

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE DIRECTOR OF LANDS, PETITIONER, VS. REGISTER OF DEEDS OF ROXAS CITY, ELIZABETH LEE, AND PACITA YU-LEE, RESPONDENTS.

G.R. No. 158230. July 16, 2008

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review[1] of the Decision[2] dated 12 July 2002 and the Resolution dated 9 May 2003 of the Court of Appeals in CA-G.R. CV No. 53890.

The Facts

In March 1936, Lee Liong, a Chinese citizen, bought Lot No. 398 from Vicenta Arcenas, Francisco, Carmen Ramon, Mercedes, Concepcion, Mariano, Jose, and Manuel, all surnamed Dinglasan. Lot No. 398, with an area of 1,574 square meters, is located at the corner of Roxas Avenue and Pavia Street in Roxas City. In February 1944, Lee Liong died intestate and was survived by his widow Ang Chia, and his sons Lee Bing Hoo and Lee Bun Ting. On 30 June 1947, the surviving heirs of Lee Liong extrajudicially settled the estate of the deceased and partitioned among themselves Lot No. 398. When Lee Bing Hoo and Lee Bun Ting died, Lot No. 398 was transferred by succession to their respective wives, Elizabeth Lee (Elizabeth) and Pacita Yu-Lee (Pacita).

In the 1956 case of *Dinglasan v. Lee Bun Ting*,[3] involving Lot No. 398, the Court held that even if the sale of the property was null and void for violating the constitutional prohibition on the sale of land to an alien, still the doctrine of *in pari delicto* barred the sellers from recovering the title to the property. Eleven years later, in the case of *Lee Bun Ting v. Judge Aligaen*,[4] the Court ordered the trial court to dismiss the complaint of the Dinglasans for the recovery of Lot No. 398. Applying the doctrine of *res judicata*, the Court held that the case was a mere relitigation of the same issues previously adjudged with finality in the *Dinglasan* case, involving the same parties or their privies and concerning the same subject matter.

On 7 September 1993, Elizabeth and Pacita (private respondents) filed a petition for reconstitution of title of Lot No. 398 because the records of the Register of Deeds, Roxas City were burned during the war. On 3 October 2001, the Court held that the trial court's order of reconstitution was void for lack of factual support because it was based merely on the plan and technical description approved by the Land Registration Authority.[5]

Meanwhile, on 26 January 1995, petitioner Republic of the Philippines (petitioner), through the Office of the Solicitor General (OSG), filed with the Regional Trial Court of Roxas City a Complaint[6] for Reversion of Title against private respondents and the Register of Deeds of Roxas City, praying that (1) the sale of Lot No. 398 to Lee Liong be set aside for being null and void *ab initio*; and (2) Lot No. 398 be reverted to the public domain for the State's disposal in accordance with law.

In their Answer, private respondents invoked as affirmative defenses: (1) prescription; (2) private ownership of

Lot No. 398; and (3) Lee Liong's being a buyer in good faith and for value. Furthermore, private respondents claimed that as Filipino citizens, they are qualified to acquire Lot No. 398 by succession.

The Register of Deeds of Roxas City did not file an answer.

On 7 May 1996, the trial court rendered a decision ordering the reversion of Lot No. 398 to the State.

On appeal, the Court of Appeals rendered its Decision[7] dated 12 July 2002, reversing the trial court's decision and declaring private respondents as the absolute and lawful owners of Lot No. 398. Petitioner moved for reconsideration, which the Court of Appeals denied in its Resolution[8] dated 9 May 2003.

Hence, this petition for review.

The Ruling of the Trial Court

The trial court ordered the reversion of Lot No. 398 to the State. The trial court held that private respondents could not have acquired a valid title over Lot No. 398 because the sale of the lot to their predecessor-in-interest Lee Liong was null and void. Being an innocent purchaser in good faith and for value did not cure Lee Liong's disqualification as an alien who is prohibited from acquiring land under the Constitution. The trial court further held that prescription cannot be invoked against the State as regards an action for reversion or reconveyance of land to the State.

The Ruling of the Court of Appeals

The Court of Appeals agreed with the trial court that the State is not barred by prescription. However, the Court of Appeals held that the trial court erred in ordering the reversion of Lot No. 398 to the State. Although the sale of Lot No. 398 to Lee Liong violated the constitutional prohibition on aliens acquiring land, the Court of Appeals noted that Lot No. 398 had already been acquired by private respondents through succession. The transfer of Lot No. 398 to private respondents, who are Filipino citizens qualified to acquire lands, can no longer be impugned on the basis of the invalidity of the initial transfer. The flaw in the original transaction is considered cured and the title of the transferee is deemed valid considering that the objective of the constitutional proscription against alien ownership of lands, that is to keep our lands in Filipino hands, has been achieved.

The Issue

Petitioner raises the lone issue that:

THE COURT OF APPEALS GRAVELY ERRED WHEN IT REVERSED AND SET ASIDE THE APPEALED DECISION AND DECLARED PRIVATE RESPONDENTS THE ABSOLUTE AND LAWFUL OWNERS AND POSSESSORS OF LOT NO. 398 OF ROXAS CITY CADASTRE CONSIDERING THAT LEE LIONG, WHO IS AN ALIEN, AND THUS, CONSTITUTIONALLY PROHIBITED TO OWN REAL PROPERTY IN THE PHILIPPINES, ACQUIRED NO RIGHT OR TITLE OVER SUBJECT LOT WHICH HE COULD HAVE TRANSMITTED BY SUCCESSION TO PRIVATE RESPONDENTS' PREDECESSORS-IN-INTEREST.

The Ruling of the Court

The petition is without merit.

Petitioner argues that since the sale of Lot No. 398 to Lee Liong was void, Lot No. 398 never became part of the deceased Lee Liong's estate. Hence, Lot No. 398 could not be transmitted by succession to Lee Liong's surviving heirs and eventually to private respondents.

We do not subscribe to petitioner's position. The circumstances of this case are similar to the case of *De Castro v. Teng Queen Tan*,[9] wherein a residential lot was sold to a Chinese citizen. Upon the death of the alien vendee, his heirs entered into an extrajudicial settlement of the estate of the deceased and the subject land was transferred

to a son who was a naturalized Filipino. Subsequently, the vendor of the lot filed a suit for annulment of sale for alleged violation of the Constitution prohibiting the sale of land to aliens. Independently of the doctrine of *in pari delicto*, the Court sustained the sale, holding that while the vendee was an alien at the time of the sale, the land has since become the property of a naturalized Filipino citizen who is constitutionally qualified to own land.

Similarly, in this case, upon the death of the original vendee who was a Chinese citizen, his widow and two sons extrajudicially settled his estate, including Lot No. 398. When the two sons died, Lot No. 398 was transferred by succession to their respective spouses, herein private respondents who are Filipino citizens.

We now discuss whether reversion proceedings is still viable considering that Lot No. 398 has already been transferred to Filipino citizens. In the reconstitution case of *Lee v. Republic of the Philippines*[10] involving Lot No. 398, this Court explained that the OSG may initiate an action for reversion or escheat of lands which were sold to aliens disqualified from acquiring lands under the Constitution. However, in the case of Lot No. 398, the fact that it was already transferred to Filipinos militates against escheat proceedings, thus:

Although ownership of the land cannot revert to the original sellers, because of the doctrine of *in pari delicto*, the Solicitor General may initiate an action for reversion or escheat of the land to the State, subject to other defenses, as hereafter set forth.

In this case, subsequent circumstances militate against escheat proceedings because the land is now in the hands of Filipinos. The original vendee, Lee Liong, has since died and the land has been inherited by his heirs and subsequently their heirs, petitioners herein [Elizabeth Lee and Pacita Yu Lee]. Petitioners are Filipino citizens, a fact the Solicitor General does not dispute.

The constitutional proscription on alien ownership of lands of the public or private domain was intended to protect lands from falling in the hands of non-Filipinos. In this case, however, there would be no more public policy violated since the land is in the hands of Filipinos qualified to acquire and own such land. "If land is invalidly transferred to an alien who subsequently becomes a citizen or transfers it to a citizen, the flaw in the original transaction is considered cured and the title of the transferee is rendered valid." Thus, the subsequent transfer of the property to qualified Filipinos may no longer be impugned on the basis of invalidity of the initial transfer. The objective of the constitutional provision to keep our lands in Filipino hands has been achieved.[11] (Emphasis supplied)

In this case, the reversion proceedings was initiated only after almost 40 years from the promulgation of the case of *Dinglasan v. Lee Bun Ting*,[12] where the Court held that the sale of Lot No. 398 was null and void for violating the constitutional prohibition on the sale of land to an alien. If petitioner had commenced reversion proceedings when Lot No. 398 was still in the hands of the original vendee who was an alien disqualified to hold title thereto, then reversion of the land to the State would undoubtedly be allowed. However, this is not the case here. When petitioner instituted the action for reversion of title in 1995, Lot No. 398 had already been transferred by succession to private respondents who are Filipino citizens.

Since Lot No. 398 has already been transferred to Filipino citizens, the flaw in the original transaction is considered cured.[13] As held in *Chavez v. Public Estates Authority*: [14]

Thus, the Court has ruled consistently that where a Filipino citizen sells land to an alien who later sells the land to a Filipino, the invalidity of the first transfer is corrected by the subsequent sale to a citizen. Similarly, where the alien who buys the land subsequently acquires Philippine citizenship, the sale was validated since the purpose of the constitutional ban to limit land ownership to Filipinos has been achieved. In short, the law disregards the constitutional disqualification of the buyer to hold land if the land is subsequently transferred to a qualified party, or the buyer himself becomes a qualified party.[15] (Emphasis supplied)

Clearly, since Lot No. 398 has already been transferred to private respondents who are Filipino citizens, the prior

invalid sale to Lee Liong can no longer be assailed. Hence, reversion proceedings will no longer prosper since the land is now in the hands of Filipino citizens.

WHEREFORE, we DENY the petition. We AFFIRM the Decision dated 12 July 2002 and the Resolution dated 9 May 2003 of the Court of Appeals in CA-G.R. CV No. 53890.

SO ORDERED.

Puno, C.J., (Chairperson), Corona, Azcuna, and Leonardo-De Castro, JJ., concur.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Penned by Associate Justice Rebecca de Guia-Salvador with Associate Justices Godardo A. Jacinto and Eloy R. Bello, Jr., concurring.

[3] 99 Phil. 427 (1956).

[4] 167 Phil. 164 (1977).

[5] Lee v. Republic of the Philippines, 418 Phil. 793 (2001).

[6] Records, pp. 1-4.

[7] Rollo, pp. 35-43.

[8] Id. at 45-46.

[9] 214 Phil. 68 (1984).

[10] 418 Phil. 793 (2001).

[11] Id. at 802.

[12] Supra note 3.

[13] Halili v. CA, 350 Phil. 906 (1998); United Church Board for World Ministries v. Sebastian, No. L-34672, 30 March 1988, 159 SCRA 446.

[14] 451 Phil. 1 (2003).

[15] Id. at 47.

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