

**GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS.
EDUARDO M. SANTIAGO, SUBSTITUTED BY HIS WIDOW ROSARIO
ENRIQUEZ VDA. DE SANTIAGO, RESPONDENT.**

G.R. No. 155206. October 28, 2003

Ponente: CALLEJO, SR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-155206/>

CALLEJO, SR., J.:

Before the Court is the petition for review on certiorari filed by the Government Service Insurance System (GSIS), seeking to reverse and set aside the Decision[1] dated February 22, 2002 of the Court of Appeals (CA) in CA-G.R. CV No. 62309 and its Resolution dated September 5, 2002 denying its motion for reconsideration.

The antecedent facts of the case, as culled from the assailed CA decision and that of the trial court, are as follows:

Deceased spouses Jose C. Zulueta and Soledad Ramos obtained various loans from defendant GSIS for (the) period September, 1956 to October, 1957 in the total amount of P3,117,000.00 secured by real estate mortgages over parcels of land covered by TCT Nos. 26105, 37177 and 50365. The Zuluetas failed to pay their loans to defendant GSIS and the latter foreclosed the real estate mortgages dated September 25, 1956, March 6, 1957, April 4, 1957 and October 15, 1957.

On August 14, 1974, the mortgaged properties were sold at public auction by defendant GSIS submitting a bid price of P5,229,927.84. Not all lots covered by the mortgaged titles, however, were sold. Ninety-one (91) lots were expressly excluded from the auction since the lots were sufficient to pay for all the mortgage debts. A Certificate of Sale (Annex "F," Records, Vol. I, pp. 23-28) was issued by then Provincial Sheriff Nicanor D. Salaysay.

The Certificate of Sale dated August 14, 1974 had been annotated and inscribed in TCT Nos. 26105, 37177 and 50356, with the following notations: "(T)he following lots which form part of this title (TCT No. 26105) are not covered by the mortgage contract due to sale to third parties and donation to the government: 50-H-5-C-9-J-65-H-8, 50-H-5-C-9J-M-7; 50-H-5-C-9-J-65-H-5; 1 lots Nos. 1 to 13, Block No. 1 --6,138 sq.m. 2. Lots Nos. 1 to 11, Block No. 2 -4,660 sq.m. 3. Lot No. 15, Block No. 3 -487 sq.m. 4. Lot No. 17, Block No. 4 -263 sq.m. 5. Lot No. 1, Block No. 7 - 402 sq.m. 6. Road Lots Nos. 1, 2, 3, & 4 - 2,747 sq.m."

In another "NOTE: The following lots in the Antonio Subdivision were already released by the GSIS and therefore are not included in this sale, namely: LOT NO. 1, 6, 7, 8, 9, 10, and 13 (Old Plan) Block I; 1, 3, 4, 5, 7, 8 and 10 (Old Plan) Block II; 3, 10, 12 and 13 (New Plan) Block I (Old Plan) Block III; 7, 14 and 20 (New Plan) Block III (Old Plan) Block V; 13 and 20 (New Plan) Block IV (Old Plan) Block VI; 1, 2, 3 and 10 (New Plan) Block V (Old Plan) Block VII; 1, 5, 8, 15, 26 and 27 (New Plan) Block VI (Old Plan) Block VIII; 7, 12 and 20 (New Plan) Block VII (Old Plan) Block II; 1, 4 and 6 (New Plan) Block VIII (Old Plan) Block X; 5 (New Plan) Block X (Old Plan) Block ZXII; 6 (New Plan) Block XI (Old Plan) Block XII; 1, Block 9; 12 Block 1; 11 Block 2; 19 Block 1; 10 Block 6; 23 Block 3."

And the lots on "ADDITIONAL EXCLUSION FROM PUBLIC SALE" are "LOTS NO. 6 Block 4; 2 Block 2; 5 Block 5; 1, 2 and 3 Block 11, 1, 2, 3 and 4 Block 10; 5 Block 11 (New); 1 Block 3; 5 Block 1; 15 Block 7; 11

Block 9; 13 Block 5; 12 Block 5; 3 Block 10; 6."

On November 25, 1975, an Affidavit of Consolidation of Ownership (Annex "G," Records, Vol. I, pp. 29-31) was executed by defendant GSIS over Zulueta's lots, including the lots, which as earlier stated, were already excluded from the foreclosure.

On March 6, 1980, defendant GSIS sold the foreclosed properties to Yorkstown Development Corporation which sale was disapproved by the Office of the President of the Philippines. The sold properties were returned to defendant GSIS.

The Register of Deeds of Rizal cancelled the land titles issued to Yorkstown Development Corporation. On July 2, 1980, TCT No. 23552 was issued cancelling TCT No. 21926; TCT No. 23553 cancelled TCT No. 21925; and TCT No. 23554 cancelling TCT No. 21924, all in the name of defendant GSIS.

After defendant GSIS had re-acquired the properties sold to Yorkstown Development Corporation, it began disposing the foreclosed lots including the excluded ones.

On April 7, 1990, representative Eduardo Santiago and then plaintiff Antonio Vic Zulueta executed an agreement whereby Zulueta transferred all his rights and interests over the excluded lots. Plaintiff Eduardo Santiago's lawyer, Atty. Wenceslao B. Trinidad, wrote a demand letter dated May 11, 1989 (Annex "H," Records, Vol. I, pp. 32-33) to defendant GSIS asking for the return of the eighty-one (81) excluded lots.[2]

On May 7, 1990, Antonio Vic Zulueta, represented by Eduardo M. Santiago, filed with the Regional Trial Court (RTC) of Pasig City, Branch 71, a complaint for reconveyance of real estate against the GSIS. Spouses Alfeo and Nenita Escasa, Manuel III and Sylvia G. Urbano, and Marciana P. Gonzales and the heirs of Mamerto Gonzales moved to be included as intervenors and filed their respective answers in intervention. Subsequently, the petitioner, as defendant therein, filed its answer alleging inter alia that the action was barred by the statute of limitations and/or laches and that the complaint stated no cause of action. Subsequently, Zulueta was substituted by Santiago as the plaintiff in the complaint a quo. Upon the death of Santiago on March 6, 1996, he was substituted by his widow, Rosario Enriquez Vda. de Santiago, as the plaintiff.

After due trial, the RTC rendered judgment against the petitioner ordering it to reconvey to the respondent, Rosario Enriquez Vda. de Santiago, in substitution of her deceased husband Eduardo, the seventy-eight lots excluded from the foreclosure sale. The dispositive portion of the RTC decision reads:

WHEREFORE, judgment is hereby rendered in favor of plaintiff and against the defendant:

- Ordering defendant to reconvey to plaintiff the seventy-eight (78) lots released and excluded from the foreclosure sale including the additional exclusion from the public sale, namely:
- Lot Nos. 1, 6, 7, 8, 0, 10, 13, Block I (Old Plan).
- Lot Nos. 1, 3, 4, 5, 7, 8 and 10, Block II (Old Plan).
- Lot Nos. 3, 10, 12, and 13, Block I (New Plan), Block III (Old Plan),
- Lot Nos. 7, 14 and 20, Block III (New Plan), Block V (Old Plan).
- Lot Nos. 13 and 20, Block IV (New Plan), Block VI (Old Plan).
- Lot Nos. 1, 2, 3 and 10, Block V (New Plan), Block VII (Old Plan).
- g. Lot Nos. 1, 5, 8, 15, 26 and 27, Block VI (New Plan), Block VIII (Old Plan).
- Lot Nos. 7 and 12, Block VII (New Plan), Block II (Old Plan).

- Lot Nos. 1, 4 and 6, Block VIII (New Plan), Block X (Old Plan).
- Lot 5, Block X (New Plan), Block XII (Old Plan).
- Lot 6, Block XI (New Plan), Block XII (Old Plan).
- Lots 2, 5, 12 and 15, Block I.
- Lots 6, 9 and 11, Block 2.
- Lots 1, 5, 6, 7, 16 and 23, Block 3.
- Lot 6, Block 4.
- Lots 5, 12, 13 and 24, Block 5.
- Lots 10 and 16, Block 6.
- Lots 6 and 15, Block 7.
- Lots 13, 24, 28 and 29, Block 8.
- Lots 1, 11, 17 and 22, Block 9.
- Lots 1, 2, 3 and 4, Block 10.
- Lots 1, 2, 3 and 5 (New), Block 11.
- Ordering defendant to pay plaintiff, if the seventy-eight (78) excluded lots could not be reconveyed, the fair market value of each of said lots.
- Ordering the Registry of Deeds of Pasig City to cancel the land titles covering the excluded lots in the name of defendant or any of its successors-in-interest including all derivative titles therefrom and to issue new land titles in plaintiff's name.
- Ordering the Registry of Deeds of Pasig City to cancel the Notices of Lis Pendens inscribed in TCT No. PT-80342 under Entry No. PT-12267/T-23554; TCT No. 81812 under Entry No. PT-12267/T-23554; and TCT No. PT-84913 under Entry No. PT-12267/T-23554.
- Costs of suit.[3]

The petitioner elevated the case to the CA which rendered the assailed decision affirming that of the RTC. The dispositive portion of the assailed decision reads:

WHEREFORE, premises considered, the herein appeal is DISMISSED for lack of merit. The Decision of December 17, 1997 of Branch 71 of the Regional Trial Court of Pasig City is hereby AFFIRMED.[4]

The petitioner moved for a reconsideration of the aforesaid decision but the same was denied in the assailed CA Resolution of September 5, 2002.

The petitioner now comes to this Court alleging that:

THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN RULING THAT A) PETITIONER WAS GUILTY OF BAD FAITH WHEN IN TRUTH AND IN FACT, THERE WAS NO SUFFICIENT GROUND TO SUPPORT SUCH CONCLUSION; AND B) THERE WAS NO PRESCRIPTION IN THIS CASE.[5]

In its petition, the petitioner maintains that it did not act in bad faith when it erroneously included in its certificate

of sale, and subsequently consolidated the titles in its name over the seventy-eight lots ("subject lots") that were excluded from the foreclosure sale. There was no proof of bad faith nor could fraud or malice be attributed to the petitioner when it erroneously caused the issuance of certificates of title over the subject lots despite the fact that these were expressly excluded from the foreclosure sale.

The petitioner asserts that the action for reconveyance instituted by the respondent had already prescribed after the lapse of ten years from November 25, 1975 when the petitioner consolidated its ownership over the subject lots. According to the petitioner, an action for reconveyance based on implied or constructive trust prescribes in ten years from the time of its creation or upon the alleged fraudulent registration of the property. In this case, when the action was instituted on May 7, 1990, more than fourteen years had already lapsed. Thus, the petitioner contends that the same was already barred by prescription as well as laches.

The petitioner likewise takes exception to the holding of the trial court and the CA that it (the petitioner) failed to apprise or return to the Zuluetas, the respondent's predecessors-in-interest, the seventy-eight lots excluded from the foreclosure sale because the petitioner had no such obligation under the pertinent loan and mortgage agreement.

The petitioner's arguments fail to persuade.

At the outset, it bears emphasis that the jurisdiction of this Court in a petition for review on certiorari under Rule 45 of the Rules of Court, as amended, is limited to reviewing only errors of law. This Court is not a trier of facts. Case law has it that the findings of the trial court especially when affirmed by the CA are binding and conclusive upon this Court. Although there are exceptions to the said rule, we find no reason to deviate therefrom.[6] By assailing the findings of facts of the trial court as affirmed by the CA, that it acted in bad faith, the petitioner thereby raised questions of facts in its petition.

Nonetheless, even if we indulged the petition and delved into the factual issues, we find the petition barren of merit.

That the petitioner acted in bad faith in consolidating ownership and causing the issuance of titles in its name over the subject lots, notwithstanding that these were expressly excluded from the foreclosure sale was the uniform ruling of the trial court and appellate court. As declared by the CA:

The acts of defendant-appellant GSIS in concealing from the Zuluetas [the respondent's predecessors-in-interest] the existence of these lots, in failing to notify or apprise the spouses Zulueta about the excluded lots from the time it consolidated its titles on their foreclosed properties in 1975, in failing to inform them when it entered into a contract of sale of the foreclosed properties to Yorkstown Development Corporation in 1980 as well as when the said sale was revoked by then President Ferdinand E. Marcos during the same year demonstrated a clear effort on its part to defraud the spouses Zulueta and appropriate for itself the subject properties. Even if titles over the lots had been issued in the name of the defendant-appellant, still it could not legally claim ownership and absolute dominion over them because indefeasibility of title under the Torrens system does not attach to titles secured by fraud or misrepresentation. The fraud committed by defendant-appellant in the form of concealment of the existence of said lots and failure to return the same to the real owners after their exclusion from the foreclosure sale made defendant-appellant holders in bad faith. It is well-settled that a holder in bad faith of a certificate of title is not entitled to the protection of the law for the law cannot be used as a shield for fraud.[7]

The Court agrees with the findings and conclusion of the trial court and the CA. The petitioner is not an ordinary mortgagee. It is a government financial institution and, like banks, is expected to exercise greater care and prudence in its dealings, including those involving registered lands.[8] The Court's ruling in *Rural Bank of Compostela v. CA*[9] is apropos:

Banks, indeed, should exercise more care and prudence in dealing even with registered lands, than private individuals, for their business is one affected with public interest, keeping in trust money belonging to their depositors, which they should guard against loss by not committing any act of negligence which amounts to lack of good faith by which they would be denied the protective mantle of land registration statute, Act [No.] 496, extended only to purchasers for value and in good faith, as well as to mortgagees of the same character and description.[10]

Due diligence required of banks extend even to persons, or institutions like the petitioner, regularly engaged in the business of lending money secured by real estate mortgages.[11]

In this case, the petitioner executed an affidavit in consolidating its ownership and causing the issuance of titles in its name over the subject lots despite the fact that these were expressly excluded from the foreclosure sale. By so doing, the petitioner acted in gross and evident bad faith. It cannot feign ignorance of the fact that the subject lots were excluded from the sale at public auction. At the least, its act constituted gross negligence amounting to bad faith. Further, as found by the CA, the petitioner's acts of concealing the existence of these lots, its failure to return them to the Zuluetas and even its attempt to sell them to a third party is proof of the petitioner's intent to defraud the Zuluetas and appropriate for itself the subject lots.

On the issue of prescription, generally, an action for reconveyance of real property based on fraud prescribes in four years from the discovery of fraud; such discovery is deemed to have taken place upon the issuance of the certificate of title over the property. Registration of real property is a constructive notice to all persons and, thus, the four-year period shall be counted therefrom.[12] On the other hand, Article 1456 of the Civil Code provides:

Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

An action for reconveyance based on implied or constructive trust prescribes in ten years from the alleged fraudulent registration or date of issuance of the certificate of title over the property.[13]

The petitioner's defense of prescription is untenable. As held by the CA, the general rule that the discovery of fraud is deemed to have taken place upon the registration of real property because it is "considered a constructive notice to all persons" does not apply in this case. The CA correctly cited the cases of *Adille v. Court of Appeals*[14] and *Samonte v. Court of Appeals*,[15] where this Court reckoned the prescriptive period for the filing of the action for reconveyance based on implied trust from the actual discovery of fraud.

In ruling that the action had not yet prescribed despite the fact that more than ten years had lapsed between the date of registration and the institution of the action for reconveyance, the Court in *Adille* ratiocinated:

It is true that registration under the Torrens system is constructive notice of title, but it has likewise been our holding that the Torrens title does not furnish a shield for fraud. It is therefore no argument to say that the act of registration is equivalent to notice of repudiation, assuming there was one, notwithstanding the long-standing rule that registration operates as a universal notice of title.

For the same reason, we cannot dismiss private respondents' claims commenced in 1974 over the estate registered in 1955. While actions to enforce a constructive trust prescribes in ten years, reckoned from the date of the registration of the property, we, as we said, are not prepared to count the period from such a date in this case. We note the petitioner's sub rosa efforts to get hold of the property exclusively for himself beginning with his fraudulent misrepresentation in his unilateral affidavit of extrajudicial settlement that he is "the only heir and child of his mother Feliza with the consequence that he was able to secure title in his name [alone]." Accordingly, we hold that the right of the private respondents commenced from the time they actually discovered the petitioner's act of fraud. According to the respondent Court of Appeals, they "came to know [of it] apparently only during the progress of the litigation." Hence, prescription is not a bar.[16]

The above ruling was reiterated in the more recent case of Samonte. In this case, as established by the CA, the respondent actually discovered the fraudulent act of the petitioner only in 1989:

... [T]he prescriptive period of the action is to be reckoned from the time plaintiff-appellee (then Eduardo M. Santiago) had actually discovered the fraudulent act of defendant-appellant which was, as borne out by the records, only in 1989. Plaintiff-appellee Eduardo M. Santiago categorically testified (TSN of July 11, 1995, pp. 14-15) that he came to know that there were 91 excluded lots in Antonio Village which were foreclosed by the GSIS and included in its consolidation of ownership in 1975 when, in 1989, he and Antonio Vic Zulueta discussed it and he was given by Zulueta a special power of attorney to represent him to recover the subject properties from GSIS. The complaint for reconveyance was filed barely a year from the discovery of the fraud.[17]

Following the Court's pronouncements in Adille and Samonte, the institution of the action for reconveyance in the court a quo in 1990 was thus well within the prescriptive period. Having acted in bad faith in securing titles over the subject lots, the petitioner is a holder in bad faith of certificates of title over the subject lots. The petitioner is not entitled to the protection of the law for the law cannot be used as a shield for frauds.[18]

Contrary to its claim, the petitioner unarguably had the legal duty to return the subject lots to the Zuluetas. The petitioner's attempts to justify its omission by insisting that it had no such duty under the mortgage contract is obviously clutching at straw. Article 22 of the Civil Code explicitly provides that "every person who, through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him."

WHEREFORE, the petition is DENIED for lack of merit. The assailed Decision dated February 22, 2002 and Resolution dated September 5, 2002 of the Court of Appeals in CA-G.R. CV No. 62309 are AFFIRMED IN TOTO. Costs against the petitioner.

SO ORDERED.

Bellosillo, (Chairman), Quisumbing, Austria-Martinez, and Tinga, JJ., concur.

[1] Penned by Associate Justice Sergio L. Pestaño with Associate Justices Conchita Carpio Morales and Martin S. Villanueva, Jr. concurring.

[2] CA Decision, pp. 3-5; Rollo, pp. 37-39.

[3] Rollo, p. 36.

[4] Id. at 44.

[5] Id. at 21-22.

[6] Baricuatro v. Court of Appeals, 325 SCRA 137 (2000).

[7] Id. at 42. (Citations omitted).

[8] Cruz v. Bancom Finance Corporation, 379 SCRA 490 (2002).

[9] 271 SCRA 76 (1997).

[10] Id. at 88.

[11] Adriano v. Pangilinan, 373 SCRA 544 (2002).

[12] Philippine Economic Zone Authority v. Fernandez, 358 SCRA 489 (2001).

[13] Ibid.

[14] 157 SCRA 455 (1988).

[15] 361 SCRA 173 (2001).

[16] Supra.

[17] Rollo, pp. 41-42.

[18] See note 6.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.