

ASSOCIATED BANK, PETITIONER, VS. SPOUSES JUSTINIANO S. MONTANO, SR., AND LIGAYA MONTANO AND TRES CRUCES AGRO-INDUSTRIAL CORPORATION, RESPONDENTS.*G.R. No. 166383. October 16, 2009*

Ponente: NACHURA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-166383/>**NACHURA, J.:**

Petitioner filed this Rule 45 petition seeking the review of the October 27, 2003 Decision[1] of the Court of Appeals (CA), as well as its December 13, 2004 Resolution,[2] in CA-G.R. CV No. 61383. The CA, in its assailed decision and resolution, set aside the April 14, 1997 Order[3] of the Regional Trial Court (RTC) dismissing the complaint filed by herein respondents for reconveyance of title over three parcels of land situated in Cavite.

Below are the facts.

In 1964, spouses Justiniano and Ligaya Montano (the Montanos) owned three (3) parcels of land situated in Tanza, Cavite with an aggregate area of 590,558 square meters, more or less,[4] utilized as an integrated farm and as a stud farm used for raising horses.[5] Justiniano was then serving as congressman for the lone district of Cavite and as minority floor leader. In 1972, when then President Ferdinand Marcos placed the country under martial law, Justiniano went on self-exile to the United States of America (USA) to avoid the harassment and threats made against him by the dictator.

Sometime in 1975, while still in the USA, the Montanos transferred the said properties to Tres Cruces Agro-Industrial Corporation (TCAIC) in exchange for shares of stock in the company,[6] allowing the Montanos to control 98% of the stockholdings of TCAIC.[7] Thus, on February 17, 1975, the certificates of title registered in the name of the Montanos were cancelled and were replaced with transfer certificates of title (TCTs) in TCAIC's name.[8]

A year later, in October 1976, TCAIC sold the properties to International Country Club, Inc. (ICCI) for P6,000,000.00.[9] The sale resulted in the cancellation of the titles of TCAIC, and in their transfer to ICCI on May 27, 1977.[10]

After the transfer, ICCI immediately mortgaged the parcels of land to Citizens Bank and Trust Co. (later renamed as Associated Bank) for P2,000,000.00.[11] The loan matured but remained unpaid, prompting Associated Bank to foreclose the mortgage on May 31, 1984.[12] The properties were then put on public auction and were sold for P5,700,000.00 to Associated Bank, the sole and highest bidder.[13] Ownership over the said properties was consolidated by Associated Bank and, on May 19, 1987, new TCTs were issued in its name.[14]

Meanwhile, in 1986, following the ouster of Marcos, the Montanos returned to the country. After discovering the transfer of the properties, the Montanos immediately took physical possession of the same and began cultivating the land.[15] On September 15, 1989, the Montanos filed an action for reconveyance of title against herein

petitioner, praying, in sum, that the transfer of the properties from TCAIC to ICCI, and from ICCI to Associated Bank, be declared null and void.[16]

In their complaint, respondents averred that the transfer of the parcels of land to TCAIC was done only to avoid the confiscatory acts being applied by the dictator against the Montanos' properties, in retaliation for the latter's open opposition to Marcos.[17] They claimed that TCAIC was only forced to sell the properties to ICCI after the latter intimidated and threatened the relatives of the Montanos who were left in the country.[18] They also argued that the mortgage by ICCI to Associated Bank was made to generate money for the latter's corporate officers as evidenced by the lack of any effort on the part of ICCI to service the loan.[19]

On October 11, 1989, Associated Bank filed an Answer[20] setting forth affirmative defenses. Among its several pleas in avoidance were the arguments that the complaint did not state a cause of action; that the allegation of threat and intimidation was not averred with particularity; that the bank was an innocent purchaser for value; and that, even if the complaint stated a cause of action, the same had already prescribed or had been barred by estoppel and laches.[21]

On February 17, 1997, eight (8) years after Associated Bank filed its answer and while the case was still on its pretrial stage, the bank filed a Motion for Preliminary Hearing on the Affirmative Defenses and/or Motion to Dismiss[22] focused on two crucial points, namely: that the complaint stated no cause of action; and that the case was already barred by the statute of limitations.[23] Respondents prayed for and were given an additional 10 days within which to file an omnibus opposition to petitioner's motion.[24] Respondents, however, failed to meet the trial court's deadline.[25]

On April 4, 1997, the trial court issued an Order[26] dismissing the complaint. In disposing of the case, the RTC explained:

Now, assuming gratia arguendo the truth of the allegations of the instant complaint, the question that arises is whether or not this court could render a valid judgment in accordance with the prayer of the complaint. Surely, in the absence of controverting evidence when the allegations of the complaint by reason of the motion to dismiss based on the ground that the complaint states no cause of action become the gospel truth. Apropos, there is no room for doubt that this Court could render a valid judgment pursuant to the complaint's prayer. Needless to say, the motion to dismiss based on the ground that the complaint states no cause of action must necessarily crumble like a house of cards.

Anent the second ground that the institution of the instant case is barred by the statute of limitations, this Court finds the same to be meritorious.

An action for reconveyance of real property resulting from fraud may be barred by the statute of limitations, which requires that the action shall be filed within four (4) years from the discovery of the fraud (*Balbin versus Medalla*, 108 SCRA 666; *Alarcon versus Hon. Abdulwahid Bidin, et al.*, 120 SCRA 390). Under the circumstances of this case, such discovery must be deemed to have taken place when Transfer Certificate of Title Nos. T-76107, [T-J]76108 and [T-J]76109 were issued in the name of Tres Cruces in 1975 and TCT No[s]. T-90654, T-90655 and TCT No. T-90656 to the properties in the name of International Country Club, Inc., in 1977, because the registration of the deeds of sale is considered a constructive notice to the whole world of its contents, and all interests, legal and equitable, included therein (*Ramos versus Court of Appeals, et al.*, 112 SCRA 542). Here, plaintiffs waited for a period of around fourteen (14) years or at least around twelve (12) years from the date of the issuance of the certificates of title before filing the instant complaint in 1989.

Besides, it is very clear from Section 35 of the Land Registration Act that although an original owner of a registered land may seek the annulment of a transfer thereof on the ground of fraud, such a remedy, however, is "without prejudice to the rights of any innocent value of the certification of title[]" (*Medina, et al. versus*

Hon. Francisco M. Chanco, et al., 117 SCRA 201).

x x x x

The bottom line is that this Court finds merit in the Motion to Dismiss filed by defendant Westmont, anchored on the second ground. The cause of action filed by plaintiffs Spouses Montano for reconveyance of title of the three (3) parcels of land is a collateral attack on the indefeasible title of Westmont. x x x.

Parenthetically, this Court, it will not be amiss, to state, finds that the allegations of threats, intimidation, harassment made by plaintiffs are couched in general terms contrary to Section 5, Rule 8 of the Rules of Court which states that in (sic) all averments of fraud, or mistake, the circumstances constituting fraud or mistake must be stated with particularity.

This Court is not unmindful of the fact that in the various transactions of plaintiffs and defendants, all were for valuable considerations. The property for stocks arrangement in 1975 between plaintiffs and Tres Cruces was for the Montano's taking control of 98% of the stocks of Tres Cruces. The sale in 1977 from Tres Cruces to International Country Club was for six (6) Million Pesos (P6,000,000.00). The foreclosure of mortgage and consolidation of title in 1987 was due to non-payment of a loan obtained by International Country Club from the Associated Bank (now Westmont) for which the three (3) parcels of land stood as security.

x x x x

WHEREFORE, premises considered, the Motion to Dismiss is hereby GRANTED and the instant case is DISMISSED.

Apropos, the Register of Deeds for the Province of Cavite is thereby directed to cancel the notice of lis pendens annotated in the subject certificates of title.

SO ORDERED.[27]

Respondents moved for reconsideration, but the trial court denied the same. Upon appeal, the CA, on October 27, 2003, reversed the RTC's ruling and reinstated the case for further proceedings. The appellate court ratiocinated:

The trial court discusses the issue as if it is an established fact that the bank was a buyer in good faith and without prior notice of the adverse interests of the plaintiffs in the properties. We really do not know this until trial is held and evidence presented. That is why it is necessary that the parties be heard. The court fails to follow the basic and simple rule that in resolving a motion to dismiss based on insufficiency of the complaint, it must hypothetically admit the facts alleged. *Perpetual Savings Bank vs. Fajardo* 223 SCRA 720, *State Investment House vs. Court of Appeals* 206 SCRA 348. At this stage, the subject of determination is the sufficiency of the allegations of the complaint to test which it (sic) is only necessary to ask whether, assuming they are true, the facts alleged are sufficient to grant relief. *Calalang vs. Intermediate Appellate Court*, 194 SCRA 514, *Madrona vs. Rosal* 204 SCRA 1. If the bank had actually conspired with others to manipulate procedures to put the title out of reach of the plaintiffs, as alleged in the complaint, it is beyond peradventure that the court can render valid judgment in accordance with the prayer therein. It is not only a right but becomes the duty of the court to proceed to hear and adjudicate the case on its merits.

IN VIEW OF THE FOREGOING, the order of the trial court dismissing the case is SET ASIDE. The case is returned to the court of origin for further proceedings.

SO ORDERED.[28]

Associated Bank moved for reconsideration,[29] arguing that the cause of action of the Montanos, if there had been any, had already prescribed. It also pointed out that the failure of the Montanos to file a comment on or an objection to the motion to dismiss despite opportunity to do so should be construed as a waiver in contesting the

allegations and affirmative defenses raised by Associated Bank. The CA, however, in its Resolution[30] dated December 13, 2004, denied the motion for reconsideration.

Petitioner now comes to this Court raising, in essence, two issues: first, whether it is proper to file a motion to dismiss after an answer has already been filed; and second, whether the complaint should be dismissed on the grounds set forth therein.

We find in favor of respondents.

I. On the propriety of the motion to dismiss

Section 6, Rule 16 of the Rules of Court provides:

SEC. 6. Pleading grounds as affirmative defenses. - If no motion to dismiss has been filed, any of the grounds for dismissal provided for in this Rule may be pleaded as an affirmative defense in the answer and, in the discretion of the court, a preliminary hearing may be had thereon as if a motion to dismiss had been filed.

The dismissal of the complaint under this section shall be without prejudice to the prosecution in the same or separate action of a counterclaim pleaded in the answer.

The rule is based on practicality. Both the parties and the court can conveniently save time and expenses necessarily involved in a case preparation and in a trial at large, when the issues involved in a particular case can otherwise be disposed of in a preliminary hearing.[31]

Since the rule provides that the "preliminary hearing may be had thereon as if a motion to dismiss had been filed," such hearing shall therefore be conducted in the manner provided in Section 2, Rule 16 of the Rules of Court,[32] which reads:

SEC. 2. Hearing of motion. - At the hearing of the motion, the parties shall submit their arguments on the question of law and their evidence on the questions of fact involved except those not available at that time. Should the case go to trial, the evidence presented during the hearing shall automatically be part of the evidence of the party presenting the same.

It is, therefore, inconsequential that petitioner had already filed an answer to the complaint prior to its filing of a motion to dismiss. The option of whether to set the case for preliminary hearing after the filing of an answer which raises affirmative defenses, or to file a motion to dismiss raising any of the grounds set forth in Section 1, Rule 16 of the Rules are procedural options which are not mutually exclusive of each other.

Moreover, as petitioner correctly pointed out, respondents failed to oppose the motion to dismiss despite having been given the opportunity to do so by the RTC. Therefore, any right to contest the same was already waived by them.

II. On whether the complaint for reconveyance should be dismissed

We agree with the RTC's and the CA's rulings that petitioner's argument on the failure of the complaint to state a cause of action is unavailing. When the ground for dismissal is that the complaint states no cause of action, such fact can be determined only from the facts alleged in the complaint and from no other, and the court cannot consider other matters aliunde.[33] The test, therefore, is whether, assuming the allegations of fact in the complaint to be true, a valid judgment could be rendered in accordance with the prayer stated therein. Where the allegations are sufficient but the veracity of the facts is assailed, the motion to dismiss should be denied.[34]

In their complaint for reconveyance, respondents alleged that the transfer of the three parcels of land from TCAIC to ICCI was facilitated through threat, duress and intimidation employed by certain individuals. On its face, the

complaint clearly states a cause of action and raises issues of fact that can be properly settled only after a full-blown trial. On this ground, petitioner's motion to dismiss must, perforce, be denied.

We do not, however, subscribe to the RTC's ruling that the action has already prescribed.

It is true that an action for reconveyance of real property resulting from fraud may be barred by the statute of limitations, which requires that the action shall be filed within four (4) years from the discovery of the fraud.[35] The RTC, however, seemed to have overlooked the fact that the basis of respondents' complaint for reconveyance is not fraud but threat, duress and intimidation, allegedly employed by Marcos' cronies upon the relatives of the Montanos while the latter were on self-exile.[36] In fact, fraud was neither specifically alleged nor remotely implied in the complaint.

Article 1391 of the Civil Code provides:

Art. 1391. An action for annulment shall be brought within four years.

This period shall begin: In case of intimidation, violence or undue influence, from the time the defect of the consent ceases.

In case of mistake or fraud, from the time of the discovery of the same.

And when the action refers to contracts entered into by minors or other incapacitated persons, from the time the guardianship ceases.

In the circumstances prevailing in this case, the threat or intimidation upon respondents is deemed to have ceased only upon the ouster of then President Marcos from power on February 21, 1986. The four-year prescriptive period must, therefore, be reckoned from the said date. Thus, when respondents filed their complaint for reconveyance on September 15, 1989, the period provided for by law had not yet prescribed. Therefore, petitioner's motion to dismiss should be denied.

WHEREFORE, premises considered, the instant petition is DENIED for lack of merit. The Regional Trial Court is ordered to proceed with the trial of the case with dispatch. Costs against petitioner.

SO ORDERED.

Carpio Morales[**], Chico-Nazario[***], (Acting Chairperson), Peralta[****], and Abad, JJ., concur.

[*]Now United Overseas Bank Philippines, Inc.

[**] Additional member in lieu of Associate Justice Antonio T. Carpio per Special Order No. 744 dated October 13, 2009.

[***] In lieu of Associate Justice Antonio T. Carpio per Special Order No. 743 dated October 13, 2009.

[****]Additional member in lieu of Associate Justice Presbitero J. Velasco, Jr. per Special Order No. 753 dated October 13, 2009.

[1] Penned by Associate Justice Mario L. Guariña III, with Associate Justices Martin S. Villarama, Jr. and Jose C. Reyes, Jr., concurring; rollo, pp. 42-49.

[2] Id. at 50.

[3] CA rollo, pp. 70-80.

[4] Covered by TCT Nos. T-9294, T-9295, and T-9296 issued on February 6, 1964 in the names of Spouses Justiniano S. Montano and Ligaya Nazareno-Montano; rollo, pp. 63-66.

[5] Rollo, p. 55.

[6] Id. at 56.

[7] Id.

[8] Covered by TCT Nos. T-76107, T-76108, and T-76109 issued on February 17, 1975 to Trescruces (sic) Agro-Industrial Corporation (TCAIC); id. at 67-69.

[9] Rollo, p. 57.

[10] Covered by TCT Nos. T-90654, T-90655, and T-90656 issued on May 27, 1977 to International Country Club, Inc.; id. at 70-72.

[11] Rollo, p. 13.

[12] Id. at 110.

[13] Id. at 31.

[14] Covered by TCT Nos. T-221156, T-221157, and T-221158 issued on May 19, 1987 to Associated Bank; id. at 73-75.

[15] Rollo, pp. 56-58.

[16] Id. at 53-62.

[17] Id. at 56.

[18] Id. at 57.

[19] Id. at 57-58.

[20] Id. at 77-86.

[21] Id. at 44.

[22] Id. at 87-98.

[23] Id. at 87-88.

[24] Id. at 103.

[25] Id. at 44.

[26] Id. at 104-114.

[27] Id. at 108-114.

[28] Id. at 48.

[29] Id. at 188-201.

[30] Supra note 2.

[31] I Francisco, Civil Procedure (2001), p. 574.

[32] Id.

[33] I Regalado, Remedial Law Compendium, 8[th] ed., p. 257, citing *Mindanao Realty Corporation v. Kinatanar, et al.*, 116 Phil. 1130 (1962); *Boncato v. Siason*, G.R. No. L-29094, September 5, 1985, 138 SCRA 414; *Salvador v. Frio*, G.R. No. L-25352, May 29, 1970, 33 SCRA 315; *Marabilles, et al. v. Quito*, 100 Phil. 64 (1956).

[34] *Suyom, et al. v. Hon. Judge Collantes, et al.*, 161 Phil. 667 (1976).

[35] *Alarcon v. Bidin*, G.R. No. L-51791, January 28, 1983, 120 SCRA 390, 393; *Balbin v. Medalla*, G.R. No. L-46410, October 30, 1981, 108 SCRA 666, 677.

[36] Rollo, pp. 56-57.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.