT No. 110 covering said lot, suffers the same legal infirmity that of a total nullity;

3. Ordering defendant Enriquita Chavez Abella to convey and deliver unto the plaintiffs their shares of Lot No. 382, Dumaguete Cadastre in the proportion of their respective rights and interests thereto which they are entitled to participate and succeed from the shares of their predecessors-in-interest who are the original registered owners of the aforesaid lot; and after which, the parties are ordered to effect physical division and partition of the lot in question to avoid further animosity between and among themselves;

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> 4. Ordering defendant Enriquita Chavez Abella to pay plaintiffs P6,000.00 as litigation expenses and P2,500.00 as plaintiff's counsel court appearances as well as moral damages in the sum of P120,000.00;
>
> 5. Dismissing plaintiff's claim of Lot No. 383, Dumaguete Cadastre, for lack of merit, the same is originally titled in the name of Escolastico Saves, married to Gaudencia Valencia; and
>
> 6. Defendant Enriquita Chavez Abella is ordered to pay the costs.[4] (Citations omitted.)

Respondents appealed the RTC Decision to the Court of Appeals which reversed and set aside the same in the herein assailed Court of Appeals Decision, the dispositive portion of which reads:

> WHEREFORE, premises considered, the Decision dated, May 23, 1995 rendered by the Regional Trial Court of Negros Oriental, Branch 39, is hereby REVERSED and SET ASIDE, and a new one entered, declaring Transfer Certificate of Title No. 110 in the name of Enriqueta Chaves Abella as valid and subsisting, and the complaint filed by the plaintiffs is DISMISSED for lack of merit.[5]

Petitioners filed a Motion for Reconsideration but this was denied by the Court of Appeals in a Resolution[6] promulgated on March 7, 2002, the dispositive portion of which reads:

> WHEREFORE, the foregoing premises considered, the Motion for Reconsideration is DENIED for lack of merit.[7]

Unperturbed by the adverse Court of Appeals Decision, petitioners come before this Court and raise the following issues:

> (a) Can the Court of Appeals, in the exercise of its appellate jurisdiction, consider as evidence exhibits not formally offered as such by the defendants (now respondents) in the trial court?
>
> (b) Are exhibits (Exhibits "7", "8" and "13") not formally offered as evidence by the defendants in the trial court subject to judicial notice by the Court of Appeals for the purpose of utilizing the same as basis for the reversal of the trial court's decision?
>
> (c) Is it legally correct to consider a rule of evidence simply as a rule of procedure? x x x.[8]

Petitioners also put into issue the failure of the Court of Appeals to consider respondent Enriquita Chaves-Abella (hereinafter "Abella") a purchaser and registrant in bad faith[9] and the reasonableness of its declaration that, even if petitioners are indeed co-owners of Lot No. 382, they are already barred due to the equitable principle of estoppel by laches in asserting their rights over the same.[10]

We find the instant petition to be without merit.

The first three issues propounded by petitioners can be summed up into the question of whether or not the Court of Appeals can consider evidence not formally offered in the trial court as basis for the herein assailed Court of Appeals ruling.

Petitioners draw attention to the fact that respondents did not formally offer Exhibits "7," "8" and "13" at the trial court proceedings. In accordance with Section 34, Rule 132 of the Revised Rules of Court,[11] the trial court did not consider them as evidence. Despite this, the Court of Appeals allegedly utilized the same as basis for reversing and setting aside the trial court's decision.

It is a basic procedural rule that the court shall consider no evidence which has not been formally offered. The purpose for which the evidence is offered must be specified.[12] A formal offer is necessary because judges are mandated to rest their findings of facts and their judgment only and strictly upon the evidence offered by the parties at the trial. Its function is to enable the trial judge to know the purpose or purposes for which the proponent

is presenting the evidence. On the other hand, this allows opposing parties to examine the evidence and object to its admissibility. Moreover, it facilitates review as the appellate court will not be required to review documents not previously scrutinized by the trial court.[13]

However, in People v. Napat-a,[14] citing People v. Mate,[15] we relaxed the foregoing rule and allowed evidence not formally offered to be admitted and considered by the trial court provided the following requirements are present, viz: first, the same must have been duly identified by testimony duly recorded and, second, the same must have been incorporated in the records of the case.[16]

In the case at bar, the records would show that the above requisites have been satisfactorily complied with respect to Exhibit "7."

With regard to Exhibit "7," which is a document entitled "Motion for the Issuance of Transfer Certificate of Title" filed by Gaudencia Valencia (hereinafter "Valencia") in the same trial court that led to the issuance of Transfer Certificate of Title (TCT) No. 148, the records would show that it is the same document that petitioners' witness Fruto Rosario identified in his March 5, 1984 testimony and marked as petitioner-plaintiffs' Exhibit "I." He testified as follows:

> Empleo
>
> Here is another document, Mr. Rosario, which appears to be a motion for issuance of transfer certificate of title, dated March 9, 1948, in 3 pages. Will you please go over this certified true copy of the motion in Cad. Case No. 1, GLRO Rec. No. 140, Lot 382, and find out if these are among the documents which you have obtained in connection with your verification?
>
> A
>
> Yes, this is the one, these are among the documents.
>
> Empleo
>
> We request that this certified true copy of the motion for issuance of transfer certificate of title in Cad. Case No. 1, GLRO Rec. No. 140, Lot 382, be marked as Exhibit "I" for page one; "I-1" for page two and "I-2" for page 3.
>
> Appearing on Exh. I is a third paragraph, which states, "that Maximo Saves, owner of 1/6 of Lot 382 is now dead, upon his death Marcela Saves is the only heiress and successor of his rights and interest in and over 1/6 portion of said lot." Do you understand that?
>
> A
>
> Yes, Sir.
>
> Q
>
> Is it true that Maximo Saves left only one heir named Marcela Saves?
>
> A
>
> No, Sir, it is not true.
>
> Q
>
> Why is it not true?
>
> A

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Because Maximo had two children, Sir.

Empleo

We request that paragraph 3 be marked as Exhibit "I-3".

Court (to witness): Who died ahead Severa or Maximo?

A

Maximo, Sir.

Court

Who died ahead Marcela or Severa?

A

Severa.

Court

Did Severa die before 1948?

A

No, Sir, because she died before the war; she died in 1940.

Court

So, when this motion for issuance of certificate of title was filed on March 10, 1948, Severa had already died?

A

Yes, Sir.

Court

And when this motion was filed on March 10, 1948, Marcela was still alive?

A

Yes.

Court

That is why the motion and which resulted to a certificate of title had only claim Marcela as a surviving heir of Maximo?

A

That is not so, Sir, because what about us the children of Severa?

Court

ORDER

The hour of noon having come, continuance of the direct examination of fifth plaintiffs' witness Fruto Rosario, as already scheduled, will be done tomorrow at 10:30 a.m.[17]

Verily, Exhibit "7" was incorporated and made part of the records of this case as a common exhibit of the

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parties.[18] That only plaintiffs were able to formally offer the said motion as Exhibit "I" most certainly does not mean that it can only be considered by the courts for the evidentiary purpose offered by plaintiffs. It is well within the discretion of the courts to determine whether an exhibit indeed serves the probative purpose for which it is offered.

Likewise, Exhibit "13," which is TCT No. 110[19] or the Torrens title that was issued to respondent Abella after she bought Lot No. 382 from Valencia, complies with the requirements enunciated in Napat-a and Mate.

The records of the case bear out that Exhibit "13" was identified by respondent Abella during the continuation of her direct examination on March 15, 1988. This much was noted even by the trial court in its Decision dated May 23, 1995, to wit:

> During the continuation of the direct examination, witness Enriquita Chavez Abella testified and identified the TCT No. 110 of Lot No. 382 registered in the name of Enriquita Chavez which priorly reserved and now marked Exh. "13." x x x.[20] (Emphasis supplied.)

Moreover, it cannot be denied that Exhibit "13" was included in the records that was elevated to the Court of Appeals.[21] In fact, the Court of Appeals correctly noted Abella's testimony regarding this document in resolving petitioners' motion for reconsideration.[22]

It is likewise worth emphasizing that under the Revised Rules on Evidence, an admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof - such admission may be contradicted only by showing that it is made through palpable mistake or that no such admission was made.[23]

The existence of Exhibit "13" was not only known to petitioners but it was expressly alleged in their Appellees' Brief[24] filed with the Court of Appeals and their Petition for Review[25] filed with this Court that Lot No. 382 is registered in the name of respondent Abella.

Indeed, petitioners did not merely acknowledge the existence of TCT No. 110 (respondents' Exhibit "13"), but in fact relied upon it in order to put forward their main theory that the sale from Valencia to respondent Abella is fictitious or void because, according to petitioners, it appears from the said title that respondent Abella was supposedly only nine years old at the time of the transaction. Verily, it is inconsistent for petitioners to claim that Exhibit "13" proves its theory and in the same breath assail it as inadmissible.

Lastly, petitioners' present objection to Exhibit "8" hardly deserves any credit. Exhibit "8" is a rather innocuous document which has no bearing on any of the significant issues in this case. Its existence was only referred to in the second paragraph of page 7 of the RTC Decision wherein it is identified as an "Order of the Hon. Court dated May 11, 1948."[26] Though it never formed part of the records of this case upon appeal, a careful perusal of the assailed Court of Appeals' Decision would reveal that Exhibit "8" was not in any way used or referred to by the Court of Appeals in arriving at the aforementioned ruling.

Anent the issue of whether or not the Court of Appeals erred in failing to consider that respondent Abella is a purchaser in bad faith, petitioner insists that "for failing to exercise prudent (sic) and caution in buying the property in question,"[27] respondent Abella is a buyer in bad faith. She did not investigate closely the basis of the ownership of Gaudencia Valencia, her grandmother, over Lot No. 382 which a buyer in good faith should have done under the circumstances. She did not even bother to know the persons from whom her grandmother acquired the parcel in question. [28]

Respondents argue that the issue of good faith or bad faith of Enriquita Chaves-Abella was not raised in the Complaint filed by petitioners in the RTC. Petitioners' original theory of the case is that the sale by Gaudencia Valencia to Enriquita Chaves-Abella was fictitious because the latter was only nine years old at the time of the

sale. However, during trial, it was clearly established by common evidence that Enriquita was already married to Charles Abella when she bought the lot in 1961, and, as a matter of fact, the purchase money was provided by her husband, Charles. Confronted with the above situation which completely destroyed their theory of the case, petitioners switched from their "fictitious sale to a 9-year old" theory to an entirely different theory, to wit: that Enriquita Chaves-Abella is a purchaser in bad faith.[29]

Despite this, the RTC declared that respondent Abella is a purchaser in bad faith because "[s]he did not investigated (sic) closely the basis of the ownership of Gaudencia Valencia over Lot No. 382 which a buyer in good faith should have done under the circumstances."[30]

The Court of Appeals reversed the above finding and ruled that respondent Abella is an innocent purchaser for value and in good faith because the "[r]ecords reveal that appellant derived her title of Lot No. 382 from the title of Gaudencia Valencia, who sold the entire property to the former. Appellant relied on the face of Transfer Certificate of Title No. 148 in the name of Gaudencia Valencia, which was free from any encumbrances or annotation."[31]

We agree with the Court of Appeals' ruling in this regard.

It is a well-settled doctrine that one who deals with property registered under the Torrens system need not go beyond the same, but only has to rely on the certificates of title. He is charged with notice only of such burdens and claims as are annotated on the certificates.[32]

In the case at bar, TCT No. 110, which represented proof of respondent Abella's ownership of Lot No. 382, did not contain any encumbrance or annotation that was transferred from its title of origin - TCT No. 148. It must be recalled that the plaintiffs called Abella as one of their witnesses during the trial of this case. It is Abella's unrebutted testimony, elicited as a hostile witness for the plaintiffs, that her predecessor-in-interest's (Valencia's) title was clean when she (Abella) purchased the property.[33] To be sure, the burden to prove that Abella had notice of any defect in the title of her predecessor lies with the plaintiffs. Plaintiffs failed to substantiate their contention. On the contrary, their own evidence tended to prove that Abella was a purchaser in good faith of the property.

Likewise, there is no cogent reason or legal compulsion for respondent Abella to inquire beyond Valencia's title over the property at issue since the latter had been in possession of Lot No. 382 prior to the sale. Settled is the rule that a buyer of real property in possession of persons other than the seller must be wary and should investigate the rights of those in possession, for without such inquiry the buyer can hardly be regarded as a buyer in good faith and cannot have any right over the property.[34] As pointed out by the assailed Court of Appeals' Decision, Valencia had been occupying the property prior to its sale to respondent Abella. Herein petitioners were never in possession of the property from the very start, nor did they have any idea that they were entitled to the fruits of the property not until co-petitioner Meleriana Saves wrote her relatives, co-petitioners in this case, about the possibility of having a claim to the property. [35]

Neither does the plaintiffs' insistence that Exhibits "G" and "H" (the deeds of sale executed in favor of Valencia) were void support their theory that Abella is a purchaser in bad faith. To begin with, we agree with the Court of Appeals' ruling that the purported irregularities in Exhibits "G" and "H" relied upon by the trial court hardly suffice to deem the said contracts as null and void. There is no need to repeat the Court of Appeals' comprehensive and apt discussions on this point here. What must be highlighted, however, is the fact that Abella had no participation in the execution of Exhibits "G" and "H" which were signed by the parties thereto when she was very young. Like any stranger to the said transactions, it was reasonable for Abella to assume that these public documents were what they purport to be on their face in the absence of any circumstance to lead her to

believe otherwise.

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.[36] Clearly, the factual circumstances surrounding respondent Abella's acquisition of Lot No. 382 makes her an innocent purchaser for value or a purchaser in good faith.

Finally, on the issue of whether or not petitioners, in the remote possibility that they are co-owners of Lot No. 382, are barred from asserting their claims over the same because of estoppel by laches, petitioners argue that they are not guilty of unreasonable and unexplained delay in asserting their rights, considering that they filed the action within a reasonable time after their discovery of the allegedly fictitious deeds of sale, which evinced Lot No. 382's transfer of ownership to Valencia, in 1980. They maintain that the delay in the discovery of the simulated and fictitious deeds was due to the fact that Escolastico Saves with spouse Valencia committed the acts surreptitiously by taking advantage of the lack of education of plaintiffs' ascendants.[37]

Respondents counter petitioners' claims by underscoring the fact that, since the 1940's when their predecessors-in-interest sold their shares in and over Lot No. 382 up to the filing of this case in 1981, petitioners had never taken possession of Lot No. 382 nor did they file any claim adverse to the ownership of Gaudencia Valencia. Since the sale of Lot No. 382 by Valencia to respondent Abella in 1961 up to 1981 when this case was filed, petitioners had continued to sleep on their professed rights. As found by the Court of Appeals, "[p]laintiffs were never in possession of the property from the very start, nor did they have any inkling that they were entitled to the fruits of the property, not until one of the plaintiffs wrote her relatives about the possibility of being heirs to the property."[38]

On this issue, we again hold in favor of respondents.

Laches is defined as the failure to assert a right for an unreasonable and unexplained length of time, warranting a presumption that the party entitled to assert it has either abandoned or declined to assert it.[39] In the case at bar, plaintiffs, assuming that they or their predecessors-in-interest had rights over the land in question, obviously neglected to exercise these rights by failing to assert any adverse claim over the property or demand any share of its fruits for many years. Not unlike their predecessors, petitioners never interposed any challenge to Valencia's continued possession under title of ownership over Lot No. 382 ever since the entire property was sold to her in 1947 which led to the issuance of TCT No. 148 in her name. Likewise, petitioners and their predece

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