

RICHARD B. LOPEZ, IN HIS CAPACITY AS TRUSTEE OF THE TRUST ESTATE OF THE LATE JULIANA LOPEZ-MANZANO, PETITIONER, VS. COURT OF APPEALS, CORAZON LOPEZ, FERNANDO LOPEZ, ROBERTO LOPE...

G.R. No. 157784. December 16, 2008

Ponente: TINGA, J.

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TINGA, J.:

This is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, assailing the Decision^[1] and Resolution of the Court of Appeals in CA-G.R. CV No. 34086. The Court of Appeals' decision affirmed the summary judgment of the Regional Trial Court (RTC), Branch 10, Balayan, Batangas, dismissing petitioner's action for reconveyance on the ground of prescription.

The instant petition stemmed from an action for reconveyance instituted by petitioner Richard B. Lopez in his capacity as trustee of the estate of the late Juliana Lopez Manzano (Juliana) to recover from respondents several large tracts of lands allegedly belonging to the trust estate of Juliana.

The decedent, Juliana, was married to Jose Lopez Manzano (Jose). Their union did not bear any children. Juliana was the owner of several properties, among them, the properties subject of this dispute. The disputed properties totaling more than 1,500 hectares consist of six parcels of land, which are all located in Batangas. They were the exclusive paraphernal properties of Juliana together with a parcel of land situated in Mindoro known as Abra de Ilog and a fractional interest in a residential land on Antorcha St., Balayan, Batangas.

On 23 March 1968, Juliana executed a notarial will,^[2] whereby she expressed that she wished to constitute a trust fund for her paraphernal properties, denominated as Fideicomiso de Juliana Lopez Manzano (Fideicomiso), to be administered by her husband. If her husband were to die or renounce the obligation, her nephew, Enrique Lopez, was to become administrator and executor of the Fideicomiso. Two-thirds (2/3) of the income from rentals over these properties were to answer for the education of deserving but needy honor students, while one-third 1/3 was to shoulder the expenses and fees of the administrator. As to her conjugal properties, Juliana bequeathed the portion that she could legally dispose to her husband, and after his death, said properties were to pass to her biznietos or great grandchildren.

Juliana initiated the probate of her will five (5) days after its execution, but she died on 12 August 1968, before the petition for probate could be heard. The petition was pursued instead in Special Proceedings (S.P.) No. 706 by her husband, Jose, who was the designated executor in the will. On 7 October 1968, the Court of First Instance, Branch 3, Balayan, Batangas, acting as probate court, admitted the will to probate and issued the letters testamentary to Jose. Jose then submitted an inventory of Juliana's real and personal properties with their appraised values, which was approved by the probate court.

Thereafter, Jose filed a Report dated 16 August 1969, which included a proposed project of partition. In the

report, Jose explained that as the only compulsory heir of Juliana, he was entitled by operation of law to one-half (1/2) of Juliana's paraphernal properties as his legitime, while the other one-half (1/2) was to be constituted into the Fideicomiso. At the same time, Jose alleged that he and Juliana had outstanding debts totaling P816,000.00 excluding interests, and that these debts were secured by real estate mortgages. He noted that if these debts were liquidated, the "residuary estate available for distribution would, value-wise, be very small."

From these premises, Jose proceeded to offer a project of partition. The relevant portion pertaining to the Fideicomiso stated, thus:

PROJECT OF PARTITION

- Pursuant to the terms of the Will, one-half (1/2) of the following properties, which are not burdened with any obligation, shall be constituted into the "Fidei-comiso de Juliana Lopez Manzano" and delivered to Jose Lopez Manzano as trustee thereof:

Location

Improvements Title No. Area (Sq. M.)

Abra de Ilog,
Mindoro TCT - 540 2,940,000 pasture, etc.

Antorcha St.
Balayan, Batangas TCT - 1217-A 13,040 residential
(1/6 thereof)

- The other half (1/2) of the aforesaid properties is adjudicated to Jose Lopez Manzano as heir.

Then, Jose listed those properties which he alleged were registered in both his and Juliana's names, totaling 13 parcels in all. The disputed properties consisting of six (6) parcels, all located in Balayan, Batangas, were included in said list. These properties, as described in the project of partition, are as follows:

Location

Improvements Title No. Area (Sq. M.)

Pantay, Calaca, coconuts
Batangas 91,283

Mataywanak, sugar
Tuy, Batangas OCT-29[6]94 485,486

Patugo, Balayan, coconut,
Batangas OCT-2807 16,757,615
sugar,
citrus,
pasteur

Cagayan, Balayan,
Batangas TCT-1220 411,331
sugar

Pook, Baayan
Batangas TCT-1281 135,922
sugar

Bolbok, Balayan,
Batangas TCT-18845 444,998
sugar

Calzada, Balayan,
Batangas TCT 1978 2,312
sugar

Gumamela, Balayan,
Batangas TCT-2575 829

Bombon, Balayan,
Batangas 4,532

Parañaque, Rizal TCT-282340 800 residential

Parañaque, Rizal TCT-11577 800 residential

Modesto St., Manila TCT-52212 137.8 residential

and the existing sugar quota in the name of the deceased with the Central Azucarera Don Pedro at Nasugbo.

- The remaining $\frac{1}{4}$ shall likewise go to Jose Lopez Manzano, with the condition to be annotated on the titles thereof, that upon his death, the same shall pass on to Corazon Lopez, Ferdinand Lopez, and Roberto Lopez:

Location

Improvements Title No. Area (Sq. M.)

Dalig, Balayan, sugar
Batangas TCT-10080 482,872

San Juan, Rizal TCT-53690 523 residential

On 25 August 1969, the probate court issued an order approving the project of partition. As to the properties to be constituted into the Fideicomiso, the probate court ordered that the certificates of title thereto be cancelled, and, in lieu thereof, new certificates be issued in favor of Jose as trustee of the Fideicomiso covering one-half (1/2) of the properties listed under paragraph 14 of the project of partition; and regarding the other half, to be registered in the name of Jose as heir of Juliana. The properties which Jose had alleged as registered in his and Juliana's names, including the disputed lots, were adjudicated to Jose as heir, subject to the condition that Jose would settle the obligations charged on these properties. The probate court, thus, directed that new certificates of title be issued in favor of Jose as the registered owner thereof in its Order dated 15 September 1969. On even date, the certificates of title of the disputed properties were issued in the name of Jose.

The Fideicomiso was constituted in S.P. No. 706 encompassing one-half (1/2) of the Abra de Ilog lot on Mindoro, the 1/6 portion of the lot in Antorcha St. in Balayan, Batangas and all other properties inherited ab intestato by Juliana from her sister, Clemencia, in accordance with the order of the probate court in S.P. No. 706. The disputed lands were excluded from the trust.

Jose died on 22 July 1980, leaving a holographic will disposing of the disputed properties to respondents. The will was allowed probate on 20 December 1983 in S.P. No. 2675 before the RTC of Pasay City. Pursuant to Jose's will, the RTC ordered on 20 December 1983 the transfer of the disputed properties to the respondents as the heirs of Jose. Consequently, the certificates of title of the disputed properties were cancelled and new ones issued in the names of respondents.

Petitioner's father, Enrique Lopez, also assumed the trusteeship of Juliana's estate. On 30 August 1984, the RTC of Batangas, Branch 9 appointed petitioner as trustee of Juliana's estate in S.P. No. 706. On 11 December 1984, petitioner instituted an action for reconveyance of parcels of land with sum of money before the RTC of Balayan, Batangas against respondents. The complaint essentially alleged that Jose was able to register in his name the disputed properties, which were the paraphernal properties of Juliana, either during their conjugal union or in the course of the performance of his duties as executor of the testate estate of Juliana and that upon the death of Jose, the disputed properties were included in the inventory as if they formed part of Jose's estate when in fact Jose was holding them only in trust for the trust estate of Juliana.

Respondents Maria Rolinda Manzano, Maria Rosario Santos, Jose Manzano, Jr., Narciso Manzano, Maria Cristina Manzano Rubio and Irene Monzon filed a joint answer with counterclaim for damages. Respondents Corazon, Fernando and Roberto, all surnamed Lopez, who were minors at that time and represented by their mother, filed a motion to dismiss, the resolution of which was deferred until trial on the merits. The RTC scheduled several pre-trial conferences and ordered the parties to submit pre-trial briefs and copies of the exhibits.

On 10 September 1990, the RTC rendered a summary judgment, dismissing the action on the ground of prescription of action. The RTC also denied respondents' motion to set date of hearing on the counterclaim.

Both petitioner and respondents elevated the matter to the Court of Appeals. On 18 October 2002, the Court of Appeals rendered the assailed decision denying the appeals filed by both petitioner and respondents. The Court of Appeals also denied petitioner's motion for reconsideration for lack of merit in its Resolution dated 3 April 2003.

Hence, the instant petition attributing the following errors to the Court of Appeals:

- THE COURT OF APPEAL'S CONCLUSION THAT PETITIONER'S ACTION FOR [RECONVEYANCE] HAS PRESCRIBED TAKING AS BASIS SEPTEMBER 15, 1969 WHEN THE PROPERTIES IN DISPUTE WERE TRANSFERRED TO THE NAME OF THE LATE JOSE LOPEZ MANZANO IN RELATION TO DECEMBER 12, 1984 WHEN THE ACTION FOR RECONVEYANCE WAS FILED IS ERRONEOUS.
- THE RESPONDENT COURT OF APPEALS CONCLUSION IN FINDING THAT THE FIDUCIARY RELATION ASSUMED BY THE LATE JOSE LOPEZ MANZANO, AS TRUSTEE, PURSUANT TO THE LAST WILL AND TESTAMENT OF JULIANA LOPEZ MANZANO WAS IMPLIED TRUST, INSTEAD OF EXPRESS TRUST IS EQUALLY ERRONEOUS.

None of the respondents filed a comment on the petition. The counsel for respondents Corazon, Fernando and Roberto, all surnamed Lopez, explained that he learned that respondents had migrated to the United States only when the case was pending before the Court of Appeals.[3] Counsel for the rest of the respondents likewise manifested that the failure by said respondents to contact or communicate with him possibly signified their lack of interest in the case.[4] In a Resolution dated 19 September 2005, the Court dispensed with the filing of a comment and considered the case submitted for decision.

The core issue of the instant petition hinges on whether petitioner's action for reconveyance has prescribed. The resolution of this issue calls for a determination of whether an implied trust was constituted over the disputed properties when Jose, the trustee, registered them in his name.

Petitioner insists that an express trust was constituted over the disputed properties; thus the registration of the disputed properties in the name of Jose as trustee cannot give rise to prescription of action to prevent the recovery of the disputed properties by the beneficiary against the trustee.

Evidently, Juliana's testamentary intent was to constitute an express trust over her paraphernal properties which was carried out when the Fideicomiso was established in S.P. No. 706.[5] However, the disputed properties were expressly excluded from the Fideicomiso. The probate court adjudicated the disputed properties to Jose as the sole heir of Juliana. If a mistake was made in excluding the disputed properties from the Fideicomiso and adjudicating the same to Jose as sole heir, the mistake was not rectified as no party appeared to oppose or appeal the exclusion of the disputed properties from the Fideicomiso. Moreover, the exclusion of the disputed properties from the Fideicomiso bore the approval of the probate court. The issuance of the probate court's order adjudicating the disputed properties to Jose as the sole heir of Juliana enjoys the presumption of regularity.[6]

On the premise that the disputed properties were the paraphernal properties of Juliana which should have been included in the Fideicomiso, their registration in the name of Jose would be erroneous and Jose's possession would be that of a trustee in an implied trust. Implied trusts are those which, without being expressed, are deducible from the nature of the transaction as matters of intent or which are superinduced on the transaction by operation of law as matters of equity, independently of the particular intention of the parties.[7]

The provision on implied trust governing the factual milieu of this case is provided in Article 1456 of the Civil Code, which states:

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.

In *Aznar Brothers Realty Company v. Aying*,[8] the Court differentiated two kinds of implied trusts, to wit:

x x x In turn, implied trusts are either resulting or constructive trusts. These two are differentiated from each other as follows:

Resulting trusts are based on the equitable doctrine that valuable consideration and not legal title determines the equitable title or interest and are presumed always to have been contemplated by the parties. They arise from the nature of circumstances of the consideration involved in a transaction whereby one person thereby becomes invested with legal title but is obligated in equity to hold his legal title for the benefit of another. On the other hand, constructive trusts are created by the construction of equity in order to satisfy the demands of justice and prevent unjust enrichment. They arise contrary to intention against one who, by fraud, duress or abuse of confidence, obtains or holds the legal right to property which he ought not, in equity and good conscience, to hold.[9]

A resulting trust is presumed to have been contemplated by the parties, the intention as to which is to be found in the nature of their transaction but not expressed in the deed itself.[10] Specific examples of resulting trusts may be found in the Civil Code, particularly Arts. 1448,[11] 1449,[12] 1451,[13] 1452[14] and 1453.[15]

A constructive trust is created, not by any word evincing a direct intention to create a trust, but by operation of law in order to satisfy the demands of justice and to prevent unjust enrichment.[16] It is raised by equity in respect of property, which has been acquired by fraud, or where although acquired originally without fraud, it is against equity that it should be retained by the person holding it.[17] Constructive trusts are illustrated in Arts. 1450,[18]

1454,[19] 1455[20] and 1456.[21]

The disputed properties were excluded from the Fideicomiso at the outset. Jose registered the disputed properties in his name partly as his conjugal share and partly as his inheritance from his wife Juliana, which is the complete reverse of the claim of the petitioner, as the new trustee, that the properties are intended for the beneficiaries of the Fideicomiso. Furthermore, the exclusion of the disputed properties from the Fideicomiso was approved by the probate court and, subsequently, by the trial court having jurisdiction over the Fideicomiso. The registration of the disputed properties in the name of Jose was actually pursuant to a court order. The apparent mistake in the adjudication of the disputed properties to Jose created a mere implied trust of the constructive variety in favor of the beneficiaries of the Fideicomiso.

Now that it is established that only a constructive trust was constituted over the disputed properties, may prescription for the recovery of the properties supervene?

Petitioner asserts that, if at all, prescription should be reckoned only when respondents caused the registration of the disputed properties in their names on 13 April 1984 and not on 15 September 1969, when Jose registered the same in his name pursuant to the probate court's order adjudicating the disputed properties to him as the sole heir of Juliana. Petitioner adds, proceeding on the premise that the prescriptive period should be counted from the repudiation of the trust, Jose had not performed any act indicative of his repudiation of the trust or otherwise declared an adverse claim over the disputed properties.

The argument is tenuous.

The right to seek reconveyance based on an implied or constructive trust is not absolute. It is subject to extinctive prescription.[22] An action for reconveyance based on implied or constructive trust prescribes in 10 years. This period is reckoned from the date of the issuance of the original certificate of title or transfer certificate of title. Since such issuance operates as a constructive notice to the whole world, the discovery of the fraud is deemed to have taken place at that time.[23]

In the instant case, the ten-year prescriptive period to recover the disputed property must be counted from its registration in the name of Jose on 15 September 1969, when petitioner was charged with constructive notice that Jose adjudicated the disputed properties to himself as the sole heir of Juana and not as trustee of the Fideicomiso.

It should be pointed out also that Jose had already indicated at the outset that the disputed properties did not form part of the Fideicomiso contrary to petitioner's claim that no overt acts of repudiation may be attributed to Jose. It may not be amiss to state that in the project of partition submitted to the probate court, Jose had indicated that the disputed properties were conjugal in nature and, thus, excluded from Juliana's Fideicomiso. This act is clearly tantamount to repudiating the trust, at which point the period for prescription is reckoned.

In any case, the rule that a trustee cannot acquire by prescription ownership over property entrusted to him until and unless he repudiates the trust applies only to express trusts and resulting implied trusts. However, in constructive implied trusts, prescription may supervene even if the trustee does not repudiate the relationship. Necessarily, repudiation of said trust is not a condition precedent to the running of the prescriptive period.[24] Thus, for the purpose of counting the ten-year prescriptive period for the action to enforce the constructive trust, the reckoning point is deemed to be on 15 September 1969 when Jose registered the disputed properties in his name.

WHEREFORE, the instant petition for review on certiorari is DENIED and the decision and resolution of the Court of Appeals in CA-G.R. CV No. 34086 are AFFIRMED. Costs against petitioner.

SO ORDERED.

Quisumbing (Chairperson), Carpio Morales, Velasco, Jr., and Brion, JJ., concur.

[1] Penned by J. Roberto A. Barrios, Chairman of the Fifteenth Division, and concurred in by JJ. Eliezer De Los Santos and Danilo B. Pine; rollo, p. 92-105.

[2] MI TESTAMENTO

Yo, JULIANA LOPEZ MANZANO, residente de Balayan, Batangas, por la presente otorgo este un testamento y ultima voluntad en español, lenguaje que poseo, y en efecto declare;

x x x

TERCERO. Con respecto a mis propiedades parafernales, constituyo en fideicomiso que se llamara Fideicomiso de Juliana Lopez Manzano, todo cuanto pueda yo disponer legalmente de dichas propiedades parafernales, bajo la administracion de mi marido, Jose Lopez Manzano, y en caso de su fallecimiento o renuncia, de mi sobrino, Enrique Lopez y Solis, como fideicomisario. De las rentas de dicho fideicomiso, que se depositaran en un banco, dos terceras partes (2/3) deberan segregarse para sufregar los gastos de la educacion de los nietos, bizmijos y tataranietos de las familias Lopez Solis; Lopez Jison, y Lopez Chavez y todos los estudiantes de Balayan, Tuy, y Calaca, Batangas, que obtengan calificaciones sobresalientes en sus estudios, pero carezcan de medios para continuar su educacion ulterior. El tercio (1/3) restante sera adjudicado a quienquiera que fuese el fideicomisario como sus honorarios por los trabajos de administracion.

CUATRO. Con respecto a nuestras propiedades conyugales y las propiedades cuyos titulos estan nombre de nosotros dos, adjudico la totalidad de la parte que yo pueda disponer legalmente a mis marido, Jose Lopez Manzano. A su fallecimiento, dichas propiedades (sic) pasaran a mis biznietos Corazon, Ferdinand, y Roberto, todos apellidados Lopez, hijos de mi nieto Lorenzo J. Lopez.

QUINTO. Por la presente nombre y designo a mi marido, Jose Lopez Manzano, y en caso de su fallecimiento or renuncia, a mi sobrino, Enrique Lopez y Solis, albacea, con relevación de fianza, de este mi testamento que abarca la totalidad de los bienes que pueda disponer bajo la ley.

Firmo la presente en Balayan, Batangas hoy 23 de Marzo de 1968.

[3] Rollo, p. 306.

[4] Id., at 301.

[5] Records, p. 751. The properties that pertained to the Fideicomiso were the ABra de Ilog lot in Mindoro, the residential property on Antorcha St., Balayan, Batangas and the properties inherited from Clemencia Lopez.

[6] Rules of Court, Rule 131, Sec. 3. Disputable presumptions.— The following presumptions are satisfactory if uncontradicted, but may be contradicted and overcome by evidence: xxx

(m) That official duty has been regularly performed;

(n) That a court, or judge acting as such, whether in the Philippines or elsewhere, was acting in the lawful exercise of jurisdiction.

[7] Heirs of Yap v. Court of Appeals, G.R. No. 133047, 17 August 1999.

[8] G.R. No. 144773, 16 May 2005, 458 SCRA 496.

[9] Aznar Brother Realty Company v. Aying, G.R. No. 144773, 16 May 2005, 458 SCRA 496, 508-509.

[10] Spouses Bejoc v. Cabrereros, G.R. No. 145849.

[11] Art. 1448. There is an implied trust when property is sold, and the legal estate is granted to one party but the price is paid by another for the purpose of having the beneficial interest of the property. The former is the trustee, while the latter is the beneficiary. However, if the person to whom the title is conveyed is a child, legitimate or illegitimate, of the one paying the price of the sale, no trust is implied by law, it being disputably presumed that there is a gift in favor of the child.

[12] Art. 1449. There is also an implied trust when a donation is made to a person but it appears that although the legal estate is transmitted to the donee, he nevertheless is either to have no beneficial interest or only a part thereof.

[13] Art. 1451. When land passes by succession to any person and he causes the legal title to be put in the name of another, a trust is established by implication of law for the benefit of the true owner.

[14] Art. 1452. If two or more persons agree to purchase property and by common consent legal title is taken in the name of one of them for the benefit of all, a trust is created by force of law in favor of the others in proportion to the interest of each.

[15] Art. 1453. When property is conveyed to a person in reliance upon his declared intention to hold for it, or transfer it to another or the grantor, there is an implied trust in favor of the person whose benefit is contemplated. *O'Lao v. Co Cho Chit*, G.R. No. 58010, 31 March 1993, 220 SCRA 656, 663-4.

[16] Spouses Bejoc v. Cabrereros,

[17] *Policarpio v. Court of Appeals*, G.R. No. 116211, 7 March 1997.

[18] Art. 1450. If the price of a sale of property is loaned or paid by one person for the benefit of another and the conveyance is made to the lender or payor to secure the payment of the debt, a trust arises by operation of law in favor of the person to whom the money is loaned or for whom it is paid. The latter may redeem the property and compel a conveyance thereof to him.

[19] Art. 1454. If an absolute conveyance of property is made in order to secure the performance of an obligation of the grantor toward the grantee, a trust by virtue of law is established. If the fulfillment of the obligation is offered by the grantor when it becomes due, he may demand the reconveyance of the property to him.

[20] Art. 1455. When any trustee, guardian or other person holding a fiduciary relationship uses trust funds for the purchase of property and causes the conveyance to be made to him or to a third person, a trust is established by operation of law in favor of the person to whom the funds belong.

[21] 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.

O'Lao v. Co Cho Chit, G.R. No. 58010, 31 March 1993, 220 SCRA 656, 663-4.

[22] Spouses Bejoc v. Cabrereros, G.R. No. 145849, 22 July 2005.

[23] Spouses Bejoc.

[24] Aznar, citing *Vda. de Esconde v. Court of Appeals*, 253 SCRA 66.

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