

RAMON P. ARON, PETITIONER, VS. FRANCISCO REALON, DOMINGO REALON AND FELIPE REALON, REPRESENTING THE HEIRS OF MARCIANO REALON AND ROMAN REALON, EMILIANO R. PURIFICACION, REPRESEN...

G.R. NO. 159156. January 31, 2005

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

Before us is a petition for review on certiorari of the Decision[1] of the Court of Appeals[2] (CA) in CA-G.R. CV No. 68979 which affirmed the Decision[3] of the Regional Trial Court (RTC) of Bacoor, Cavite, Branch 89, in Civil Case No. BCV 96-29.

The antecedents are as follows:

Roman Realon was the owner of two (2) parcels of land, one of which was Lot No. 1253[4] of the Carmona Cadastre with 146,948 square meters, more or less, located in Barrio Lantik, Carmona, Cavite, and covered by Tax Declaration No. 621. The other parcel of land, Lot No. 602,[5] of the Carmona Cadastre, with an area of 3,105 square meters, is located in Barrio Maduya, in the same town.

When he died intestate on April 4, 1946, Roman was survived by his son Alfredo and the children of his deceased son, Buenaventura, namely, Marciano, Joaquin, Florentino, Felipe, Marcelo, Sesinando, and Montano.[6]

Emiliano Realon Purificacion, Alfredo's grandson had worked on the property as a tenant since 1970 and planted palay, pineapple, bananas and other fruit crops.[7] On May 14, 1979, Alfredo, together with his nephews Marciano, Joaquin, Florentino, Felipe, Marcelo, Sesinando, and Montano, executed an Extrajudicial Settlement entitled "Manahan Sa Labas ng Hukuman"[8] wherein they adjudicated Lot No. 602 in its entirety to Alfredo, and that Lot No. 1253 was to be divided and adjudicated as follows: 84,632 square meters to Alfredo; and the remaining 62,316 square meters to Marciano, Joaquin, Florentino, Felipe, Marcelo, Sesinando, and Montano.

On the same day, May 14, 1979, Felipe, Sesinando, Montano, Marcelo, Florentino and Joaquin, constituted their brother Marciano Realon as their attorney-in-fact in selling their pro-indiviso shares in Lot No. 1253.[9] Thus, on July 31, 1979, Marciano, in his behalf and in behalf of his brothers, executed a Contract to Sell[10] covering Lot No. 1253 in favor of the petitioner for the price of P186,948.00 payable as follows: P44,867.52 upon the execution of the deed; and P142,080.48 on or before May 23, 1980, or as soon as the vendees shall have secured an original certificate of title (OCT) over the property under their names. The vendors obliged themselves to execute a final deed of sale upon full payment of the purchase price of the property[11] and to pay the tenant working on the land, Emiliano, the amount of P47,593.48 upon receipt of P142,080.48 from the petitioner, to wit:

That I and the other persons and whose behalf I have executed this instrument further bind ourselves to execute the final Deed of Sale upon receipt of the balance of ONE HUNDRED FORTY-TWO THOUSAND [PESOS] (P142,000.00) to complete the amount of the consideration or selling price for the 62,316 square meters which

is agreed to be P186,948.00;

That furthermore, we bind ourselves to pay the tenant working on the land the amount of P47,593.48 upon our receipt of the amount of the balance of P142,080.48, which payment is to be taken from said balance;

Finally, we bind ourselves to execute the Final Deed of Sale on or before May 23, 1980, or whenever we will be able to bring under the operations of the Torrens System of registration the portion of land with an area of 62,316 sq. meters, subject of this contract and upon our receipt of the said balance of P142,080.48.[12]

On July 31, 1979, Alfredo also executed a Contract to Sell[13] over his undivided share in Lot No. 1253 in favor of the petitioner, for and in consideration of P253,196.00. The latter made a partial payment of P60,935.04 upon the execution of the contract. Alfredo obliged himself to execute a final deed of sale over the property upon the petitioner's payment of the balance of the purchase price on or before May 23, 1980, or as soon as the vendor shall have secured the OCT over the property.[14]

However, the vendors failed to file a petition for the registration of the property under the Torrens System. Consequently, the petitioner, as vendee, refused to pay the balance of the purchase price.

On November 11, 1983, the petitioner himself filed an application[15] for the registration of Lot No. 1253 under his name. He alleged therein that he was the owner of the property based on a deed of sale executed by Alfredo and his nephews; the property was unoccupied; and to the best of his knowledge and belief, there was never a mortgage or encumbrance of any kind, affecting the said property, or any person having an interest therein, legal or equitable or in possession thereof. The petitioner appended to his application a copy[16] of the July 31, 1979 Contract to Sell executed in his favor by Alfredo and his nephews.

The case was docketed as LRC Case No. 83-15. Notice of initial hearing of the case was issued to all concerned parties which included Alfredo and his nephews, who were the vendors.[17]

On January 8, 1985, Marciano, and in behalf of his brothers, executed a Deed of Sale with Mortgage[18] in favor of the petitioner over their undivided shares in Lot No. 1253, this time, for the price of P186,948.00, payable as follows:

- a. The sum of NINETY-ONE THOUSAND SEVEN HUNDRED SEVENTEEN and FORTY-FOUR (P91,717.44) PESOS inclusive of the earnest money and part payment which was paid before hand and upon the signing of this documents and receipt of which is hereby acknowledged by the VENDORS-MORTGAGEES.
- b. The sum of NINETY-FIVE THOUSAND TWO HUNDRED THIRTY and FIFTY-SIX PESOS (P95,230.56) balance upon issuance of title to VENDEE-MORTGAGOR.

To secure the payment of the balance of the purchase price of the property, the petitioner mortgaged the property to the vendor, thus:

5. That to secure the full and complete payment of the sum of NINETY-FIVE THOUSAND TWO HUNDRED THIRTY and FIFTY-SIX PESOS (P95,230.56) in manner herein mentioned, the VENDEE-MORTGAGOR hereby CEDES, TRANSFERS and CONVEYS by way of first mortgage in favor of the VENDORS-MORTGAGEES the pro-indiviso interests herein sold.

On even date, Alfredo executed a similar Deed of Sale with Mortgage[19] in favor of the petitioner over his undivided share of 84,632 square meters over Lot No. 1253 in consideration of P253,196.00, payable as follows:

- a. The sum of ONE HUNDRED TWENTY-FOUR THOUSAND FIVE HUNDRED FORTY-SIX AND SEVENTY-SEVEN (P124,546.77) PESOS inclusive of the earnest money and part payment which was paid

before hand and upon the signing of this document and receipt of which is hereby acknowledged by the VENDOR-MORTGAGEE.

b. The sum of ONE HUNDRED TWENTY-NINE THOUSAND THREE HUNDRED FORTY-NINE AND SEVENTY THREE (P129,349.73) PESOS balance upon issuance of title of VENDEE-MORTGAGOR.

To secure the payment of the balance of the purchase price, the petitioner likewise mortgaged the property to the vendor.

5. That to secure the full and complete payment of the sum of ONE HUNDRED TWENTY-NINE THOUSAND THREE HUNDRED FORTY-NINE AND SEVENTY THREE (P129,349.73) PESOS in the manner hereinafter mentioned, the VENDEE-MORTGAGOR hereby cedes, transfers and conveys by way of first mortgage in favor of the VENDOR-MORTGAGEE the pro-indiviso interest herein sold.

The petitioner adduced in evidence the Contracts to Sell executed by Alfredo and his nephews in 1979[20] in LRC Case No. 83-15. Alfredo and Marciano testified for the petitioner.[21] On January 24, 1985, the RTC rendered judgment in favor of the applicant, with the following dispositive portion:

WHEREFORE, finding the application to be well-taken, applicants having presented the required quantum of evidence to prove possession; this Court confirms applicant Ramon P. Aron's title to the parcel of land covered by Plan Ap-04-003288 (Exhibit "F") and described in its technical description (Exhibit "J") with his above-described personal circumstances, subject to the remaining balance of P129,349.73.

Once this decision becomes final, let the corresponding decree of registration issue.

SO ORDERED.[22]

The decision became final and executory. On March 12, 1985, the court ordered the issuance of a decree.[23] In the meantime, Alfredo died in 1989, while Marciano died intestate on June 22, 1990.[24] On September 9, 1993, the Register of Deeds issued under the petitioner's name OCT No. O-2348 covering Lot No.1253. Annotated therein was the following: "subject to such encumbrances mentioned in Section 44 of said Decree as may be subsisting, and subject to the remaining balance of P129,349.73."

Sometime in August 1994, the petitioner, through his attorney-in-fact[25] Engr. Aldersen Ilaban, filed an amended complaint[26] for consignation against the heirs of Alfredo, namely, Ruperta Mapanso, Florentino Purificacion, Emiliano Purificacion, Serafin Purificacion and Leonedes Purificacion; the heirs of Marciano Realon, namely, Domingo Realon and Francisco Realon; and the heirs of Marcelo Realon, namely, Ma. Luz R. Librado, Santiago Realon, Isidro R. Manabo, Rufina B. Mercado and Romel Realon, with the RTC of Imus, Cavite.[27] The complaint was docketed as Civil Case No. BCV 94-28.

The petitioner alleged, inter alia, that pursuant to the two (2) deeds of sale with mortgage, he had already paid Alfredo the total sum of P217,046.77, and to Marciano and his siblings, the sum of P180,948.00; having paid a total of P397,994.77, his total balance of the purchase price of the property was only P42,849.23; he learned about the death of Alfredo and Marciano in 1993 when some persons claiming to be their heirs wanted to collect the money from him, but none of them could present any authority to collect for and in behalf of the heirs of the vendors. The complaint contained the following prayer:

WHEREFORE, it is prayed that upon filing of this complaint, an order be issued allowing plaintiff to deposit the sum of P42,849.23 before this Court representing the balance due under both Deeds of Sale with Mortgage, and that after notice and due consideration, judgment be rendered, as follows:

1. Declaring plaintiff's obligation under the Deed of Sale discharged and/or released pursuant to the first paragraph of Article 1260 of the Civil Code;

2. Ordering defendants to pay, jointly and severally, the sum of P15,000.00, as attorney's fees and further sum of P1,000.00 as appearance fee per court attendance, the cost of consignment or litigation cost pursuant to Article 1259 of the New Civil Code.

3. Other reliefs and remedies just and equitable in the premises are likewise prayed.[28]

The petitioner then deposited the amount of P42,849.23 with the Clerk of Court of the RTC. He adduced in evidence the Deed of Sale[29] with Mortgage dated January 8, 1985 executed by Alfredo and his nephews.

In their answer[30] to the complaint, the defendants therein alleged that their predecessors-in-interest did not sell the property to the petitioner.

On November 27, 1995, the trial court rendered its decision[31] in Civil Case No. BCV 94-28. It declared the consignment to be valid and released the petitioner from his obligation under the Deed of Sale with Mortgage.[32] The said decision became final and executory.

On March 18, 1996, Francisco Realon, Domingo Realon and Felipe Realon, allegedly representing the heirs of Marciano and Roman Realon, together with Emiliano R. Purificacion, allegedly representing also the heirs of Alfredo and Roman Realon, filed a complaint for reconveyance and ownership against the petitioner with the RTC of Bacoor, Cavite. The case was docketed as Civil Case No. BCV 96-29.[33]

The plaintiffs alleged, inter alia, that they were representing the heirs of Marciano, Alfredo and Roman Realon; under the contracts to sell executed by their predecessors to the petitioner over Lot No. 1253, the latter still had a balance of P379,908.96; contrary to the terms of the contracts to sell, the petitioner filed an application for the registration of the title over the land in his name where he falsely claimed that he was the owner of the property, free of all liens and encumbrances or claim of any person whatsoever; worse, the defendant induced Marcelo and his uncle, Alfredo, who were illiterates, to execute separate deeds of sale with real estate mortgage in his favor over the property on the promise that the title to the property will be under the names of all the vendors or their heirs as enumerated in the said deeds; the said deeds of sale with mortgage were not registered in the Office of the Register of Deeds; they learned of the existence of OCT No. 0-2348 in the name of the petitioner, through the RTC's decision in the consignment case; the petitioner had never been in possession of the subject property; realty taxes of the subject property were still being paid in the name of Roman Realon despite the issuance of the said title in the name of the petitioner; and the plans over the property had been approved under the name of Roman Realon.

The plaintiffs prayed that after notice and hearing, judgment be rendered in their favor:

WHEREFORE, it is most respectfully prayed that, after notice and hearing the Honorable Court render judgment in favor of the plaintiffs and against the defendants, as follows:

- 1). Declaring that the ownership of the land described in OCT No. O-2348 belongs to the heirs of the late Roman Realon represented by the plaintiffs;
- 2). Ordering the defendants to surrender OCT No. O-2348 to effect the cancellation and transfer thereof to herein plaintiffs, by way of reconveyance of ownership;
- 3). Ordering and authorizing the Register of Deeds for the Province of Cavite to cancel said OCT No. O-2348, and to issue a new Certificate of Title in the name of herein plaintiffs, in case of failure of the defendants to surrender to plaintiffs OCT No. O-2348;
- 4). Ordering the cancellation of the annotation on OCT No. O-2348 reading and stated "and to the remaining balance of P129,349.73" and that the new Certificate of Title be free and clear from such encumbrance; and,

5). Ordering defendants to pay to plaintiffs attorneys' fees in the amount of P50,000.00, appearance and costs of suit.

Plaintiffs pray for such further reliefs just and equitable in the premises.[34]

In his answer to the complaint, the petitioner alleged, among others, that the contracts to sell had been superseded and modified by the two (2) subsequent deeds of sale with mortgage executed in his favor on January 8, 1985, in that the purchase price agreed upon had almost been paid except for the balance of P42,849.23, which he consigned with the court in Civil Case No. BCV 94-28. He also denied making false pretenses in his application for registration of title, and interposed the following special and affirmative defenses:

14. That plaintiff has no cause of action against defendant absent any showing that plaintiffs are authorized to sue in a representative capacity, there being no testate nor intestate proceedings for the estate of the deceased whom they represent;

15. That the property embraced by OCT 2348 were (sic) alienated during the lifetime of Alfredo and Marciano Realon, consequently, the rights of the plaintiffs or the heirs they represent have been lost by such alienation;

15.1 Plaintiffs have, in fact, no right to sue under the contracts executed by the deceased Alfredo and Marciano Realon during their lifetime. And should they have, the same has already prescribed;

16. That the registration proceedings filed by defendant Aron being a proceeding in rem, binds the whole world so that the decree of registration and issuance of original certificate of title may not be invalidated or vitiated by any claim or interest of any person.

17. That defendant had already paid the agreed purchase price including the balance through consignment (BCV No. 94-28); ...[35]

Emiliano R. Purificacion testified that he was the great grandson of Roman Realon, being the son of Beatriz Realon, a daughter of Alfredo Realon and Celestina Purificacion.[36] He and the other heirs inherited the property and had been paying the realty taxes therefore.[37] He also testified that he had been a tenant on the property since 1970. He claimed that he had not received any payment of the balance of the purchase price as stipulated in the contracts to sell[38] in favor of the petitioner. He claimed that the contracts to sell executed by Alfredo and Marciano, in favor of the petitioner, had been cancelled since his cousin Francisco Realon had written a letter to the petitioner to that effect.[39]

Francisco Realon testified that being the son of Marciano, he was the great grandson of Roman Realon.[40] He pointed out that all the tax declarations of the subject property were in the name of Roman and that the corresponding taxes were duly paid.[41] He, likewise, claimed to have prepared a letter before Christmas of 1980, canceling the contracts to sell executed and duly signed by Alfredo and Marciano. However, he could not present any copy of the letter as he did not retain any copy thereof.[42]

For his part, Felipe Realon declared that he was one of the heirs of Roman Realon and that he executed a special power of attorney in favor of his brother, Marciano, to deal with their inheritance.[43] He stressed that the special power of attorney had never been revoked during the lifetime of Marciano.[44]

The petitioner no longer testified and rested his case after the admission of his documentary evidence.

On August 13, 1999, the trial court rendered its decision[45] in favor of the plaintiffs. The decretal portion reads:

ACCORDINGLY, judgment is hereby rendered in favor of the plaintiffs and against the defendant, to wit:

1. Declaring that the ownership of the land described in Original Certificate of Title No. 0-2348 belongs to the plaintiffs;

2. Ordering the defendant to surrender Original Certificate of Title No. 0-2348 to the plaintiffs to effect its cancellation and transfer it in favor of the latter by way of reconveyance.
3. Ordering the Register of Deeds for the Province of Cavite to cancel Original Certificate of Title No. 0-2348 and issue a new one in favor of the plaintiffs;
4. Ordering the plaintiffs to reimburse the defendant the sum of P310,794.27, plus legal interest, to be computed from the time it was received by plaintiffs' predecessor-in-interest;
5. Ordering the defendant to pay plaintiffs attorneys' fees in the amount of P50,000.00 plus appearance fees of P1,000.00 per appearance, plus costs of suit.

SO ORDERED.[46]

The trial court held that the petitioner falsely alleged in his application in LRC Case No. 83-15 that he was the owner of the property based on a deed of sale, when in fact under the contracts to sell executed by Alfredo and his nephews, he would acquire title over the property only upon payment of the full purchase price thereof and by the vendors' execution of a final deed of sale over the property. The trial court ruled that the petitioner had no right to file the application in LRC Case No. 83-15. It held that the plaintiffs continued to be in the possession of the property and paid realty taxes therein under the name of Roman Realon, the original owner of the property.

The petitioner appealed the decision and assigned the following error, to wit:

THE TRIAL COURT ERRED IN HOLDING THAT THE ALLEGED FRAUD IN THE APPLICATION FOR THE REGISTRATION OF THE LAND IS THE KIND OF FRAUD CONTEMPLATED BY LAW TO WARRANT RECONVEYANCE OF THE SUBJECT PROPERTY.[47]

On November 26, 2002, the CA rendered judgment dismissing the appeal.[48] The appellate court agreed with the trial court that the petitioner employed fraud when he filed his application in LRC Case No. 83-15, and falsely alleged that he was the owner of the property subject thereof.

The petitioner, thus, filed the instant petition for review on certiorari and assigned the following errors:

I.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT AFFIRMED IN TOTO THE DECISION OF THE COURT A QUO AND RULED THAT RESPONDENTS ARE ENTITLED TO A RECONVEYANCE OF THE SUBJECT PROPERTY CONSIDERING THAT THE LATTER FAILED TO PROVE THE EXISTENCE OF FRAUD UPON WHICH THE RELIEF SOUGHT WAS BASED.

II.

ASSUMING, ARGUENDO, THAT RESPONDENTS ARE ENTITLED TO THE RECONVEYANCE OF THE SUBJECT PROPERTY, THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT RULED THAT RESPONDENTS SHOULD ONLY REIMBURSE PETITIONER THE SUM OF PHP310,794.27, PLUS LEGAL INTEREST.

III.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT AFFIRMED IN TOTO THE DECISION OF THE COURT A QUO AND RULED THAT RESPONDENTS ARE ENTITLED TO AN AWARD OF ATTORNEY'S FEES.[49]

The petition is granted.

The settled rule is that every action must be prosecuted or defended in the name of the real party-in-interest.[50]

Where the action is allowed to be prosecuted or defended by a representative acting in a fiduciary capacity, the beneficiary must be included in the title of the case and shall be deemed to be the real party-in-interest.[51] The name of such beneficiaries shall, likewise, be included in the complaint.[52]

Section 4, Rule 8 of the Rules of Court further provides that facts showing the capacity of a party to sue or be sued, or the authority of a party to sue or be sued in a representative capacity must be averred in the complaint. In order to maintain an action in a court of justice, the plaintiff must have an actual legal existence, that is, he or she or it must be a person in law and possessed of a legal entity as either a natural or an artificial person, and no suit can lawfully be prosecuted in the name of that person. The party bringing suit has the burden of proving the sufficiency of the representative character that he claims. If a complaint is filed by one who claims to represent a party as plaintiff but who, in fact, is not authorized to do so, such complaint is not deemed filed and the court does not acquire jurisdiction over the complaint. It must be stressed that an unauthorized complaint does not produce any legal effect.[53] Corollary, the defendant can assail the facts alleged therein through a motion to dismiss on the ground that the plaintiff has no capacity to sue under Section 1(d) of Rule 16 of the Rules of Court, that is, that he does not have the representative he claims.[54]

Section 7, Rule 3 of the Rules of Court reads:

SEC. 7. Compulsory joinder of indispensable parties. – Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

Thus, the presence of all indispensable parties is a condition sine qua non for the exercise of judicial power. It is precisely when an indispensable party is not before the court that the action should be dismissed. The plaintiff is mandated to implead all indispensable parties, and the absence of one renders all subsequent actions of the court null and void for want of authority to act, not only as to the absent parties, but even as to those present.[55] One who is a party to a case is not bound by any decision of the court; otherwise, he will be deprived of his right to due process.

The records show that when Roman Realon died intestate on April 4, 1946, he was survived by his son, Alfredo, and his nephews, who were the children of his deceased son, Buenaventura, namely, Marciano, Joaquino, Florentino, Felipe, Marcelo, Sesinando and Montano, all surnamed Realon. On the other hand, when Alfredo died intestate, he was survived by his heirs, Ruperta Mapanso, Florentino Purificacion, Emiliano Purificacion, the son of his deceased daughter, Beatriz Realon, Serafin Purificacion and Leonedes Purificacion. Marcelo Realon was survived by his heirs, namely, Ma. Luz Librado, Santiago Realon, Isidro R. Manabo, Rufina B. Mercado and Romel Realon. Only Joaquino, Florentino, Felipe, Sesinando and Montano are still alive.

The four (4) respondents herein, who were the plaintiffs in the trial court, sought the nullification of the Contract to Sell in favor of the petitioner executed by Marciano and his brothers, as well as the Contract to Sell executed by Alfredo over the undivided shares in Lot No. 1253, the deed of sale with mortgage executed by Marciano Realon and his brothers, and the deed of sale with mortgage executed by Alfredo in favor of the petitioner. They likewise sought to nullify OCT No. O-2348 under the name of the petitioner and the reconveyance of the said lot to the respondents, free from all liens and encumbrances on their allegation that the petitioner committed fraud in the execution of the said deeds and in receiving the said title. Hence, all the surviving signatories to the said documents, namely, Joaquino, Francisco, Felipe, Sesinando and Montano, all surnamed Realon, and the other surviving heirs of Alfredo Realon and Marciano and Marcelo, were indispensable parties as plaintiffs. Moreover, if the trial court rendered judgment against the petitioner, ordering him to convey the property to the vendors, the latter, as the predecessor-in-interest of the vendors, would have to refund to the vendee the amount they received from the latter. Hence, the respondents herein should have impleaded them in their complaint. However, the only plaintiffs impleaded in the complaint were the respondents herein, namely, Francisco, Domingo and Felipe, all

surnamed Realon and Emiliano Purificacion. The surviving signatories of the assailed deeds and the other heirs of the deceased vendors were not impleaded as plaintiffs. Without the presence of all the other heirs as plaintiffs, the trial court could not validly render judgment and grant relief in favor of the respondents; it could, likewise, not rule in favor of the petitioner for the refund of his payments made to the respondents as the successors-in-interest of the vendors. The failure of the respondents to implead the said signatories and all the other heirs as parties-plaintiffs constituted a legal obstacle to the trial court and the appellate court's exercise of judicial power over the said case, and thereby rendered any orders or judgments made therein a nullity.[56] To reiterate, the absence of an indispensable party renders all subsequent actions of the court null and void for want of authority to act, not only as to the absent parties, but even as to those present.[57] Thus, the RTC should have ordered the dismissal of the complaint.[58]

The Court notes that the respondents even failed to include the names of all the other heirs, including the signatories to the assailed deeds in the complaint and in the title thereof, and appending thereto a copy of any special power of attorney authorizing the respondents to sue in their respective capacity for said heirs. Thus, the petitioner was prevented from questioning the capacity of the said heirs to sue in their respective capacity either in a motion to dismiss the complaint or in his answer to the complaint.

We note that of the four (4) plaintiffs, Domingo Realon failed to sign the certification of non-forum shopping. On the other hand, the three other plaintiffs who signed the certification failed to append to the complaint a special power of attorney signed by all the surviving vendors and other heirs specifically authorizing them to sign the same for and in their behalf. This is fatal to the complaint and warrants the dismissal thereof.[59]

In sum then, the trial court should have rendered judgment dismissing the respondents' complaint, and the Court of Appeals should have reversed the appealed decision of the RTC.

Indeed, even if the complaint of the respondents did not suffer from any substantial defects, the appellate court should still have reversed the trial court's decision on the ground that the respondents failed to prove that the petitioner secured OCT No. O-2348 through actual or extrinsic fraud; and that the Contracts to Sell and Deeds of Sale with Mortgage were fraudulent.

As a ground for the nullification of the decision in LRC Case No. 83-15, and OCT No. O-2348 issued on the basis thereof, fraud must be extrinsic or actual, and not intrinsic. The Court elaborated on the distinction of the two species of frauds, thus:

Fraud may also be either extrinsic or intrinsic. Fraud is regarded as intrinsic where the fraudulent acts pertain to an issue involved in the original action, or where the acts constituting the fraud were or could have been litigated therein and is regarded as extrinsic where it prevents a party from having a trial or from presenting his entire case to the court, or where it operates upon matters pertaining not to the judgment itself but to the manner in which it is procured, so that there is no fair submission of the controversy. Extrinsic fraud is also actual fraud, but collateral to the transaction sued upon.

The distinctions are significant because only actual fraud or extrinsic fraud has been accepted as grounds for a judgment to be annulled or, as in this case, a decree of registration reopened and reviewed. In the oft-cited *Macabingkil v. People's Homesite and Housing Corporation* case, the Court drew from American jurisprudence stating that "relief has been granted on the ground that, by some fraud practiced directly upon the party seeking relief against the judgment or decree, (and) that party has been prevented from presenting all of his case to the court." The "fraud" contemplated by the law in this case (Section 32, P.D. No. 1529) is actual and extrinsic, which includes an intentional omission of fact required by law. For fraud to justify a review of a decree, it must be extrinsic or collateral, and the facts upon which it is based have not been controverted or resolved in the case where the judgment sought to be annulled was rendered. Persons who were

fraudulently deprived of their opportunity to be heard in the original registration case are entitled to a review of a decree or registration.[60]

In contrast to actual fraud, constructive fraud is construed as such because of its detrimental effect upon public interests, as well as public or private confidence in the Torrens System, even though the act is not done or committed with an actual design to commit positive fraud or injury upon other persons.

The records show that in his application in LRC Case No. 83-15, the petitioner, who was the applicant, alleged that he was the owner of the property, having acquired the same based on the Contract to Sell dated July 31, 1979, executed in his favor by Alfredo and Marciano Realon. He also alleged that the property was unoccupied and that there was no lien or encumbrance of any kind whatsoever affecting the said land, and that he had no knowledge of any person having any interest therein, legal or equitable.

The allegation that the petitioner was the owner of the property is admittedly incorrect because the deeds executed by Marciano and Alfredo Realon on July 31, 1979 were the contracts to sell, under which the petitioner, as buyer, would acquire title over the property only upon his payment of the balance of the purchase price thereof on or before May 23, 1980; or the issuance of a torrens title in the names of the vendees and the execution by the seller of a final deed of sale. Also, the property was tenanted by respondent Emiliano Purificacion.

When he filed his application on November 11, 1983, the petitioner had not yet paid the balance of the purchase price of the property. The vendors themselves failed to file an application for the issuance of a torrens title over the property in their names. Hence, the petitioner had not yet acquired ownership over the property when he filed his application. However, the Court believes that there was no intention on the part of the petitioner to deceive Alfredo and Marciano Realon, and deprive them of their right to be heard on the said application because (a) the petitioner appended to his application and adduced in evidence copies of the contracts to sell in favor of the petitioner executed by Alfredo and Marciano Realon, the latter for and in his behalf, and those of his brothers; and (b) Alfredo and Marciano Realon were served with copies of the notice of hearing of the said application, even testified for the petitioner and affirmed the validity of the said deeds. The respondents, as successors-in-interest of the vendees, can no longer assail the admissions of Alfredo and Marciano when they testified for the petitioner in LRC Case No. 83-15.[61]

As gleaned from the decision of the trial court, the petitioner still had a balance on the purchase price of the property due to the vendees amounting to P129,349.73.

We agree with the appellate court that the RTC erred in its decision in LRC Case No. 83-15 declaring the petitioner, who was the applicant in the RTC, to be the legal owner of the property based on the contracts to sell executed in his favor by Alfredo and his nephews. However, there is no showing in the records that the decision was appealed to the Court of Appeals. Indeed, the decision had become final and executory, and the court had issued a decree based on its decision. In due course, the Register of Deeds issued OCT No. 1248 in favor of the petitioner. Hence, even if erroneous, the decision can no longer be altered. Consequently, the respondents were barred by the decision of the RTC in Civil Case No. BCV 94-28 from impugning the deed of sale with mortgage executed in favor of the petitioner by Alfredo and his nephews on January 8, 1985. In its decision in the said case, the RTC declared:

At the trial, Engr. Aldersen Ilaban was called to the stand who testified that he is the authorized representative of the plaintiff, having been designated as administrator of his properties (Exh. "E"). He averred that his principal bought the parcel of land in question located at Carmona, Cavite, from its former owners, Alfredo Realon, Marciano Realon, in two (2) separate deeds of sale with mortgage (Exh. "A" & "B"). He further declared that the sellers undertook to deliver to the plaintiff the title covering the subject property upon payment of the balance of the purchase price. However, despite plaintiff's offer to pay the entire consideration

of the sale after plaintiff exerted effort to secure the torrens title over the subject lot, defendants refused to accept the same in view of their demand for a higher consideration. This prompted plaintiff to write a letter to defendants on October 15, 1993 whereby he tendered payment of the remaining balance (Exh. "C"). Four months thereafter, he again wrote defendants advising them that if they would still refuse to accept the payment, he would deposit the amount of P42,849.23 directly in open court (Exh. "D").[62]

Considering that the respondents, as defendants therein, failed to appeal the decision, it became final and executory and can no longer be assailed.

IN LIGHT OF ALL THE FOREGOING, the petition is GRANTED. The assailed decision of the Court of Appeals in CA-G.R. CV No. 68979, and that of the Regional Trial Court, are SET ASIDE. No costs.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Tinga and Chico-Nazario, JJ., concur.

[1] Penned by Associate Justice Bernardo P. Abesamis (retired), with Associate Justices Juan Q. Enriquez, Jr. and Edgardo F. Sundiam, concurring.

[2] Seventeenth Division.

[3] Penned by Judge Eduardo Israel Tanguanco.

[4] See Exhibit G.

[5] See Exhibit D.

[6] Exhibit D.

[7] TSN, 14 August 1997, pp. 11-12.

[8] Exhibit D.

[9] Exhibit E.

[10] Exhibit F.

[11] Exhibit F-1.

[12] Ibid.

[13] Exhibit G.

[14] Exhibit G-1.

[15] Exhibit A.

[16] Exhibit A-3.

[17] Exhibits F & G.

[18] Exhibit H.

[19] Exhibit I.

[20] Exhibits I and I-1.

- [21] Exhibit 8; Records, p. 371.
- [22] Exhibit 8, Id. at 370-371.
- [23] Exhibit 9, Id. at 372.
- [24] See Records, p. 286; See also Exhibit 7, Records, p. 369; TSN, 23 November 1997, p. 6.
- [25] Exhibit K.
- [26] Records, p. 360.
- [27] Exhibit 7.
- [28] Records, p. 366.
- [29] Exhibit L-1.
- [30] Exhibit L; Records, p. 167.
- [31] Penned by Executive Judge Lucenito N. Tagle.
- [32] Exhibit L.
- [33] Records, p. 1.
- [34] Records, pp. 5-6.
- [35] Records, pp. 96-97.
- [36] TSN, 14 August 1997, pp. 6-7.
- [37] Id. at 10-12.
- [38] Id. at 13-15.
- [39] Id. at 19.
- [40] TSN, 26 August 1997, p. 6.
- [41] Id. at 8-12.
- [42] Id. at 21-22; TSN, 23 September 1997, p. 4.
- [43] TSN, 23 September 1997, p. 10.
- [44] Id. at 18.
- [45] Rollo, pp. 81-92.
- [46] Id. at 90-92.
- [47] CA Rollo, p. 19.
- [48] Rollo, pp. 36-41.
- [49] Id. at 16-17.
- [50] Rule 3, Section 2, Rules of Court.
- [51] Rule 3, Section 3, Rules of Court.

[52] Rule 7, Section 1, Rules of Court, as amended.

[53] *Neil Tamondong v. Court of Appeals and World War II Veterans Legionnaires of the Philippines, Inc.*, G.R. No. 158397, November 26, 2004.

[54] Regalado, *Remedial Law Compendium*, 6[th] ed., Vol. I, p. 89, cited in *Workers of Antique Electric Cooperative, Inc. v. NLRC*, 333 SCRA 181 (2000).

[55] See *Borlasa v. Polistico*, 47 Phil 345 (1925); *People, et al. v. Hon. Rodriguez, et al.* 106 Phil 325 (1959); *Lim Tanhu v. Ramolete*, 66 SCRA 425 (1975); *Director of Lands v. Court of Appeals*, 93 SCRA 238 (1979); *Alabang Development Corporation v. Valenzuela*, 116 SCRA 261 (1982); *Arcelona v. Court of Appeals*, 280 SCRA 20 (1997); *Metropolitan Waterworks and Sewerage System v. Court of Appeals*, 297 SCRA 287 (1998).

[56] *Lozano v. Ballesteros*, 195 SCRA 681 (1991).

[57] *Arcelona v. Court of Appeals*, 280 SCRA 20 (1997).

[58] *Ibid.*

[59] Circular No. 04-94, now Section 5, Rules 7 of the 1997 Rules of Civil Procedure.

[60] *Heirs of Manuel A. Roxas v. Court of Appeals*, 270 SCRA 309 (1997).

[61] Section 31, Rule 130, Revised Rules of Court.

[62] Exhibits L-1 & L-2; Records, pp. 167-168.

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