

JOSE T. ABAD PETITIONER, VS. SPOUSES CEASAR AND VIVIAN GUIMBA, RESPONDENTS.

G.R. No. 157002. July 29, 2005

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Only questions of law may be brought before and ruled upon by the Supreme Court in petitions for review under Rule 45 of the Rules of Court. This principle holds true, particularly for regional trial court decisions brought directly to this Court. If a review of factual questions is sought, the petition should be elevated to the Court of Appeals. For failing to observe this basic doctrine, herein petitioner should not expect this Court to pass upon the question of whether he was a mortgagee in good faith and for value. This factual question was already ruled upon by the trial court, whose findings are thus deemed conclusive and binding on the present proceedings.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, assailing the November 19, 2002 Decision[2] of the Regional Trial Court (RTC) of Pasig City (Branch 167) in Civil Case No. 67131, as well as its January 24, 2003 Resolution[3] denying petitioner's Motion for Reconsideration. The assailed Decision disposed thus:

"WHEREFORE, judgment is hereby rendered in favor of the [respondents] and against [Petitioner] Jose T. Abad as follows:

'a)

Declaring as null and void and of no legal force and effect the 'Deed of Mortgage of Real Properties', Exhibit 'B' and '5', respectively, registered and annotated on Transfer Certificate of Title No. PT-80617 of the Register of Deeds for Pasig City as Entry No. PT-9633/PT-80617 inscribed on 10 June 1997;

'b)

Ordering the Register of Deeds of Pasig City to cancel entry No. PT-9633/PT-80617 annotated on Transfer Certificate of Title No. PT-80617;

'c)

Ordering the [Petitioner] Jose T. Abad to return to [respondents] Transfer Certificate of Title No. PT-80617 of the Registry of Deeds of Pasig City;

'd)

Ordering the [Petitioner] Jose T. Abad to pay [respondent] the amount of Php 20,000.00, as and for reasonable attorney's fees; and

'e)

To pay the costs.'

"For lack of sufficient factual and legal basis, the counterclaim of [Petitioner] Jose T. Abad against the [respondent] as well as his cross-claim against the defaulting defendant[s] Gemma Dela Cruz are, as they should be, DENIED." [4]

The Facts

Respondent-Spouses Ceasar and Vivian Guimba are the registered owners of a parcel of land covered by Transfer Certificate of Title (TCT) No. PT- 80617.

On March 7, 1997, Vivian entrusted her copy of the Owner's Duplicate Certificate of Title to Gemma de la Cruz to serve as collateral for Vivian's application for a loan that was to be released in four days. Afterwards, Gemma received a phone call from Vivian, who informed her that she had changed her mind, was no longer interested in obtaining the loan, and therefore wanted her TCT back. Told that the Certificate had been deposited in the vault of the Bank of South East Asia, Vivian inquired at the bank, but was advised that the TCT was not there. [5]

In November 1997, Vivian received a telegram from Petitioner Abad, a stranger, reminding her of the impending maturity of her mortgage. It was the first time respondents learned of any actual mortgage involving their property. [6] After seeking legal advice, [7] they filed an adverse claim on their own title [8] and for the first time met with petitioner to settle the matter. [9] While he insisted that they settle the mortgage, [10] they manifested their intention to sue. [11]

Accordingly, respondents filed with the Regional Trial Court of Pasig City (assigned to Branch 167) on November 18, 1998, a Complaint [12] against petitioner and Gemma de la Cruz for annulment and cancellation of mortgage. They likewise filed with the Metropolitan Trial Court of Pasig City (assigned to Branch 71) a criminal case against her for falsification of public document. [13]

In his Answer, petitioner countered that respondents had connived with De la Cruz to swindle him of his hard-earned savings. [14] He testified that he had met her and a couple posing as the Guimba spouses ("Guimbas") for the first time in March 1997. [15] The Guimbas allegedly asked him for a loan and presented their duplicate copy of TCT No. PT-80617 as collateral. He claimed that he accepted the mortgage only after verifying the authenticity of the Certificate with the Register of Deeds. [16]

During the trial, petitioner admitted that the couple to whom he had given the loan of P335,000 were not herein respondents, whom he met only in December 1997 to discuss the matter of the telegram. [17]

The principal issue presented before the trial court was whether Abad was a mortgagee for value and in good faith. The RTC opined that this question was determinative of the validity of the Deed of Mortgage.

Ruling of the Regional Trial Court

Assessing the evidence, the trial court found the testimonies offered by petitioner to be conflicting and concocted. It determined that he had never met a couple posing as respondent spouses. Rather, he had dealt solely with De la Cruz over a property that manifestly belonged to the Guimba spouses. [18] By entering into the mortgage without making the necessary inquiries as to the identity and the authority of the person he was dealing with, he could not be considered a mortgagee in good faith and for value. [19]

Having determined that respondents, as registered owners, had never executed the Deed of Mortgage in favor of petitioner, the trial court held that the instrument was a forgery and, hence, an absolute nullity. Consequently, it ordered the cancellation of the annotation on the TCT of respondents.

As for petitioner's defense of laches, the lower court ruled that Vivian Guimba could not be belabored for negligence, considering that she had taken the necessary steps to recover her title from De la Cruz.[20]

Unsubstantiated by evidence, petitioner's claim of connivance and conspiracy between respondents and De la Cruz was dismissed by the RTC.[21]

Denying the Motion for Reconsideration filed by petitioner, the trial court ruled that although the Certificate was admittedly clean on its face, he was not a mortgagee in good faith, because he had not made the necessary inquiries about the true identity of the persons introduced as owners of the subject property. Moreover, he had not presented convincing proof of the negotiation and execution of the mortgage Contract.[22]

Skipping the Court of Appeals, petitioner lodged his Petition for Review directly with this Court.[23]

Issues

Petitioner raises the following issues in his Memorandum:

"1.

Given the state of facts in the above-entitled case, will the PROPERTY REGISTRATION DECREE, (P.D. 1529) particularly Chapter V, Sections 52 and 53 thereof be totally ignored and overlooked, considering the fact that the [p]etitioner, who was an innocent third person and holder for value relied on the strength of the a (sic) CLEAN title prior to the execution of the Real Estate Mortgage Contract?

"2.

Will not an innocent holder for value of an original Owner's Duplicate Copy of a Transfer Certificate of Title who caused the registration of the Real Estate Mortgage Contract SIX MONTHS prior to the recording or registration of an Affidavit of Adverse Claim executed by the registered owner of a parcel of land be not protected by P.D. 1529?

"3.

WILL (sic) LACHES not apply in the case at bar against the [r]espondents considering their inaction for more than NINE MONTHS prior to the execution and recording of an Affidavit of Adverse Claim over their title, which has unfortunately found its way to an innocent third person and holder for value?"[24]

The Court's Ruling

The Petition has no merit.

First and Second Issues: Applicability of PD 1529

Petitioner insists on the application of Sections 52[25] and 53[26] of PD 1529 to protect his interest as an innocent holder for value. Whether he is, indeed, is at the outset the most crucial question to be resolved in this case.

Only Questions of Law Raised in a Rule 45 Petition

Preliminarily, we should stress that the remedy of appeal by certiorari under Rule 45 of the Rules of Court contemplates only questions of law, not of fact.[27] Therefore, a party who files a Rule 45 petition waives the opportunity to inquire into the findings of fact of the lower court.

A question of law exists when there is doubt or controversy as to what the law is on a certain state of facts. There

is a question of fact when doubt arises as to the truth or falsity of the statement of facts.[28] The resolution of a question of fact necessarily involves a calibration of the evidence, the credibility of the witnesses, the existence and the relevance of surrounding circumstances, and the probability of specific situations. It is for this reason that this Court defers to the factual findings of a trial judge, who has had the distinct advantage of directly observing the witnesses on the stand and determining from their demeanor whether they were speaking or distorting the truth.[29]

Coming to the present case, the paramount question regarding the good faith of petitioner is obviously one of fact[30] on which the RTC already had the following findings:

"All told, as mortgagee of a real property, [Petitioner] Abad neglected to make the necessary inquiries and closed his eyes to facts which should put a reasonable man on guard as to the value of the property being presented as collateral and of any flaw in the title of the mortgagor and of the identity of persons being introduced to him as the owners of the property being mortgaged. By merely relying on his belief that there was no defect in the title of the property being presented as collateral and on the identity of the prospective mortgagors being introduced to him without undertaking further investigation, [Petitioner] Abad cannot be considered a mortgagee in good faith and for value." [31] [Emphasis supplied]

If petitioner wanted to assail the correctness of these findings of fact, he should have brought his appeal before the Court of Appeals. He shot himself in the foot, so to speak, by resorting to the wrong remedy and filing his petition in the wrong forum. By his error, or by his deliberate choice of remedy and forum, he must now accept the consequences: the conclusiveness of the factual finding of the trial court that he was a mortgagee in bad faith.

A Mortgagee in Bad
Faith Not Protected
by PD 1529

The main purpose of land registration, covered by PD 1529, is to facilitate transactions relative to real estate by giving the public the right to rely upon the face of the Torrens certificate of title.[32] Therefore, as a rule, the purchaser is not required to explore further than what the Certificate indicates on its face. This rule, however, applies only to innocent purchasers for value and in good faith; it excludes a purchaser who has knowledge of a defect in the title of the vendor, or of facts sufficient to induce a reasonably prudent man to inquire into the status of the property.[33] Under Section 32 of PD 1529,[34] an innocent purchaser for value is deemed to include an innocent mortgagee for value.

By insisting on the application of PD 1529 in his favor, petitioner begs the question. He invokes Sections 52 and 53 of the law, which protects innocent mortgagees for value, but which the RTC has already determined he was not. As already discussed, such factual determination by the trial court is conclusive, because he did not question it in the proper forum. The logical consequence, therefore, is the inapplicability of the said law to his factual situation.

To be sure, there are exceptions to the rule.[35] Petitioner, however, has not given us adequate reasons to apply any of these exceptions; verily, we find no ground to reverse or modify the factual findings of the RTC.

RTC Decision
Consistent With
Jurisprudence

Upon the other hand, the RTC's legal conclusions are in accordance with jurisprudence. A person who deals with registered land through someone who is not the registered owner is expected to look behind the certificate of title and examine all factual circumstances, in order to determine if the mortgagor/vendee has the capacity to transfer

any interest in the land.[36] One has the duty to ascertain the identity of the person with whom one is dealing, as well as the latter's legal authority to convey.

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 [one] to determine if there are any flaws in the title of the transferor, or in [the] capacity to transfer the land." [37] Although the instant case does not involve a sale but only a mortgage, the same rule applies inasmuch as the law itself includes a mortgagee in the term "purchaser." [38]

Petitioner's contention of due diligence and good faith in verifying the authenticity of the Transfer Certificate of Title and finding it clean on its face [39] is beside the point. He was not a mortgagee in good faith, not because he neglected to ascertain the authenticity of the title, but because he did not check if the person he was dealing with had any authority to mortgage the property. There is no allegation whatsoever that Gemma de la Cruz presented a special power of attorney to deal with the property of the Guimbas; and even if we accept the story of petitioner that he was duped by a woman posing as Vivian Guimba, his negligence lies in not verifying her identity before accepting the mortgage. [40]

Third Issue: Laches

Petitioner likewise contends that respondents were guilty of laches when they neglected to register their adverse claim immediately. Again, he attempts to attack the RTC's factual determination that they had taken the necessary steps to protect their rights. [41] Seeking its review, he resorted to the wrong remedy in the wrong forum. We repeat, petitions under Rule 45 are limited to the determination of pure questions of law.

In any case, petitioner's theory that respondents are guilty of laches for belatedly registering an adverse claim is untenable. First, the law does not compel them to file an adverse claim. The purpose of that claim is to give notice to third persons of the existence of an interest adverse to that of the registered owner. [42] In the instant case, respondents are the registered owners. The fact that their names appear on the title as absolute owners should already notify third persons, such as petitioner, that they have a clear legal interest in the property.

Second, there is no equitable basis for the application of laches, considering that (1) only nine months had elapsed from the loss of the title to the registration of an adverse claim, (2) no prejudice was caused an innocent purchaser for value, and (3) there was a factual determination by the trial court that respondents had taken the appropriate steps to protect their interests.

Third, even if we assume *arguendo* that respondents were negligent, petitioner still cannot claim a superior right, considering that he too was negligent; he cannot feign innocence as regards their existing interests as the registered owners. Simply put, their alleged negligence did not prejudice petitioner, who was perfectly aware all the time that the property belonged to them, not to De la Cruz.

Laches is a doctrine in equity and may not be invoked to resist the enforcement of a legal right. [43] Thus, the assertion of laches to thwart the claim of respondents is foreclosed by the finding that petitioner, as a mortgagee in bad faith, is not entitled to the protection of our registration laws.

WHEREFORE, the Petition is hereby DENIED and the assailed Decision and Resolution AFFIRMED. Costs against petitioner.

SO ORDERED.

Sandoval-Gutierrez, Carpio-Morales, and Garcia, JJ., concur.
Corona, J., on official leave.

[1] Rollo, pp. 3-17.

[2] Id., pp. 18-23. Penned by Judge Alfredo C. Flores.

[3] Id., p. 31.

[4] Id., p. 23.

[5] Id., p. 2; rollo, p. 19.

[6] Id., pp. 4 & 21.

[7] Respondents' Memorandum, p. 6; rollo, p. 96.

[8] RTC Decision, pp. 5-6; rollo, pp. 22-23.

[9] Id., pp. 3 & 20.

[10] Id., pp. 2 & 19.

[11] Id., pp. 4 & 21.

[12] Rollo, pp. 37-41.

[13] RTC Decision; rollo, p. 18.

[14] Id.

[15] Id., pp. 3-4 & 20-21.

[16] Id., pp. 3 & 20.

[17] Id.

[18] Id., pp. 4-5 & 21-22.

[19] Id., pp. 5 & 22.

[20] Id., pp. 5-6 & 22-23.

[21] Id.

[22] Assailed Resolution; rollo, p. 31.

[23] The Petition was deemed submitted for decision on September 1, 2003, upon the Court's receipt of respondents' Memorandum signed by Atty. Gallardo S. Tongohan. Petitioner's Memorandum, signed by Atty. Ma. Annaliza R. Teodoro-Tabilog, was received by the Court on August 20, 2003.

[24] Petitioner's Memorandum, p. 11; rollo, p. 64. Original in bold italics.

[25] "SEC. 52. Constructive notice upon registration. — Every conveyance, mortgage, lease, lien, attachment, order judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the Office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all

persons from the time of such registering, filing, or entering."

[26] "SEC. 53. Presentation of owner's duplicate upon entry of new certificate. — 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 cause 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.

"In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title. After the entry of the decree of registration on the original petition or application, any subsequent registration procured by the presentation of a forged duplicate certificate of title, or a forged deed or other instrument, shall be null and void."

[27] See *Bernardo v. CA*, 216 SCRA 224, December 7, 1992; *Medina v. Asistio*, 191 SCRA 218, November 8, 1990; *Cheeseman v. IAC*, 193 SCRA 93, January 21, 1991; *Perez v. Araneta*, 133 Phil. 34, July 15, 1968; *Savellano v. Diaz*, 8 SCRA 586, July 31, 1963.

[28] *Potenciano v. Reynoso*, 401 SCRA 391, April 22, 2003; *Pilar Development Corporation v. Intermediate Appellate Court*, 146 SCRA 215, December 12, 1986.

[29] *Bernardo v. CA*, supra at note 28.

[30] See *Pecson v. CA*, 222 SCRA 580, 585, May 25, 1993; *Velasquez Jr. v. CA*, 426 SCRA 309, 314, March 25, 2004; *Republic v. Heirs of Agustin L. Angeles*, 390 SCRA 502, 509, October 7, 2002.

[31] RTC Decision, p. 5; rollo, p. 22.

[32] See *Republic v. CA*, 301 SCRA 366, 380, January 21, 1999, citing *Pascua v. Copuyoc*, 77 SCRA 78, May 26, 1977.

[33] *Agag v. Alpha Financing Corporation*, 407 SCRA 602, 610, July 31, 2003.

[34] "Section 32. Review of decree of registration; Innocent purchaser for value. —

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"Whenever the phrase 'innocent purchaser for value' or an equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value."

[35] Findings of fact may be passed upon and reviewed by the Supreme Court in the following instances: (1) when the conclusion is a finding grounded entirely on speculation, surmises or conjecture; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) where there is a grave abuse of discretion in the appreciation of facts; (4) when judgment is based on a misapprehension of facts; (5) when the lower court, in making its findings, went beyond the issues of the case and such findings are contrary to the admissions of both appellant and appellee; (6) when the factual findings of the Court of Appeals are contrary to those of the trial court; (7) when the findings of fact are themselves conflicting; (8) when the findings of fact are conclusions made without a 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 respondents; (10) when the findings of fact of

the lower court are premised on the supposed absence of evidence and are contradicted by the evidence on record; and (11) when the lower court fails to notice certain relevant facts which, if properly considered, would justify a different conclusion. See *Francisco v. Court of Appeals*, 401 SCRA 594, 605, April 25, 2003, citing *Misa v. Court of Appeals*, 212 SCRA 217, August, 5, 1992; *Philippine American General Insurance Company v. PKS Shipping Company*, 401 SCRA 222, 230, April 9, 2003; *Tansipek v. Philippine Bank of Communications*, 372 SCRA 456, 460, December 14, 2001.

[36] *De Lara et al. v. Ayroso*, 95 Phil. 185, 189, May 31, 1954; *Revilla and Fajardo v. Galindez*, 107 Phil. 480, 485, March 30, 1960.

[37] *Revilla and Fajardo v. Galindez*, *supra*, per Gutiérrez David, J.

[38] *Supra* at note 34.

[39] Petitioner's Memorandum, pp. 12-14; rollo, pp. 65-67.

[40] RTC Decision, p. 5; rollo, p. 22.

[41] *Id.*, pp. 5-6 & 22-23.

[42] Section 70, Presidential Decree 1529 states:

"Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, if no other provision is made in this Decree for registering the same, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, a reference to the number of the certificate of title of the registered owner, the name of the registered owner, and a description of the land in which the right or interest is claimed. x x x"

[43] *Alcantara-Daus v. De Leon*, 404 SCRA 74, 82-83, June 16, 2003.

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