

**PVC INVESTMENT & MANAGEMENT CORPORATION,
PETITIONER, VS. JOSE BORCENA AND NICOMEDES RAVIDAS,
RESPONDENTS.**

G.R. NO. 155225. September 23, 2005

Ponente: GARCIA, J.

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GARCIA, J.:

In this petition for review on certiorari under Rule 45 of the Rules of Court, petitioner PVC Investment & Management Corporation seeks the annulment and setting aside of the following issuances of the Court of Appeals (CA) in CA-G.R. CV No. 68887, to wit:

- Decision dated 21 November 2001,[1] granting the appeal taken by the herein respondents Jose Borcena and Nicomedes Ravidas contra the Order dated 26 May 2000 of the Regional Trial Court at Cagayan de Oro City in its Civil Case No. 2000-84; and
- Resolution dated 13 September 2002,[2] denying petitioner's motion for reconsideration.

The present litigation has its genesis in Civil Case No. 5735 of the Regional Trial Court, Branch 25, Cagayan de Oro City, a suit thereat instituted by the herein petitioner PVC Investment & Management Corporation on 12 December 1977 against Casiano Olango, his wife Teofila Pacheco and District Land Officer Matias Vergara, Jr. for Declaration of Nullity and/or Cancellation of Free Patent No. (X-1)1513 and Original Certificate of Title No. P-1180 and Recovery of Possession of Real Property. Subject of the suit are two (2) parcels of land, denominated as Lot 2509-A and Lot 2509-1, both located in Cugman, City of Cagayan de Oro.

In that case, the trial court, in a decision dated 2 June 1998, rendered judgment for petitioner, as follows:

IN THE LIGHT OF THE FOREGOING CONSIDERATIONS, by preponderance of evidence, this Court hereby renders Judgment in favor of [petitioner], and against the defendants as follows:

- Declaring as Null and Void and cancelling [sic] Free Patent No. (X-1) 1513, issued by defendant Matias C. Vergara, Jr., District Land Officer, in the name of Casiano Olango married to Teofila Pacheco, covering the land in question, the same having been issued VOID Free Patent (X-1) 1513;
- Declaring [petitioner] to be the absolute owner of the land in question under TCT No. T-24157, including the improvements thereon found;
- Ordering defendant Casiano Olango to vacate the premises together with all the improvements and to remove all the improvements illegally introduced and to restore possession over said property to [petitioner], PVC Investment and Management Corporation;
- Defendant Casiano Olango is likewise ordered to pay the sum of Ten Thousand Pesos (P10,000.00) as actual damages, and the sum of Five Thousand Pesos (P5,000.00) as attorney's fees, as prayed for, and to pay the costs.

SO ORDERED. (Words in bracket ours).

With the aforementioned decision having become final and executory, a writ of execution[3] was issued commanding the Provincial Sheriff or any of his deputies to enforce the judgment. In compliance therewith, the sheriff served the writ to the herein respondents Jose Borcena and Nicomedes Ravidas who were then in possession of the lands subject of the case.

Respondents refused compliance with the writ, arguing that they were not parties to Civil Case No. 5735, much less impleaded as defendants therein, hence the judgment rendered in that case is unenforceable against them. On account thereof, the court issued an Order of Demolition[4] which the sheriff was determined to enforce against respondents despite their having filed with the sheriff an affidavit of third-party claim in accordance with Section 16, Rule 39 of the 1997 Rules of Civil Procedure.

To forestall the demolition of their houses and their eviction from the premises, respondents then filed with the Regional Trial Court at Cagayan de Oro City a complaint[5] against petitioner and the sheriff for Quieting of Title/Removal of Clouds from a Title With Application for Preliminary Injunction and/or Temporary Restraining Order and Recovery of Damages and Reimbursements. This complaint was docketed as Civil Case No. 2000-084 and raffled to Branch 24 of the court, from whence sprung the trial court's Order of 26 May 2000 which the respondents eventually elevated to the Court of Appeals in CA-G.R. CV No. 68887.

In their complaint, respondents, as plaintiffs therein, predicate their claim of ownership over the two (2) parcels of land in question on the basis of two (2) separate Deeds of Absolute Sale[6] dated 14 May 1976 and 16 May 1976, respectively executed in their favor by Casiano Olango, a party-defendant in the earlier Civil Case No. 5735. They alleged that they acquired their respective landholdings in good faith from Casiano Olango, then the registered owner thereof under Original Certificate of Title No. P-1180[7] which was issued on the basis of Free Patent No. (X-1) 1513 awarded to Olango in 1974 by the Bureau of Lands, Cagayan de Oro City, and that after Casiano Olango executed the aforementioned absolute deeds of conveyance, they took possession of their respective areas, paid the real estate taxes therefor and started introducing improvements thereon. They assert that they are not only the equitable or beneficial owners of the subject premises but are in fact the legal owners of the same, having exercised and performed all acts of legitimate claim thereon in good faith for more than 20 years.

To the complaint, petitioner interposed a Motion to Dismiss[8] on the following grounds:

I.

THAT THE PLEADING ASSERTING THE CLAIM STATES NO CAUSE OF ACTION. (RULE 16, SECTION 1, PARAGRAPH (g), 1997 RULES OF CIVIL PROCEDURE).

II.

THAT THE CAUSE OF ACTION IS BARRED BY PRIOR JUDGMENT. (RULE 16, SECTION 1, PARAGRAPH (F), 1997 RULES OF CIVIL PROCEDURE).

In an Order dated 26 May 2000,[9] the trial court granted petitioner's motion to dismiss and accordingly dismissed Civil Case No. 2000-084, thus:

Acting on the motion to dismiss filed by [petitioner] and its opposition thereto, filed by [respondents], the Court resolves to grant said motion it appearing that [respondents] acquired the land subject of the action from Casiano Olango defendant in Civil Case No. 5735, RTC Branch 25 who lost in that case. As such, [respondents] are privies of defendant Casiano Olango. Being privies, they could be subject of the Writ of Demolition.

SO ORDERED. (Words in bracket ours).

With their motion for reconsideration having been denied by the same court in its subsequent Order of 21 July 2000,[10] respondents elevated the adverse orders of the trial court to the Court of Appeals whereat their appeal in contra was docketed as CA-G.R. CV No. 68887.

As stated at the threshold hereof, the appellate court, in its Decision[11] dated 21 November 2001, granted respondents' appeal and remanded Civil Case No. 2000-084 to the court of origin for further proceedings:

WHEREFORE, the appeal is GRANTED. The assailed Orders are hereby SET ASIDE. The records of Civil Case No. 2000-084 are ordered REMANDED to the court of origin for further proceedings.

SO ORDERED.

With its motion for reconsideration having been denied by the appellate court in its Resolution of 13 September 2002,[12] petitioner is now with us thru present recourse, faulting the Court of Appeals, as follows:

I.

THE PUBLIC RESPONDENT COURT MISAPPREHENDED THE FACTS OF THE CASE, AND IN SO DOING, ERRED IN FINDING THAT THE COMPLAINT FILED BY PRIVATE RESPONDENTS IN CIVIL CASE NO. 2000-084 BEFORE RTC, BRANCH 24, CAGAYAN DE ORO CITY, SUFFICIENTLY STATES A CAUSE OF ACTION WHEN THE SAME HAS NONE, AS FOUND BY THE COURT A QUO;

II.

THE PUBLIC RESPONDENT COURT ERRED IN DECLARING THAT PRIVATE RESPONDENTS ARE NOT PRIVIES OF DEFENDANT CASIANO OLANGO IN CIVIL CASE NO. 5735, CONSIDERING THAT THE ORIGINAL CERTIFICATE OF TITLE P-1180 ISSUED BY THE BUREAU OF LANDS ON JANUARY 18, 1974, BY VIRTUE OF FREE-PATENT NO. (X-I) 1513, WAS DECLARED NULL AND VOID AND PORTIONS OF CADASTRAL LOT NO. 2509 WERE ALLEGEDLY SOLD TO PRIVATE RESPONDENTS BUT THE DEEDS WERE NOT REGISTERED OR ANNOTATED IN THE TITLE;

III.

THAT, PUBLIC RESPONDENT COURT OF APPEALS ERRED IN RESOLVING THAT RES JUDICATA DOES NOT APPLY TO CIVIL CASE NO. 2000-084 BEFORE THE COURT A QUO AND CIVIL CASE NO. 5735 DECIDED BY BRANCH 25 OF CAGAYAN DE ORO CITY, WHICH DECIDED WITH FINALITY THE OWNERSHIP OF THE WHOLE 2,128 SQUARE METERS OF LOT NO. 2509 CASE-7, CAD 237 PORTIONS OF WHICH ARE BEING CLAIMED BY PRIVATE RESPONDENTS, CONTRARY TO THE FINDINGS OF THE COURT A QUO.

In sustaining respondents' appeal, the Court of Appeals ratiocinated in the decision under review, to wit:

[Respondents] may not be considered successors-in-interest or privies of Casiano Olango in Civil Case No. 5735 within the meaning of Section 47(b) Rule 39 aforequoted so as to bring them within its purview and thus bound by the judgment against Olango. They did not acquire the subject properties at the time of the commencement or filing of Civil Case No. 5735 on December 12, 1977 or thereafter although the deed of sale was executed only in 1976 (Exhibit "C" and "D", Record, pp. 13-14). [Respondents] acquired the subject properties from Casiano in 1974 (Annexes "C", "D", "E", "F", "G" and "H", Complaint, Record, pp. 13 to 15-C).

On the other hand, [respondents'] Complaint plainly states a cause of action. xxx.

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Finally, [respondents] did not participate nor were they parties in Civil Case No. 5735 where judgment was rendered against Casiano Olango. This being so, and as ruled by the Supreme Court in *Salud v. Court of Appeals*, supra, the doctrine of *res judicata* is inapplicable. It is a rule of justice and cannot be rigidly applied where it will result in injustice. And there can be no justice that satisfies unless the litigants are given the opportunity to be heard. The constitutional right to due process of [respondents] cannot be defeated by the groundless ruling that [respondents] are privies of Casiano Olango in Civil Case No. 5735 and hence bound by the judgment therein. (Words in bracket ours).

We REVERSE.

It is undisputed that the judgment in Civil Case No. 5735 has already attained finality, as in fact a writ of execution was issued thereon. It was during the enforcement of the said final and executory judgment that the present controversy came to the fore when the respondents, obviously to thwart and forestall the demolition of their houses and their ouster from the premises involved in the suit, filed their complaint for quieting of title, etc. in Civil Case No. 2000-084.

As we see it, the entire controversy revolves on the central issue of whether respondents, in the first place, have a cause of action in Civil Case No. 2000-084.

To start with, it bears emphasis that an action for quieting of title, like Civil Case No. 2000-084, is essentially a common law remedy grounded on equity. As this Court has said in *Baricuatro, Jr. vs. CA*:^[13]

Regarding the nature of the action filed before the trial court, quieting of title is a common law remedy for the removal of any cloud upon or doubt or uncertainty with respect to title to real property. Originating in equity jurisprudence, its purpose is to secure 'xxx an adjudication that a claim of title to or an interest in property, adverse to that of the complainant, is invalid, so that the complainant and those claiming under him may be forever afterward free from any danger of hostile claim'. In an action for quieting of title, the competent court is tasked to determine the respective rights of the complainant and other claimants, 'xxx not only to place things in their proper place, to make the one who has no rights to said immovable respect and not disturb the other, but also for the benefit of both, so that he who has the right would see every cloud of doubt over the property dissipated, and he could afterwards without fear introduce the improvements he may desire, to use, and even to abuse the property as he deems best xxx.

Under Article 476 of the Civil Code, this remedy may be availed of only when, by reason of any instrument, record, claim, encumbrance or proceeding which appears valid but is, in fact, invalid, ineffective, voidable or unenforceable, a cloud is thereby casts on the complainant's title to real property or any interest therein. Article 477 of the same Code mandates that the plaintiff "must have legal and equitable title to, or interest xxx in" the realty subject of the action. As we have stressed in *Robles, et al, vs. CA*:^[14]

It is essential for the plaintiff or complainant to have a legal title or an equitable title to or interest in the real property which is the subject matter of the action. Also, the deed, claim, encumbrance or proceeding that is being alleged as a cloud on plaintiff's title must be shown to be in fact invalid or inoperative despite its prima facie appearance of validity or legal efficacy.

The primary inquiry, then, is whether respondents are possessed with legal or equitable title on the properties in dispute.

We rule and so hold that they have none.

For one, the trial court, in the earlier Civil Case No. 5735, involving the very properties subject of respondents' complaint in Civil Case No. 2000-084, had already adjudged in a final and executory decision that the lands in question belong to petitioner and even nullified Olango's title and patent thereon. In fact, going by the records of

the case, it even appears that the decision of the trial court in Civil Case No. 5735 was affirmed by no less than the Court of Appeals in CA-G.R. SP No. 52551 and ultimately by this Court via its resolution dated January 17, 2000 in G.R. No. 139784.[15]

With the reality that Olango's title had already been nullified in a final and executory decision, it appears clear to us that respondents' claim over their respective landholdings, derived as it is from Olango's nullified title, is simply without any leg to stand on. As the saying goes, the spring cannot rise higher than its source.

Besides, there is one vital aspect of this case which the appellate court obviously overlooked or failed to consider vis a vis respondents' claim of ownership over the same lands. We refer to the fact, extant on record, that Casiano Olango, respondents' predecessor-in-interest, obtained the lands by virtue of a Free Patent issued to him on January 18, 1974 under the provisions of Commonwealth Act (CA) No. 141, as amended, otherwise known as the Public Land Act. Significantly, Sections 118 and 124 of CA No. 141, as amended, respectively provide:

Sec. 118. Except in favor of the Government or any of its branches, units, or institutions, legally constituted banking corporation, lands acquired under free patent or homestead provisions shall not be subject to encumbrance or alienation from the date of the approval of the application and for a term of five years from and after the date of issuance of the patent or grant nor shall they become liable to the satisfaction of any debt contracted prior to the expiration of said period; but the improvements or crops on the land may be mortgaged or pledged to qualified persons, associations, or corporations.

No alienation, transfer, or conveyance of any homestead after five years and before twenty-five years after issuance of title shall be valid without the approval of the Secretary of Agriculture and Natural Resources, which approval shall not be denied except on constitutional and legal ground. (As amended by Com. Act No. 456, approved June 8, 1939).

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Sec. 124. Any acquisition, conveyance, alienation, transfer, or other contract made or executed in violation of any of the provisions of Sections one hundred and eighteen, one hundred and twenty, one hundred and twenty-one, one hundred and twenty-two, and one hundred and twenty-three of this Act shall be unlawful and null and void from its execution and shall produce the effects of annulling and cancelling the grant, title, patent, or permit originally issued, recognized or confirmed, actually or presumptively, and cause the reversion of the property and its improvements to the State. (Emphasis supplied).

It is not disputed that Olango conveyed the land subject of his 1974 Free Patent to the herein respondents sometime in 1976. Clearly, the alienation was made very much within the 5-year prohibitory period mandated under Section 118, supra, of the Public Land Act. As such, the sale executed by Olango in 1976 in favor of respondents is null and void right from the very start. As this Court has said in *Arsenal v. Intermediate Appellate Court*[16] and the hosts of cases which followed:

The above provisions of law are clear and explicit. A contract which purports of (sic) alienate, transfer, convey or encumber any homestead within the prohibitory period of five years from the date of the issuance of the patent is void from its execution. In a number of cases, this Court has held that such provision is mandatory.

In the assailed decision, the Court of Appeals ruled that by filing a Motion to Dismiss, petitioner is thereby deemed to have admitted the allegations of respondents in their complaint in Civil Case No. 2000-084.

We are not persuaded.

It is a matter of record that among the documents attached by respondents to their aforementioned complaint are (1) the deeds of sale executed in their favor by Casiano Olango; (2) the writ of execution issued in Civil Case No.

5735; and (3) the demolition order issued in that case. With the recognition of the fact that the deeds of sale upon which respondents predicate their claim of ownership could not have transferred any title in their favor, the complaint could not have presented a cause of action for them. For sure, with or without petitioner's Motion to Dismiss, respondents are bereft of any cause against petitioner. In fine, respondents are without any title to be cleared of or to be quieted.

Nor may respondents be regarded as having equitable title over the same premises. Ballantine's Law Dictionary[17] defines an equitable title, as follows:

A title derived through a valid contract or relation, and based on recognized equitable principles; the right in the party, to whom it belongs, to have the legal title transferred to him (15 Cyc. 1097; 16 Id. 90). In order that a plaintiff may draw to himself an equitable title, he must show that the one from whom he derives his right had himself a right to transfer. *Harris v. Mason*, 120 Tenn. 668, 25 L.R.A. (N.S.) 1011, 1020, 115 S.W. Rep. 1146. (Emphasis supplied).

With the reality that respondents do not have any legal or equitable title over the subject lands, it follows that they are possessed of no cause of action to file their complaint for Quieting of Title, etc., in Civil Case No. 2000-084. Accordingly, the trial court's dismissal of that case commends affirmance.

WHEREFORE, the petition is GRANTED and the assailed decision and resolution of the appellate court REVERSED and SET ASIDE.

Costs against respondents.

SO ORDERED.

Panganiban, Acting C.J., (Chairman), Sandoval-Gutierrez, Corona, and Carpio-Morales, JJ., concur.

[1] Penned by Associate Justice Portia Aliño-Hormachuelos, with Associate Justices Eriberto Rosario, Jr. (ret.) and Amelita M. Tolentino, concurring; Rollo, pp. 35-47.

[2] Rollo, pp. 50-51.

[3] Rollo, pp. 100-101.

[4] Rollo, p. 102.

[5] Rollo, p. 85-89.

[6] Rollo, pp. 94-95.

[7] Rollo, pp. 92-93.

[8] Rollo, pp. 125-131.

[9] Rollo, p. 155.

[10] Rollo, p. 163.

[11] Rollo, pp. 35-47.

[12] Rollo, pp. 50-51.

[13] 382 Phils. 15, 25 [2000].

[14] 384 Phils. 635, 647 [2000].

[15] See, petitioner's Brief filed with the Court of Appeals, CA Rollo, pp. 38-55, at page 43.

[16] 384 Phil. 635 [2000], citing *De los Santos vs. Roman Catholic Church of Midsayap*, 94 Phil. 405 [1953].

[17] 2[nd] Ed., pp. 441-442.

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