

HEIRS OF TRANQUILINO LABISTE (ALSO KNOWN AS TRANQUILINO LAVISTE) REPRESENTED BY: (1) GERARDO LABISTE, REPRESENTING THE HEIRS OF GREGORIO LABISTE; (2) OBDULLIA LABISTE GABUAN, RE...*G.R. No. 162033. May 08, 2009*

Ponente: TINGA, J.

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This is a petition for review[1] under Rule 45 of the Rules of Court of the Court of Appeals' Decision dated 30 June 2003[2] in CA-G.R. CV No. 65829. reversing the decision of the Regional Trial Court (RTC) of Cebu City, Branch 9. The appellate court denied petitioners'[3] motion for reconsideration in a Resolution dated 15 January 2004.

The factual antecedents are as follows:

On 29 September 1919, the late Epifanio Labiste (Epifanio), on his own and on behalf of his brothers and sisters who were the heirs of Jose Labiste (Jose), purchased from the Bureau of Lands Lot No. 1054 of the Banilad Friar Lands Estate, with an area of 13,308 square meters, located at Guadalupe, Cebu City for P36.00.[4] Subsequently, on 9 June 1924, then Bureau of Lands Director Jorge B. Vargas executed Deed of Conveyance No. 12536 selling and ceding Lot No. 1054 to Epifanio and his brothers and sisters who were the heirs of Jose.[5]

After full payment of the purchase price but prior to the issuance of the deed of conveyance, Epifanio executed an Affidavit[6] (Affidavit of Epifanio) in Spanish on 10 July 1923 affirming that he, as one of the heirs of Jose, and his uncle and petitioners' predecessor-in-interest, Tranquilino Labiste (Tranquilino), then co-owned Lot No. 1054 because the money that was paid to the government came from the two of them. Tranquilino and the heirs of Jose continued to hold the property jointly.

Sometime in 1928, the Register of Deeds of Cebu City issued Original Certificate of Title No. 3878 for Lot No. 1054. On 2 May 1928, Engineer Espiritu Bunagan (Engr. Bunagan), Deputy Public Land Surveyor, subdivided Lot No. 1054 into two lots: Lot No. 1054-A with an area of 6,664 square meters for Tranquilino and Lot No. 1054-B with an area of 6,664 square meters for Epifanio. The subdivision plan prepared by Engr. Bunagan was approved by Jose P. Dans, Acting Director of Lands on 28 October 1928.[7]

Subsequently, on 18 October 1939, the heirs of Tranquilino[8] purchased the one-half (1/2) interest of the heirs of Jose[9] over Lot No. 1054 for P300.00, as evidenced by the Calig-onan sa Panagpalit[10] executed by the parties in the Visayan dialect. The heirs of Tranquilino immediately took possession of the entire lot.

When World War II broke out, the heirs of Tranquilino fled Cebu City and when they came back they found their homes and possessions destroyed. The records in the Office of the Register of Deeds, Office of the City Assessor and other government offices were also destroyed during the war. Squatters have practically overrun the entire property, such that neither petitioners nor respondents possess it.

In October 1993, petitioners learned that one of the respondents,[11] Asuncion Labiste, had filed on 17 September 1993 a petition for reconstitution of title over Lot No. 1054. Petitioners opposed the petition at first but by a compromise agreement between the parties dated 25 March 1994, petitioners withdrew their opposition to expedite the reconstitution process. Under the compromise agreement, petitioners were to be given time to file a complaint so that the issues could be litigated in an ordinary action and the reconstituted title was to be deposited with the Clerk of Court for a period of sixty (60) days to allow petitioners to file an action for reconveyance and to annotate a notice of lis pendens. The Register of Deeds of Cebu City issued the reconstituted title, TCT No. RT-7853,[12] in the name of "Epifanio Labiste, married to Tomasa Mabitad, his brothers and sisters, heirs of Jose Labiste" on 14 December 1994. However, respondents did not honor the compromise agreement.

Petitioners filed a complaint[13] for annulment of title seeking the reconveyance of property and damages on 13 January 1995, docketed as Civil Case No. CEB-16943, with the RTC of Cebu City. Respondents claimed that the Affidavit of Epifanio and the Calig-onan sa Panagpalit were forgeries and that petitioners' action had long prescribed or barred by laches.[14]

The RTC in a Decision dated 23 August 1999[15] ruled in favor of petitioners. After evaluating the documents presented by petitioners, the RTC found that they are genuine and authentic as ancient documents and that they are valid and enforceable.[16] Moreover, it held that the action had not prescribed as the complaint was filed about a year after the reconstitution of the title by respondents. The judicial reconstitution was even opposed by petitioners until a compromise agreement was reached by the parties and approved by the RTC which ordered the reconstitution. The RTC further held that the reconstituted title did not give any more right to respondents than what their predecessors-in-interest actually had as it is limited to the reconstitution of the certificate as it stood at the time of its loss or destruction.[17]

On appeal, the Court of Appeals, while affirming petitioners' right to the property, nevertheless reversed the RTC's decision on the ground of prescription and laches. It affirmed the RTC's findings that the Affidavit and the Calig-onan sa Panagpalit are genuine and authentic, and that the same are valid and enforceable documents.[18] Citing Article 1144 of the Civil Code, it held that petitioners' cause of action had prescribed for the action must be brought within ten (10) years from the time the right of action accrues upon the written contract which in this case was when petitioners' predecessors-in-interest lost possession over the property after World War II. Also, the lapse of time to file the action constitutes neglect on petitioners' part so the principle of laches is applicable.[19]

Hence, the present petition.

The genuineness and authenticity of the Affidavit of Epifanio and the Calig-onan sa Panagpalit are beyond cavil. As we have ruled in a litany of cases, resort to judicial review of the decisions of the Court of Appeals under Rule 45 is confined only to errors of law.[20] The findings of fact by the lower court are conclusive absent any palpable error or arbitrariness.[21] The Court finds no reason to depart from this principle. Moreover, it is a long settled doctrine that findings of fact of the trial court, when affirmed by the Court of Appeals, are binding upon the Court. It is not the function of the Supreme Court to weigh anew the evidence already passed upon by the Court of Appeals for these are deemed final and conclusive and may not be reviewed on appeal.[22]

The sole issue that the Court has to resolve is whether or not petitioners' cause of action has prescribed.

The Court of Appeals erred in applying the rules on prescription and the principle of laches because what is involved in the present case is an express trust.

Trust is the right to the beneficial enjoyment of property, the legal title to which is vested in another. It is a fiduciary relationship that obliges the trustee to deal with the property for the benefit of the beneficiary.[23] Trust

relations between parties may either be express or implied. An express trust is created by the intention of the trustor or of the parties. An implied trust comes into being by operation of law.[24]

Express trusts are created by direct and positive acts of the parties, by some writing or deed, or will, or by words either expressly or impliedly evincing an intention to create a trust.[25] Under Article 1444 of the Civil Code, "[n]o particular words are required for the creation of an express trust, it being sufficient that a trust is clearly intended." The Affidavit of Epifanio is in the nature of a trust agreement. Epifanio affirmed that the lot brought in his name was co-owned by him, as one of the heirs of Jose, and his uncle Tranquilino. And by agreement, each of them has been in possession of half of the property. Their arrangement was corroborated by the subdivision plan prepared by Engr. Bunagan and approved by Jose P. Dans, Acting Director of Lands.

As such, prescription and laches will run only from the time the express trust is repudiated. The Court has held that for acquisitive prescription to bar the action of the beneficiary against the trustee in an express trust for the recovery of the property held in trust it must be shown that: (a) the trustee has performed unequivocal acts of repudiation amounting to an ouster of the cestui que trust; (b) such positive acts of repudiation have been made known to the cestui que trust, and (c) the evidence thereon is clear and conclusive.[26] Respondents cannot rely on the fact that the Torrens title was issued in the name of Epifanio and the other heirs of Jose. It has been held that a trustee who obtains a Torrens title over property held in trust by him for another cannot repudiate the trust by relying on the registration.[27] The rule requires a clear repudiation of the trust duly communicated to the beneficiary. The only act that can be construed as repudiation was when respondents filed the petition for reconstitution in October 1993. And since petitioners filed their complaint in January 1995, their cause of action has not yet prescribed, laches cannot be attributed to them.

It is hornbook doctrine that laches is a creation of equity and its application is controlled by equitable considerations. Laches cannot be used to defeat justice or perpetrate fraud and injustice.[28] Neither should its application be used to prevent the rightful owners of a property from recovering what has been fraudulently registered in the name of another.[29] The equitable remedy of laches is, therefore, unavailing in this case.

However, to recover the other half of the property covered by the private Calig-onan sa Panagpalit and to have it registered on the title of the property, petitioners should have filed an action to compel[30] respondents, as heirs of the sellers in the contract,[31] to execute a public deed of sale. A conveyance of land made in a private document does not affect its validity. Article 1358, like its forerunner Article 1280 of the Civil Code of Spain, does not require the accomplishment of the acts or contracts in a public instrument in order to validate the act or contract but only to insure its efficacy,[32] so that after the existence of said contract has been admitted, the party bound may be compelled to execute the proper document.[33] But even assuming that such action was filed by petitioners, the same had already prescribed.

It is settled that only laws existing at the time of the execution of a contract are applicable thereto and not later statutes, unless the latter are specifically intended to have retroactive effect.[34] Consequently, it is the Old Code of Civil Procedure (Act No. 190) which applies in this case since the Calig-onan sa Panagpalit was executed on 18 October 1939 while the New Civil Code took effect only on 30 August 1950. And section 43 of Act No. 190, like its counterpart Article 1144 of the New Civil Code, provides that action upon a written contract must be filed within ten years.[35]

WHEREFORE, the petition is PARTIALLY GRANTED. The Decision of the Court of Appeals dated 30 June 2003 in CA-G.R. CV No. 65829 is REVERSED and SET ASIDE and the Decision of the Regional Trial Court of Cebu City, Branch 9 dated 23 August 1999 is

REINSTATED with MODIFICATION in petitioners are hereby DECLARED the absolute owners of one-half of

Lot No. 1054 or Lot No. 1054-A under TCT No. RT-7853. The Register of Deeds of Cebu City is hereby ORDERED to CANCEL TCT No. RT-7853 in part and issue a new Transfer Certificate of Title to petitioners, heirs of Tranquilino Labiste, covering Lot No. 1054-A. No costs.

SO ORDERED.

Carpio-Morales, Velasco, Jr., Leonardo De Castro, and Brion, JJ., concur.

[1] Rollo, pp. 14-33.

[2]Id. at 35-46. Penned by Associate Justice B.A. Adefuin-De la Cruz and concurred by Associate Justices Josefina Guevara-Salonga and Hakim Abdulwahid. The dispositive portion reads:

WHEREFORE, premises considered, the assailed Decision is hereby REVERSED and SET ASIDE, and the complaint filed before the court a quo is hereby DISMISSED.

No costs.

SO ORDERED.

[3] Id. at 15-16. Petitioners are descendants and heirs of the late Tranquilino Labiste. They are represented by the following : (1) Gerardo Labiste, representing the Heirs of Gregorio Labiste; (2) Obdullia Labiste Gabuan, representing the heirs of Juan Labiste; (3) Victoria G. Chiong, representing the Heirs of Eulalia Labiste; (4) Apolinaria Labiste Ylana, representing the Heirs of Nicolasa Labiste; (5) Demosthenes Labiste, representing the Heirs of Gervacio Labiste; (6) Alejandra Labiste, representing the Heirs of Simfrocio Labiste; and (7) Clotilde Labiste Carta, representing the Heirs of Andres Labiste.

[4] Id. at 234-235.

[5] Id. at 236-237.

[6] Id. at 238.

[7] Id. at 239-240.

[8]Gregorio Labiste, Juan Labiste, Eulalia Labiste, Nicolasa Labiste, Andres Labiste, Gervacio Labiste, Alejandra Labiste and Fidelina Labiste

[9] Bernardino Labiste, Epifanio Labiste, Anna Labiste, Lucio Labiste, Felix Labiste, Simplicio Labiste, Patricio Labiste, and Rufina Labiste.

[10] Id. at 241-242.

[11] Id. at 16. Respondents are descendants and heirs of the late Jose Labiste. The Heirs of Jose Labiste are: (1) Zacarias Labiste, deceased and survived by his children, namely: Cresencia Labiste and Eufonio Labiste; (2) Bernardino Labiste, deceased and survived by his children, namely: Policarpio Labiste, Bonifacio Labiste, Felix Labiste, Gabina Labiste, Cayetana Labiste and Isabel Labiste; (3) Lucia Labiste, deceased and survived by her children, namely: Isaac Labiste, Genaro Labiste, Braulia Labiste, Braulio Labiste, Asuncion Labiste, Alfonso Labiste and Claudia Labiste; (4) Epifanio Labiste, deceased and survived by his children, namely: Silvestre Labiste, Paula Labiste and Gerarda Labiste; (5) Ana Labiste, deceased and survived by her children, namely: Maximo Labiste, Moises Labiste, Gervacio Labiste, Saturnina Labiste, and Quirino Labiste; (6) Severo Labiste, deceased and survived by his children, namely: Felix Labiste, Rufina Labiste, Simplicio Labiste, Vicente Labiste

and Patricio Labiste.

[12] Id. at 243.

[13] Id. at 67-74.

[14] Id. at 78-82; 89-93.

[15] Id. at 111-122. Penned by Judge Benigno Gaviola. The dispositive portion of reads as follows:

WHEREFORE, judgment is hereby rendered in favor of plaintiffs, heirs of Tranquilino Labiste, and against defendants, heirs of Jose Labiste, as follows:

a) Declaring the heirs of Tranquilino Labiste, plaintiffs herein, as the rightful and absolute owners of Lot No. 1054, subject of this case.

b) Ordering the annulment, cancellation of TCT No. RT-7853 issued by the Register of Deeds of Cebu City in the name of Epifanio Labiste married to Tomasa Mabitad, his brothers and sisters, heirs of Jose Labiste; and Ordering the Register of Deeds of Cebu City to issue a new Transfer Certificate of Title in lieu thereof in the name of plaintiffs, heirs of Tranquilino Labiste.

No mention as to costs.

SO ORDERED.

[16] Id. at 117-119.

[17] Id. at 119-121.

[18] Id. at 41-42.

[19] Id. at 42-45.

[20] See *Perez v. Court of Appeals*, 374 Phil. 388, 409-410 (1999).

[21] The factual findings of the Court of Appeals affirming those of the trial court are final and conclusive and may not be reviewed on appeal, except under any of the following circumstances: (1) the conclusion is grounded on speculations, surmises or conjectures; (2) the inference is manifestly mistaken, absurd or impossible; (3) there is grave abuse of discretion; (4) the judgment is based on a misapprehension of facts; (5) the findings of fact are conflicting; (6) there is no citation of specific evidence on which the factual findings are based; (7) the finding of absence of facts is contradicted by the presence of evidence on record; (8) the findings of the CA are contrary to those of the trial court; (9) the CA manifestly overlooked certain relevant and undisputed facts that, if properly considered, would justify a different conclusion; (10) the findings of the CA are beyond the issues of the case; and (11) such findings are contrary to the admissions of both parties. See *Gonzales v. Court of Appeals*, 358 Phil. 806, 821 (1998); *Polotan Sr. v. Court of Appeals*, 357 Phil. 250, 256-257 (1998). See also *Lacanilao v. Court of Appeals*, 330 Phil. 1074, 1079-1080 (1996).

[22] *Changco v. Court of Appeals*, 429 Phil. 336, 342 (2002).

[23] *Rizal Surety & Insurance Company v. Court of Appeals*, 329 Phil. 786, 804 (1996).

[24] Civil Code, Art. 1441.

[25] See *Ramos v. Ramos*, No. L-19872, 3 December 1974, 61 SCRA 284, 297, 3 December 1974; *Salao v. Salao*, No. L-26699, 16 March 1976, 162 SCRA 89, 111 (1976); *Medina v. Court of Appeals*, 146 Phil. 205, 212 (1981).

[26] *Pilapil v. Heirs of Maximino R. Briones*, G.R. No. 150175, February 5, 2007, 514 SCRA 197, 214-215.

[27] *Sotto v. Teves*, 175 Phil. 343, 365 (1978).

[28] *Jimenez v. Fernandez*, G.R. No. 46364, 6 April 1990, 184 SCRA 190, 197, cited in *Cometa v. Court of Appeals*, 404 Phil. 107, 123 (2001).

[29] *Heirs of Clemente Ermac v. Heirs of Vicente Ermac*, 451 Phil. 368, 379 (2003).

[30] Art. 1357. If the law requires a document or other special form, as in the acts and contracts enumerated in the following article, the contracting parties may compel each other to observe that form, once the contract has been perfected. This right may be exercised simultaneously with the action upon the contract. (1279a)

[31] When a party to a contract dies and is survived by his heirs, the latter may be compelled to execute the proper documents. They are not third parties, and they succeed to whatever interest their predecessor may have in the property covered by the contract. All of the heirs, however, must be made parties to such an action. See *Mojica v. Fernandez*, 9 Phil. 403 (1907); *Araneta v. Montelibano*, 14 Phil. 117 (1909).

[32] *Manotok Realty, Inc. v. Court of Appeals*, 233 Phil. 178 (1987); *Alano v. Babasa*, 10 Phil. 511, 515 (1908); see also *Tolentino*, Civil Code, vol. 4, pp. 546-547 (1991).

[33] *Hawaiian Phil. Co. v. Hernaez*, 45 Phil. 746, 749 (1924); *Dievos v. Acuna Co Chongco*, 16 Phil. 447, 449 (1910); *Doliendo v. Depino*, 12 Phil. 758, 764 (1909).

[34] *Philippine Virginia Tobacco Administration v. Gonzalez*, G.R. No. 34628, 30 July 1979, 92 SCRA 172 (1979), cited in *Ortigas Co. Ltd. v. Court of Appeals*, G.R. No. 126102, 346 SCRA 748.

[35] See *Osorio v. Tan Jongko, et al.*, 98 Phil. 35 (1955). See also *Francisco v. De Borja*, 98 Phil. 446, 458 (1956); *Amar v. Odiaman*, 109 Phil. 681 (1960).

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