

**DELFINA VDA. DE RIGONAN AND SPOUSES VALERIO LAUDE AND
VISMINDA LAUDE, PETITIONERS, VS. ZOROASTER DERECHO
REPRESENTING THE HEIRS OF RUBEN DERECHO, ABEL DERECHO,
HILARION DERECHO,...**

G.R. No. 159571. July 15, 2005

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Owners who, for a long period of time, fail to assert their rights to unregistered real property may be deprived of it through prescription. Although the present respondents initially owned part of the subject property by virtue of succession, their inaction for several decades bars them from recovering it from petitioners who have possessed it as owners since 1928. The purpose of prescription is to protect the diligent and vigilant, not those who sleep on their rights.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, challenging the July 28, 2003 Decision[2] of the Court of Appeals (CA) in CA-GR CV No. 62535. The assailed Decision disposed as follows:

"WHEREFORE, premises considered, the instant appeal is hereby DISMISSED for lack of merit. The assailed decision of the court a quo dated October 26, 1998 is AFFIRMED WITH THE MODIFICATION that its declaration of the [petitioners] as lawful heirs of Dolores Derecho-Rigonan, and indicating their lawful share equivalent to the share of one child of the deceased Hilarion Derecho is DELETED.

"Costs against the [petitioners]."[3]

The trial court's Decision, modified by the CA, had disposed as follows:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of [respondents], declaring the Affidavit of Adjudication executed by Leandro Rigonan on April 24, 1980 and the Deed of Sale executed by Teodoro Rigonan in favor of Valerio Laude null and void; ordering the cancellation of Tax Dec. No. 00667 in the name of Valerio Laude; ordering the [petitioners] to pay [respondents], jointly and severally, moral damages in the sum of P10,000.00 and litigation expenses in the sum of P5,000.00.

"[Petitioners] are hereby ordered to give-up and deliver the possession and ownership of the parcel of land in question to [respondents]. [Petitioners] being the heirs of the late Dolores Derecho are entitled to the rightful share equivalent to the share of one child of deceased Hilarion Derecho."[4]

The Facts

The instant controversy revolves around a parcel of land located at Tuburan Sur, Danao City, originally owned by Hilarion Derecho. When Hilarion died long before World War II, his eight children -- Leonardo, Apolinar, Andres, Honorata, Dolores, Gerardo, Agaton, and Oliva -- became pro indiviso co-owners of the subject property

by intestate succession. Subsequently, Tax Declaration No. 00267[5] was issued under the name "Heirs of Hilarion."

On July 16, 1921, five of the co-owners -- Leonardo, Apolinar, Andres, Honorata, and Dolores -- sold the inherited property to Francisco Lacambra, subject to a five-year redemption clause.[6] Notably, the three other Derecho heirs -- Gerardo, Agaton, and Oliva -- were not parties to the pacto de retro sale.

Sometime in 1928, two years after the period for redemption expired, Dolores -- together with her husband, Leandro Rigonan -- purchased[7] the land from Lacambra and immediately occupied it.[8]

More than five decades passed without any controversy. On April 24, 1980, Leandro Rigonan executed the assailed Affidavit of Adjudication in favor of his son, Teodoro Rigonan (the deceased husband of Petitioner Delfina vda. de Rigonan).[9] Under this instrument, Leandro declared himself to be the sole heir of Hilarion,[10] while Teodoro obtained the cancellation of Tax Declaration No. 00267,[11] and acquired Tax Declaration No. 00667 in his own name.[12]

During the same year, Teodoro mortgaged the subject property to the Rural Bank of Compostela of Cebu. Dreading foreclosure, he settled his obligations with the bank[13] by securing the aid of Spouses Valerio and Visminda Laude. On April 5, 1984, Teodoro executed the assailed Deed of Absolute Sale of Unregistered Land in favor of Valerio Laude,[14] who then obtained Tax Declaration No. 00726 under the latter's name on May 10, 1984.[15]

On November 10, 1993, respondents -- as the alleged heirs of Hilarion and pro indiviso owners of the subject realty -- brought an action before the Regional Trial Court (RTC) of Danao City (Branch 25), first, to recover the property; and, second, to annul the Deed of Sale in favor of Laude[16] and the Affidavit of Adjudication, whose validity and authenticity they assailed on the ground of fraud. They likewise maintained that the subject property had not been partitioned among the heirs; thus, it was still co-owned at the time it was conveyed to Petitioner Laude.[17]

Petitioners did not deny the imputed fraud in the execution of the Affidavit of Adjudication. They, however, averred that the document had no bearing on their claim of ownership, which had long pertained to the Rigonan spouses following the 1928 conveyance from the absolute owner, Lacambra.[18] They theorized that the co-ownership over the property ended when the period for redemption lapsed without any action on the part of the co-owners.[19] Therefore, the Rigonan spouses bought the property as legitimate vendees for value and in good faith, not in the capacity of redeeming co-owners.[20]

Petitioners likewise argued that they and their predecessors-in-interest had continuously owned and possessed the subject property for 72 years. Accordingly, acquisitive prescription had allegedly set in, in their favor, when the case was filed in 1993.[21]

Lastly, petitioners maintained that they were entitled to the equitable defense of laches. Respondents and their forebears were rebuked for not asserting their rights over the property for the past 72 years. They supposedly did so only after finding that the land had been developed, and that it had appreciated in value.[22]

Ruling of the Court of Appeals

On appeal, the CA held that the Affidavit of Adjudication and the Deed of Absolute Sale were both void. The Affidavit was deemed fraudulent because of the undisputed factual finding that some of the heirs of Hilarion were still alive at the time of its execution; hence, the statement that Leandro was the sole heir was indubitably false.[23] The Deed of Sale in favor of Laude was held void because the vendor, Teodoro, had no legal right to

dispose of the entire co-owned property. Moreover, the appellate court found that the evident purpose of the Contract was to deprive the other lawful heirs of their claims over the realty. Under Article 1409 (pars. 1 & 2), of the Civil Code, the Contract was considered void ab initio.[24]

As the Contracts were void, the defense of prescription was inapplicable. Article 1410 of the Civil Code states that actions for the declaration of the inexistence of a contract do not prescribe.[25]

As for the defense that the co-ownership ended when the period to redeem expired, the CA ruled that the redemption or repurchase by the Rigonan spouses did not end the state of co-ownership. At most, the repurchase gave rise to an implied trust in favor of the other co-owners.[26]

The CA added that prescription was inapplicable, because it did not run in favor of a co-owner as long as the latter recognized the co-ownership. In the present case, petitioners failed to show that the co-heirs, except Dolores, had repudiated their rights over the inherited property.[27]

The appellate court further ruled that Valerio Laude was not a buyer in good faith for two reasons; one, he had been forewarned by Respondent Ruben Derecho that the property was still co-owned; and, two, Valerio had admitted seeing the cancelled Tax Declaration under the name of the heirs of Hilarion. These matters should have alerted Valerio, who should have then exercised prudence as a buyer.[28]

Finally, the appellate court held that the action for recovery prescribed within ten years from the issuance of the Certificate of Title, which operated as a constructive notice. Considering, however, that the subject property was unregistered, the CA ruled that the prescriptive period should be reckoned from the issuance of the Tax Declaration on May 10, 1984. It concluded that the action was filed well within the period allowed by law for its recovery.[29]

Hence, this Petition.[30]

Issues

Petitioners raise the following issues for our consideration:

"1. Respondent Court of Appeals erred in holding that the land subject matter hereof is property held in common by the Heirs of Hilarion Derecho and an [i]mplied [t]rust was created by the act of repurchase.

"2. Respondent Court of Appeals erred in holding that the action for the recovery of possession and ownership is not time-barred by prescription and/or laches.

"3. Respondent Court of Appeals erred in holding that respondents' action for annulment of the Deed of Sale and Affidavit of Adjudication is not time-barred by prescription and/or laches.

"4. Respondent Court of Appeals erred in holding that Petitioner Valerio Laude is not a buyer in good faith and cannot be considered as legitimate and lawful owner of the subject property.

"5. Respondent Court of Appeals erred in resolving the case with an award of litigation expenses and attorney's fees.

"6. Respondent Court of Appeals acted with grave abuse of discretion when it ruled on the issue of [h]eirship."[31]

Simply stated, the issues are as follows:

- Whether at the time of the purchase in 1928, co-ownership still subsisted among the heirs of Hilarion Derecho
- Whether an implied trust was created

- Whether the action in the RTC was barred by prescription and laches

The Court's Ruling

The Petition has merit.

First Issue: Co-Ownership

Petitioners argue that the co-ownership ended when the heirs entered into a sale with the right to repurchase and subsequently failed to redeem the property within the stipulated period. Consequently, when the Rignonan spouses bought the subject land from Lacambra, it was a conveyance to the spouses in their personal capacities, not as co-owners.[32]

On the other hand, respondents merely adopted[33] the CA's disquisitions discussed earlier.

Since the Spanish Civil Code was still in effect when Hilarion died long before the outbreak of the Second World War[34] and when the sale was executed on July 16, 1921, it is evident that the said law governed both the co-ownership and the pacto de retro sale.

Pacto de Retro and Failure to Redeem

Under a pacto de retro sale, title to and ownership of property are immediately vested in the vendee a retro, subject only to the resolutive condition that the vendor repurchases it within the stipulated period. Pending the redemption, the vendor loses all ownership rights over the property, save for the right to repurchase it upon compliance with the requirements provided in Article 1518 of the Spanish Civil Code.[35]

In a number of cases, this Court has held that once the vendor fails to redeem the property within the stipulated period, irrevocable title shall be vested in the vendee by operation of law.[36]

In the instant case, the parties to the contract stipulated a five-year redemption period, which expired on July 16, 1926. The failure of the sellers to redeem the property within the stipulated period indubitably vested absolute title and ownership in the vendee, Lacambra. Consequently, barring any irregularities in the sale, the vendors definitively lost all title, rights and claims over the thing sold. To all intents and purposes, therefore, the vendors a retro ceased to be co-owners on July 16, 1926.

Clearly then, the parties to the sale -- Leonardo, Apolinar, Andres, and Honorata (but not Dolores, as will be explained later), as well as all their successors-in-interest -- no longer had any legal interest in the disputed property, none that they could have asserted in this action.

Purchase Beyond the Redemption Period

As for Dolores, she reacquired legal interest in the property by virtue of the purchase in 1928, two years after the period to redeem had already expired.[37]

This purchase cannot be considered as a redemption in the concept of a pacto de retro sale, which would imply that the period to redeem was extended long after it had already expired. Such automatic extension is not possible because, as succinctly stated by Manresa, "if the extension is made after the expiration of the period, then it is void and of no effect because there is nothing to extend." [38]

Adarte v. Tumaneng[39] illustrates the legal effect of the expiration of the stipulated period for redemption. In that case, Amanda Madamba sold two parcels of land to Spouses Cirilo Agudong and Emiliana Tumaneng. However, she reserved for herself the right to repurchase the lots within ten years. Five years after the period expired, Agudong executed a Contract promising to resell the land to Madamba. When the former died without fulfilling his promise, the latter filed a suit to compel the widow to execute a deed of sale in the plaintiff's favor.

The widow argued that Madamba could no longer redeem the property, because the period for redemption had already expired.

In debunking the widow's defense, this Court ruled that the Contract did not constitute a promise to resell, because the right to repurchase had been lost after the expiration of the stipulated period. The original Contract of Sale with a right of repurchase no longer existed at the time Agudong made the promise to sell. Therefore, the parties entered into an entirely new and independent agreement to sell, which was binding on the widow.

In *Umale v. Fernandez*,^[40] the Court ruled that the vendors were entitled to redeem the property despite the lapse of the period for redemption, inasmuch as the vendees had renounced their right. On April 13, 1905, a parcel of land was sold a retro by Emigdio Umale and his wife to Spouses Fernandez, without fixing any period for redemption. On June 12, 1909, Fernandez executed a Contract allowing the Umale spouses to redeem the land despite the lapse of the four-year period of redemption. This period was mandated by Article 1508^[41] of the Spanish Civil Code for cases in which no period had been stipulated. In 1911, Emigdio Umale redeemed the land and took possession of it.

He then sued to compel the Fernandez couple to execute the instrument of redemption. The defendants countered that the land belonged to them, because the vendors had failed to redeem it within the term allowed by law. The Court ruled:

"In the absence of an express stipulation with regard to the period of redemption, the purchaser, in the exercise of the freedom to make contracts that is possessed by all, has the power to extend the period allowed by law, provided that the new period stipulated does not exceed the ten years fixed by article 1508 of the code. For nothing in this article prohibits an extension, by agreement, of the four years, which is the period prescribed by law in cases where, in sales with right of repurchase, no period for redemption has been fixed by the parties."^[42] [Emphasis supplied]

In his Concurring Opinion,^[43] Justice Torres arrived at the same conclusion, but on a different ground. He explained that the contracting parties had no right to extend the legal period for redemption after it had already lapsed; and that, when the vendees alienated and returned the property afterwards, they did so by virtue of a new Contract of Sale, independent of and distinct from the previous one already terminated.

It is clear from *Adiarte* and *Umale* that after the expiration of the period for redemption, the parties could either (1) enter into an entirely new contract involving the same property; or (2) if they did not expressly stipulate the period, extend the time for redemption, provided the extension did not exceed the maximum period of ten years allowed by Article 1508.^[44]

In the present case, Lacambra and the heirs stipulated a five-year redemption period. When it lapsed, the vendee acquired absolute title, while the five co-owners-sellers were stripped of their co-ownership of the property.

Therefore, when Dolores repurchased the property in 1928, she did so in her personal capacity, no longer as a co-owner-seller. Following the ruling in *Adiarte*, she is deemed to have entered into an entirely new contract, independent of the 1921 pacto de retro sale.

Second Issue: Implied Trust

Petitioners contend that the appellate court erred in holding that an implied trust had arisen from the 1928 repurchase by the Rigonan spouses. They argue that the sale was a conveyance of the absolute ownership of Lacambra over the land, which he had acquired by virtue of a failure to redeem. Therefore, when he sold it, the spouses likewise acquired absolute ownership.^[45]

We clarify.

Satisfy Demands of Justice and Equity

An implied trust arises, not from any presumed intention of the parties, but by operation of law in order to satisfy the demands of justice and equity and to protect against unfair dealing or downright fraud.[46] Under Article 1456 of the new Civil Code, "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." Although this provision is not retroactive in character, and thus inapplicable to the 1928 purchase, it merely expresses a rule already recognized by our courts prior to the effectivity of the Code.[47]

In the present case, the implied trust arose in 1921, when five of the eight co-owners assumed ownership of the whole inherited property and sold it in its entirety to Lacambra. The sale clearly defrauded the three other co-heirs who were not parties to the transaction -- Gerardo, Agaton, and Oliva -- and unlawfully deprived them of their undivided shares in the inheritance. Thus, to the extent of their participation, the property is deemed to have been acquired through fraud; and the person who acquired it, a trustee for the benefit of the person from whom it was acquired.[48]

In the present case, Lacambra was the trustee who held the property partly for the benefit of the three mentioned heirs (*cestuis que trustent*).

The CA, however, erred in finding that the implied trust had arisen in 1928, when the Rigonan spouses repurchased the property from Lacambra.[49] By then, Petitioners Rigonan were merely stepping into the shoes of Lacambra as trustee.

Third Issue: Prescription or Laches

Petitioners argue that even if an implied trust existed, acquisitive prescription is still applicable. They rely on the pronouncement in *Medina v. Court of Appeals*[50] that acquisitive prescription applies to implied trusts, provided there is continuous adverse possession of property in the concept of owner.[51]

Petitioners maintain that they obtained absolute ownership of the subject land through acquisitive prescription. They point out that the heirs did not impugn the validity of the documents of sale until after seventy-two years, in 1993 when the case was filed before the trial court.[52]

Petitioners are correct.

It is settled in this jurisdiction that prescription,[53] as well as laches,[54] supervenes in the enforcement of implied trusts.

Prescription of Action

Possession of the property by petitioners commenced way back in 1928,[55] when the prescriptive periods applicable were those provided in Act 190 (Code of Civil Procedure). Their argument finds basis in Article 1116 of the new Civil Code, which states that "prescription already running before the effectivity of this Code shall be governed by laws previously in force x x x."

Under Section 40 of the Code of Civil Procedure, an action for recovery of real property, or of an interest therein, can be brought only within ten years after the cause of action accrues.[56]

The cause of action of respondents accrued in 1928, when they lost possession of the property to the forebears of petitioners. These predecessors-in-interest took possession from 1928[57] until 1980 when Laude, their successor-in-interest, continued possession up to the present. During this entire time, respondents inexcusably

failed to take action to recover the property. In 1993, they finally rose from their seeming slumber when they filed the present suit. Unfortunately, 65 years had already lapsed and, by that time, their right of action had clearly been barred by extinctive prescription.

Acquisitive Prescription

Moreover, petitioners acquired title to the subject property by prescription. Section 41 of Act 190 (Code of Civil Procedure) provides:

"Title to land by prescription. -- Ten years actual adverse possession by any person claiming to be the owner for that time of any land or interest in land, uninterruptedly continued for ten years by occupancy, descent, grants, or otherwise, in whatever way such occupancy may have commenced or continued, shall vest in every actual occupant or possessor of such land a full and complete title, saving to the person under disabilities the rights secured by the next section. In order to constitute such title by prescription or adverse possession, the possession by the claimant or by the person under or through whom he claims must be actual, open, public, continuous, under a claim of title exclusive of any other right and adverse to all claimants x x x."

This provision, as authoritatively and consistently interpreted by this Court, allows adverse possession in any character to ripen into ownership after the lapse of ten years.[58] "Prescription lies under the said section even in the absence of good faith and just title." [59]

In the instant case, the Riganon spouses possessed the property in the concept of owners after their purchase in 1928. They peacefully occupied it, were never ousted from it, and never prevented from enjoying its fruits.

Furthermore, possession by the Riganon spouses was adverse to the other heirs, as shown by the following: one, the former obtained the cancellation of the Tax Declaration in the latter's name; two, the spouses executed the Affidavit of Adjudication, claiming that Leandro Riganon was the sole heir; three, petitioners did not share with respondents the enjoyment of the property for a half-century; and four, Teodoro sold the property to Laude. Respondents were aware of these facts and of their rightful share in the land. Therefore, they knew that petitioners were holding the property adverse to their interests.

As petitioners have been in continuous possession and enjoyment of the disputed land since 1928, a length of time that has never been questioned, there can be no doubt that they obtained title to it by acquisitive prescription.

To stress the folly of respondents' protracted inaction, may we add that the present action would still be barred, even if the Court were to apply the thirty-year period fixed by the present Civil Code for the acquisition of ownership by extraordinary prescription[60] or for the extinction of the right of action over immovables.[61]

Action to Annul Contracts Imprescriptible, but Recovery of Realty Barred by Acquisitive Prescription

The CA dismissed petitioners' defense of prescription on the ground that the action for annulment of contracts was imprescriptible, as mandated by Article 1410 of the Civil Code.[62]

There is no question that the said action does not prescribe, but the principal question in this case is the recovery of the subject property, which is the ultimate goal of respondents. They seek the nullification of the Contracts, merely as a means or prelude to the recovery of the property. Unfortunately for them, acquisitive prescription has already set in to bar the recovery.

As stated in *Bargayo v. Camumot*, [63] "the prescription of an action and the acquisitive prescription of ownership cannot and should not be confounded. They are two different and distinct things, although equally transcendent, being of identical result and effect."

In that case, the Complaint filed by the heirs was one for partition, which did not prescribe, while the defendant

raised the defense of acquisitive prescription. This Court took a moment to explain that the law spoke only of the imprescriptibility of the action, not of ownership. It explained thus: "x x x [I]t is evident that to deny the prescription of the ownership of an inheritance, because Article 1965 of the Civil Code declares the action for its partition imprescriptible, is to confound the prescription of ownership and that of an action x x x." [64] But the Court overruled the defense, because the defendant had failed to prove adverse possession, an essential element of acquisitive prescription.

Similarly, the imprescriptibility of an action to annul a contract does not mean that the present respondents are perpetually allowed to recover the property, the subject of the void contract. They may file the action to annul, but their right to recover based on ownership is contingent on the premise that they still own the property. Ownership may have been lost in the interval during which they remained inactive. For this reason, the Court constantly reminds parties to remain vigilant over their rights.

This matter is likewise illuminated by *Heirs of Maningding v. CA*. [65] In that case, Ramon owned two parcels of land in Pangasinan. When he died intestate, his four children -- Roque, Segunda, Juan, and Maria -- inherited the contested properties. While Juan and Maria renounced their rights to the inheritance, Roque claimed the land as his own by virtue of a donation propter nuptias, previously executed in his favor by their father. Having been excluded from the enjoyment of the property, the heirs of Segunda filed an action for partition against Roque, as well as for the annulment of the conveyance documents.

The Court ruled that the parcels of land had devolved to the children of Ramon by right of succession. Roque did not acquire exclusive ownership of those properties by virtue of the Deed of Donation, which was null and void. Nevertheless, the Court held that his thirty-six years of exclusive possession and enjoyment of the property sufficed to confer ownership through acquisitive prescription. The heirs of Segunda were thus barred from recovering their shares in the inheritance.

It will be noted that *Maningding* sustained the defense of acquisitive prescription despite the imprescriptibility of the actions for annulment of contracts and partition. Simply put, the imprescriptibility of an action is distinct from the prescription of ownership and rights.

In the present case, we hold that respondents can no longer recover the property despite the nullity of the assailed contracts, because they have lost their ownership by reason of prescription.

Laches

Assuming *arguendo* that the action does not prescribe, laches would still bar respondents from belatedly asserting their claim. The defense of laches, which is a question of inequity in permitting a claim to be enforced, applies independently of prescription, which is a question of time. [66] Prescription is statutory; laches is equitable. [67]

In *Miguel v. Catalino*, [68] Bacaquio sold a parcel of land to Catalino in 1928. The latter possessed it and enjoyed its fruits from then until 1962, when the heirs of Bacaquio filed a complaint for recovery of possession of the property. The heirs asserted that the sale was void for lacking the requisite executive approval. The Court held that, despite the nullity of the sale and the fact that no prescription had run against the title of the heirs, the action was already barred by laches due to their passivity and inaction for more than thirty-four years.

Again in *Mejia de Lucas v. Gamponia*, [69] the Court held that while the legal defense of prescription did not lie, the equitable defense of laches did.

In that case, Domingo sold a parcel of registered land to Zacarias, who immediately took possession of it and enjoyed its fruits. When the heirs of Domingo filed an action for the annulment of the sale, Gamponia -- Zacarias'

successor-in-interest -- proffered the defense of prescription. The lower court overruled the defense on the ground that registered lands could not be acquired by prescription.

The lower court was reversed by this Court. Although Gamponia could not be deemed to have acquired title by virtue of the fact that he and his predecessors had long and continued possession of the property for thirty-seven years, the owners' right to recover it as well as the title to it was held to have been converted into a stale demand by their inaction and negligence.

Laches is defined as the failure to assert a right for an unreasonable and unexplained length of time, warranting a presumption that the party entitled to assert it has either abandoned or declined to assert it. This equitable defense is based upon grounds of public policy, which requires the discouragement of stale claims for the peace of society.[70]

As previously mentioned, an action to enforce an implied trust may be circumscribed by laches. Under this circumstance, repudiation is not even required,[71] unless the facts that give rise to the trust are concealed. This principle holds because of the nature of an implied trust, which involves a certain antagonism between the cestui que trust and the trustee.[72] There is neither promise nor fiduciary relation; the trustee does not recognize any trust and has no intention of holding the property for the beneficiary; therefore, the latter is not justified in delaying action to recover the property. Having incurred unreasonable delay, the beneficiary is estopped by laches.[73]

Coming to the present case, the record does not reveal, and respondents do not even assert, that there was a concealment of the 1921 sale of the property to Lacambra. Although three of the co-heirs were not parties to that transaction, there is no showing whatsoever that they interjected any objection to the conveyance. There is no allegation, either, that respondents were unaware of the sale in favor of Dolores or of her family's possession of the property since 1928. On the contrary, Respondent Ruben Derecho warned Laude not to buy the land because it had not been partitioned.[74] This fact shows that respondents were aware that Teodoro intended to sell the land, a move that was clearly an act of dominion over the entire property. Their cognizance of these facts eliminates the need for a repudiation on the part of petitioners.

It was held in *Go Chi Gun v. Co Cho*[75] that four elements had to be shown in order to use laches as a defense: (1) conduct on the part of the defendant, or of one under whom a claim is made, giving rise to a situation for which a complaint is filed and a remedy sought; (2) delay in asserting the rights of the complainant, who has knowledge or notice of the defendant's conduct and has been afforded an opportunity to institute a suit; (3) lack of knowledge or notice on the part of the defendant that the complainant will assert the right on which the latter has based the suit; and (4) injury or prejudice to the defendant in the event that the complainant is granted a relief or the suit is not deemed barred.

The four requisites are present in the instant case. First, the five co-owners' act of selling the entire property deprived respondents' predecessors of the enjoyment of their rightful shares in the inheritance. This deprivation was the basis of the Complaint filed by respondents.

Second, respondents waited more than six decades to file a suit without offering any excuse for the long delay in the assertion of their rights. They do not at all claim that they were unaware of their co-heirs' actions. They could have instituted an action to annul in 1921 or to recover the property in 1928, since they were legally presumed to know of the invalidity of the sale as to their shares; they did not have to wait for sixty-five years to institute this suit.

Third, after being allowed more than six decades of peaceful possession of the property, petitioners were certainly

not expecting respondents to reclaim it. Although Ruben Derecho warned Laude not to buy the land because it was still co-owned, the former still took no immediate action to prevent Teodoro from selling the entire property or to recover it. Respondents even allowed nine more years to pass before rising from their stupor to institute the Complaint.

Fourth, there is no doubt that petitioners will suffer if respondents are allowed to recover the property. The former have already developed, invested in, and religiously paid the taxes for it for at least a half-century. On the other hand, respondents nonchalantly allowed petitioners to continue with their possession and enjoyment of the property, and then pounced upon them when the latter least expected it.

Although we condemn the fraudulent acts of Leandro and the five co-owners in their scheme to deprive their relatives of the latter's rightful shares in the inheritance, the fact remains that respondents and their forebears wasted their opportunity through a lifetime of indifference and apathy. They cannot now be permitted to recover property that others have possessed, developed, and invested in for sixty-five years. It would be sheer injustice to allow the latter to reap benefits after generations of predecessors passively slept on their rights. The Court aptly stated in *Miguel v. Catalino*:

"x x x. Courts cannot look with favor at parties who, by their silence, delay, and inaction, knowingly induce another to spend time, effort, and expense in cultivating the land, paying taxes and making improvements thereon x x x only to spring from ambush and claim title when the possessor's efforts and the rise of land values offer an opportunity to make easy profit at his expense." [76]

To grant respondents relief when they have not even offered any justifiable excuse for their inaction would be unjust. It is certainly beyond our comprehension how they could have remained silent for more than 50 years. They have only themselves to blame if the Court at this late hour can no longer afford them relief against the inequities they allegedly suffered.

Considering the undisputed facts, not only had laches set in when respondents instituted their action for reconveyance in 1993, but their right to enforce the constructive trust had already prescribed as well.

WHEREFORE, the Petition is GRANTED. The assailed July 28, 2003 Decision of the Court of Appeals is hereby REVERSED and SET ASIDE. The Complaint before the Regional Trial Court of Danao City is hereby DISMISSED. No costs.

SO ORDERED.

Sandoval-Gutierrez, Corona, Carpio-Morales, and Garcia, JJ., concur.

[1] Rollo, pp. 10-29.

[2] *Id.*, pp. 31-40; Special Second Division. Penned by Justice Amelita G. Tolentino, with the concurrence of Justices Buenaventura J. Guerrero (Division chairman) and Mariano C. del Castillo (member).

[3] CA Decision, p. 11; rollo, p. 40.

[4] *Id.*, pp. 4 & 34.

[5] *Id.*, p. 9.

[6] *Id.*, p. 2; rollo, p. 32.

[7] *Ibid.*

- [8] Id., pp. 7 & 37.
- [9] Id., pp. 3 & 33.
- [10] Id., pp. 6 & 36.
- [11] Id., p. 9.
- [12] Id., pp. 3 & 33.
- [13] Ibid.
- [14] Ibid.
- [15] Id., p. 9.
- [16] Id., pp. 1 & 31.
- [17] Id., pp. 3 & 33.
- [18] Petitioners' Memorandum, p. 15; rollo, p. 79.
- [19] Id., pp. 9-10 & 73-74.
- [20] Id., pp. 13 & 77.
- [21] Id., pp. 17 & 81.
- [22] Id., pp. 18 & 82.
- [23] CA Decision, pp. 6-7; rollo, pp. 36-37.
- [24] Id., pp. 6 & 36.
- [25] Ibid.
- [26] Id., pp. 7 & 37.
- [27] Id., pp. 8 & 38.
- [28] Id., p. 9.
- [29] Id., pp. 9-10.
- [30] The case was deemed submitted for decision on May 17, 2004, upon this Court's receipt of both respondents' Memorandum, which was signed by Atty. Januario C. Flores; and petitioners' Memorandum, signed by Atty. Ana Marie Angelica P. Batiquin.
- [31] Petitioners' Memorandum, pp. 6-7; rollo, pp. 70-71.
- [32] Id., pp. 9-13 & 73-77.
- [33] Respondents' Memorandum, pp. 5-11; rollo, pp. 56-62.
- [34] Historically, the Second World War reached Philippine shores on December 8, 1941. *Araneta v. Dinglasan*, 84 Phil. 368, 403, August 26, 1949; *Co Cham v. Valdez*, 75 Phil. 113, 212, September 17, 1945.
- [35] Tolentino, *Civil Code of the Philippines* (1959), Vol. V, p. 135.
- [36] *Patricio v. Aragon*, 4 Phil. 615, July 28, 1905; *Krapfenbauer v. Orbeta*, 52 Phil. 201, October 13, 1928;

Rosario v. Rosario, 110 Phil. 394, December 29, 1960; Dalandan v. Julio, 119 Phil. 678, February 29, 1964; Bayquen v. Balaoro, 143 SCRA 412, August 13, 1986; De Guzman v. CA, 156 SCRA 701, December 21, 1987; Flores v. So, 162 SCRA 117, June 16, 1988; Cruz v. Leis, 327 SCRA 570, March 9, 2000.

[37] CA Decision, p. 2; rollo, p. 32.

[38] *Adiarte v. Tumaneng*, 88 Phil. 333, 345, March 15, 1951, per Padilla, J.

[39] *Ibid.*

[40] 28 Phil. 89, September 29, 1914.

[41] Article 1508. "The right referred to in the preceding article, in the absence of an express agreement, shall last four years counted from the date of the contract.

"Should there be an agreement, the period shall not exceed ten years."

[42] *Umale v. Fernandez*, *supra*, p. 93, per curiam.

[43] *Id.*, pp. 94-97.

[44] Now Article 1606 of the new Civil Code.

[45] Petitioners' Memorandum, pp. 12-13; rollo, pp. 76-77.

[46] *Bueno v. Reyes*, 137 Phil. 734, 738, April 28, 1969.

[47] *Diaz v. Gorricho*, 103 Phil. 261, 264, March 29, 1958 (citing *Gayondato v. Treasurer of the Phil. Islands*, 49 Phil. 244, August 25, 1926).

[48] See *Noel v. Court of Appeals*, 240 SCRA 78, January 11, 1995; *Gayondato v. Treasurer of the Philippine Islands*, 49 Phil. 244, August 25, 1926.

[49] CA Decision, p. 7; rollo, p. 37.

[50] 109 SCRA 437, 444-445, November 27, 1981.

[51] Petitioners' Memorandum, pp. 16-17; rollo, pp. 80-81.

[52] *Id.*, pp. 13-17 & 77-81.

[53] *Bueno v. Reyes*, *supra* at note 46; *J. M. Tuason v. Magdangal*, 4 SCRA 84, 88, January 30, 1962; *Ramos v. Ramos*, 61 SCRA 284, 300, December 3, 1974; *Medina v. CA*, *supra* at note 50.

[54] *Fabian v. Fabian*, 22 SCRA 231, 236, January 29, 1968 (citing *Diaz v. Gorricho*, *supra* at note 47, pp. 264-265).

[55] There is no showing of actual possession by Lacambra from the time of the pacto de retro sale in 1921 up to the time he sold the property to the Rigonans. Hence, possession for the purpose of prescription is counted only from 1928 when the Rigonans purchased and commenced possession of the property.

[56] §40 of Act 190 reads: "An action for the recovery of title to, or possession of, real property, or an interest therein, can only be brought within ten years after the cause of action accrues."

[57] CA Decision, p. 7; rollo, p. 37.

[58] *Altman v. Commanding Officer*, 11 Phil. 516, October 27, 1908; *Locsin Rama v. Montelibano Ramos*, 36

Phil. 136, January 23, 1917; Santos v. Heirs of Crisostomo, 41 Phil. 342, January 4, 1921; Arboso v. Andrade, 87 Phil. 782, December 29, 1950; Ongsiaco v. Dallo, 136 Phil. 596, February 28, 1969; Alvero v. Reas, 35 SCRA 210, September 30, 1970; Ramos v. CA, 112 SCRA 542, March 15, 1982.

[59] Alvero v. Reas, *supra*, p. 214, per Reyes, J.

[60] Article 1137. "Ownership and other real rights over immovables also prescribe through uninterrupted adverse possession thereof for thirty years, without need of title or of good faith."

[61] Article 1141. "Real actions over immovables prescribe after thirty years. This provision is without prejudice to what is established for the acquisition of ownership and other real rights by prescription."

[62] CA Decision, p. 6; rollo, p. 36.

[63] 40 Phil. 857, 866, March 12, 1920, per Torres, J.

[64] *Id.*, p. 867.

[65] 276 SCRA 601, July 31, 1997.

[66] Maneclang v. Baun, 208 SCRA 179, April 22, 1992 (citing Nielson & Co., Inc. v. Lepanto Consolidated Mining Co., 18 SCRA 1040, December 17, 1966).

[67] Maneclang v. Baun, *supra*, p. 193.

[68] 26 SCRA 234, November 29, 1968.

[69] 100 Phil. 277, October 31, 1956.

[70] Tijam v. Sibonghanoy, 23 SCRA 29, April 15, 1968.

[71] Gonzales v. IAC, 204 SCRA 106, 115, November 21, 1991; Fabian v. Fabian, *supra* at note 54, pp. 236-237 (citing Diaz v. Gorricho, *supra* at note 47, pp. 264-265).

[72] Bueno v. Reyes, *supra* at note 46, p. 738.

[73] Diaz v. Gorricho, *supra* at note 47, p. 266.

[74] CA Decision, p. 9.

[75] 96 Phil. 622, 637, February 28, 1955.

[76] Miguel v. Catalino, *supra* at note 68, p. 239, per Reyes, J.

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