

HEIRS OF JULIAN TIRO, PETITIONERS, VS. PHILIPPINE ESTATES CORPORATION, RESPONDENTS.

G.R. No. 170528. August 26, 2008

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

This is a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the Decision[1] dated 1 July 2005, rendered by the Court of Appeals in CA-G.R. CV No. 78582, which affirmed the Decision[2] dated 16 April 2002 of the Regional Trial Court (RTC), Branch 54, Lapu-Lapu City, in Civil Case No. 4824-L dismissing petitioners' complaint and declaring the respondent as the owner of the disputed property.

Petitioners Guillerma Tiro, Dominga Tiro Nunez and Maximo Tiro filed before the RTC a Complaint for Quieting of Title against respondent Philippine Estates Corporation, a corporation duly organized and existing under the laws of the Philippines. The complaint was docketed as Civil Case No. 4824-L. Petitioners alleged that they are the children of the late Julian Tiro and the authorized representatives of the Heirs of the late Pedro Tiro. Both decedents were purportedly, during their lifetime, the lawful absolute and registered owners of the disputed land as evidenced by Original Certificate of Title (OCT) No. RO-1121.[3] The disputed property is herein described as follows:

A parcel of land (Lot 2914 of the Cadastral Survey of Opon, L.R.C. Record No. 1003) situated in the Barrio of Marigondon, Municipality of Opon, Province of Cebu, Island of Mactan x x x; containing an area of EIGHT THOUSAND ONE HUNDRED TWENTY (8,120) SQUARE METERS.[4]

Petitioners averred that they and their predecessors-in-interest had been in actual possession of the disputed land since time immemorial until they were prevented from entering the same by persons claiming to be the new owners sometime in 1995. After examining the records found in the Office of the Register of Deeds of Lapu-Lapu City, they discovered that OCT No. RO-1121 had already been cancelled as early as 1969 and that the subject property, after several other transfers, was presently registered in the name of respondent under Transfer Certificate of Title (TCT) No. 35672.[5]

The records in the Office of the Register of Deeds showed each transfer involving the disputed land. Petitioners learned that OCT No. RO-1121, registered in the names of Julian and Pedro Tiro, was cancelled on 10 September 1969. In its place, TCT No. 2848 was issued in favor of Spouses Julio Baba and Olimpia Mesa. The registration of the disputed property in favor of the Spouses Baba was supported by two documents: (1) an Extrajudicial Declaration of Heir and Confirmation of Sale[6] dated 20 August 1969, executed by Maxima Ochea (Ochea), claiming to be the only surviving heir of Julian and Pedro Tiro, wherein she confirmed and ratified an alleged sale of the subject land made before World War II by Julian and Pedro Tiro in favor of Spouses Bibiano Amores and Isabel Digno; and (2) another document entitled "Deed of Confirmation,[7]" also dated 20 August 1969, executed by the Spouses Amores, wherein they verified that they subsequently transferred the disputed property to the Spouses Baba sometime in 1947.

On 20 June 1979, TCT No. 2848 was cancelled to give way to the issuance of TCT No. 9415 in the name of Spouses Ronaldo Velayo and Leonor Manuel, after the Spouses Baba sold the disputed property to them.[8] Subsequently, the same property was sold by the Spouses Velayo to Pacific Rehouse Corporation, as a consequence of which TCT No. 9415 was cancelled and TCT No. 30186 was issued in the name of the latter on 16 February 1995.[9] Finally, on 25 October 1996, following the sale of the disputed land to respondent, TCT No. 30186 was cancelled and TCT No. 35672 was issued in its name.[10]

Petitioners averred that Ochea, who executed the document "Extrajudicial Declaration of Heir and Confirmation of Sale," which resulted in the cancellation of OCT No. RO-1121 in the name of Julian and Pedro Tiro, was not in any way related to Julian and Pedro Tiro. It was the petitioners' contention that since Ochea was not an heir of the original registered owners, she had no right to cause the transfer of the disputed property and, thus, her transfer and all subsequent transfers of said property, including that made to respondent, were invalid.[11] Instead of presenting documents to evidence their relationship to the decedents Julian and Pedro Tiro, petitioners offered the testimonies of petitioners Maximo Tiro[12] and his son-in-law Joveniano Diasana.[13] Finally, the petitioners prayed that all the transactions emanating from the "Extrajudicial Declaration of Heirs and Confirmation of Sale," executed by Maxima Ochea, be declared void, including the transfer made in favor of the respondent; that the title which was issued in the name of respondent be cancelled; and that the property be restored and registered in the name of the petitioners.[14]

In its Answer dated 10 February 1998, respondent claimed that its predecessor-in-interest Pacific Rehouse Corporation acquired the subject land from the Spouses Velayo, the registered owners of the property who were also in possession of the same at the time of the sale. There was nothing in the title or any circumstances during the sale that would indicate any defect in the Spouses Velayo's title to the property. Respondent pointed out that 27 years had elapsed since the cancellation of OCT No. RO-1121 before petitioners asserted their rights over the disputed land. Moreover, petitioners' predecessors-in-interest Julian and Pedro Tiro did not question the cancellation of their title to the property during their lifetimes. Hence, respondent argued that petitioners' action for quieting of title was barred by laches and prescription.[15]

To support its allegations, respondent presented TCT No. 2914 in the name of the Spouses Velayo as proof that they were the registered owners of the disputed property at the time they sold it to Pacific Rehouse Corporation.[16] Additionally, respondent presented a Decision[17] dated 28 June 1994 in Civil Case No. R-1202, entitled *Spouses Velayo v. Spouses Tiro*, rendered by the Municipal Trial Court (MTC) of Lapu-Lapu City to further prove that the Spouses Velayo were also in possession of the disputed property at the time of its sale to Pacific Rehouse Corporation. Civil Case No. R-1202 was a case for Forcible Entry with Writ of Preliminary Mandatory Injunction, and in its Decision dated 28 June 1994, the MTC declared the Spouses Velayo the rightful possessors of the subject property and ordered petitioner Maximo Tiro and his co-defendant spouse to vacate the portion of the property which they forcibly entered on 7 May 1994. Respondent likewise presented the Deed of Sale[18] dated 4 October 1994 executed by the Spouses Velayo in favor of Pacific Rehouse Corporation; the Deed of Transfer[19] dated 23 October 1996 executed by Pacific Rehouse Corporation in favor of respondent; and various tax declarations issued in the names of the Spouses Baba, Spouses Velayo, Pacific Rehouse Corporation, and respondent during the years that each of them claimed ownership over the disputed property.[20]

On 16 April 2002, the RTC issued a Decision[21] in Civil Case No. 4824-L dismissing petitioners' Complaint. The trial court noted that petitioners' claims of filiation to Julian and Pedro Tiro were not supported by documents. The testimonies of petitioners' witnesses were also inconsistent as to the location of the disputed land, as well as the number of Pedro Tiro's children. The RTC stressed that even assuming that petitioners were heirs of the late Julian and Pedro Tiro, and Maxima Ochea was in no way related to them, petitioners' claims had already

prescribed, considering that the Complaint was filed more than ten years since the registration of the disputed property in the name of the Spouses Baba in 1969. Petitioners' allegation that they were in continuous possession of the subject property until 1995 was also belied by the Decision dated 28 June 1994 of the RTC in Civil Case No. R-1202, ordering petitioners to vacate the disputed property, which they forcibly entered, and to restore possession to the Spouses Velayo. Lastly, the RTC ruled that respondent was an innocent purchaser for value who relied on the correctness of the certificate of title in the name of the vendor.

Petitioners filed a Notice of Appeal on 2 May 2002 questioning the 16 April 2002 Decision of the RTC. The petitioners filed with the Court of Appeals an appeal docketed as CA-G.R. CV No. 78582, questioning the decision rendered by the trial court.

However, instead of filing an Appellants' Brief as required by the Court of Appeals, petitioners filed before the Court of Appeals in CA-G.R. CV No. 78582 a Motion to Grant New Trial Pursuant to Section 1, Rule 53,[22] on 8 January 2004. They attached as annexes to their motion the following documents to prove that Julian Tiro was their father: (1) Certificates of Baptism of Pastor Tiro and Dominga Tiro;[23] (2) marriage contract of Dominga Tiro;[24] (3) Certificate of Marriage of Guillerma Tiro;[25] (4) Certification of Marriage of Pastor Tiro;[26] and (5) Certificate of Baptism of Victoria Tiro.[27] In a Resolution[28] dated 5 August 2004, the appellate court denied the motion.

In its Decision dated 1 July 2005, the Court of Appeals likewise denied the petitioners' appeal in CA-G.R. CV No. 78582 and affirmed the RTC Decision dated 16 April 2002 in Civil Case No. 4824-L. The appellate court found that petitioners failed to prove that they were the heirs of Julian and Pedro Tiro. It also took into account the fact that during their lifetime, Julian and Pedro Tiro never questioned the transactions which affected their land. The Court of Appeals gave significant weight to the respondent's statements that it had acquired the subject property from the registered owners, supported by the registered titles that were presented in court. Thus, the Court of Appeals held that even assuming that the first few transfers turned out to be fraudulent, the transfer to respondent, a purchaser in good faith, may be the root of a valid title.[29]

Petitioners filed a Motion for Reconsideration dated 25 July 2005,[30] which the Court of Appeals denied in a Resolution dated 28 October 2005.[31]

Hence, the present Petition, in which petitioners make the following assignment of errors:

I

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN NOT FINDING THAT THE ACT OF THE REGISTER (sic) OF DEEDS OF REGISTERING A CLEARLY VOID AND UNREGISTRABLE DOCUMENT CONFERS NO VALID TITLE ON THE PRESENTOR AND HIS SUCCESSORS-IN-INTEREST.

II

THE COURT OF APPEALS GRAVELY ERRED IN NOT APPLYING THE DOCTRINE IN SPOUSES SANTIAGO, ET AL. VS. COURT OF APPEALS, ET AL., G.R. [NO.] 103959, AUGUST 21, 1997 WHEREBY IT IS HELD [THAT] "THE TORRENS SYSTEM DOES NOT CREATE OR VEST TITLE. IT ONLY CONFIRMS AND RECORDS TITLE ALREADY EXISTING AND VESTED. IT DOES NOT PROTECT A USURPER FROM THE TRUE OWNER NOR CAN IT BE A SHIELD IN THE COMMISSION OF FRAUD. WHERE ONE DOES NOT HAVE ANY RIGHTFUL CLAIM OVER A REAL PROPERTY, THE TORRENS SYSTEM OF REGISTRATION CONFIRM[S] OR RECORD[S] NOTHING.[32]

This Petition lacks merit.

Petitioners' main contention is, since Ochea was not even related to either Julian or Pedro Tiro, the "Declaration of Heir and Confirmation of Sale" which she executed could not have resulted in the cancellation of OCT No. RO-1121 in the names of Julian and Pedro Tiro. They further argue that since the initial transfer of the disputed land was fraudulent, therefore, all the subsequent transfers, including that made to respondent, were all invalid.

Petitioners' arguments are unfounded.

Insofar as a person who has fraudulently obtained property is concerned, the consequently fraudulent registration of the property in the name of such person would not be sufficient to vest in him or her title to the property. Certificates of title merely confirm or record title already existing and vested. The indefeasibility of the torrens title should not be used as a means to perpetrate fraud against the rightful owner of real property. Good faith must concur with registration because, otherwise, registration would be an exercise in futility.[33] However, where good faith is established, as in the case of an innocent purchaser for value, a forged document may become the root of a valid title.[34]

A person is considered in law as an innocent purchaser for value when he buys the property of another, without notice that some other person has a right or an interest in such property, and pays a full price for the same at the time of such purchase, or before he has notice of the claims or interest of some other person in the property. A person dealing with registered land may safely rely on the correctness of the certificate of title of the vendor/transferor, and the law will in no way oblige him to go behind the certificate to determine the condition of the property. The courts cannot disregard the rights of innocent third persons, for that would impair or erode public confidence in the torrens system of land registration. Thus, a title procured by fraud or misrepresentation can still be the source of a completely legal and valid title if the same is in the hands of an innocent purchaser for value.[35]

In the present case, respondent was clearly an innocent purchaser for value. It purchased the disputed property from Pacific Rehouse Corporation, along with other parcels of land for a valuable consideration, i.e., shares of common stock of respondent with a value of P148,100,400.00. Pacific Rehouse Corporation, in turn, purchased the property from Spouses Velayo, also for valuable consideration in the amount of P1,461,600.00. The certificates of title of Pacific Rehouse Corporation and the Spouses Velayo were clean and appeared valid on their face, and there was nothing therein which should have put the respondent on its guard of some defect in the previous registered owners' title to the disputed property. In addition to their certificate of title, the Spouses Velayo even presented to Pacific Rehouse Corporation a copy of the MTC Decision dated 28 June 1994 in Civil Case No. R-1202 ordering petitioners to vacate the disputed property, which they forcibly entered, and to restore possession thereof to the Spouses Velayo. The said Decision supported the Spouses Velayo's claim of title to the disputed property.

In *Spouses Chu, Sr. v. Benelda Estate Development Corporation*,[36] this Court pronounced that it is crucial that a complaint for annulment of title must allege that the purchaser was aware of the defect in the title, so that the cause of action against him or her will be sufficient. Failure to do so, as in the case at bar, is fatal for the reason that the court cannot render a valid judgment against the purchaser who is presumed to be in good faith in acquiring said property. Failure to prove, much less impute, bad faith to said purchaser who has acquired a title in his or her favor would make it impossible for the court to render a valid judgment thereon, due to the indefeasibility and conclusiveness of his or her title.

In this case, petitioners directed all allegations of bad faith solely at Ochea. The property in question had already been the subject of five succeeding transfers to persons who were not accused of having purchased the same in bad faith. Petitioners' attempt, therefore, to have respondent's certificate of title to the disputed property annulled,

must fail.

In *Veloso v. Court of Appeals*,^[37] this Court enunciated that a title issued to an innocent purchaser and for value cannot be revoked on the basis that the deed of sale was falsified, if he had no knowledge of the fraud committed. The Court also provided the person prejudiced with the following recourse:

Even granting for the sake of argument, that the petitioner's signature was falsified and consequently, the power of attorney and the deed of sale were null and void, such fact would not revoke the title subsequently issued in favor of private respondent Aglaloma. In *Tenio-Obsequio v. Court of Appeals*, it was held, viz:

"The right of an innocent purchaser for value must be respected and protected, even if the seller obtained his title through fraud. The remedy of the person prejudiced is to bring an action for damages against those who caused or employed the fraud, and if the latter are insolvent, an action against the Treasurer of the Philippines may be filed for recovery of damages against the Assurance Fund." (Emphasis supplied.)

Petitioners cite *Sps. Santiago v. Court of Appeals*.^[38] In *Santiago*, the plaintiff and the defendants were the parties to the void contract of sale of the disputed property. The contract was considered simulated for lack of consideration and given the fact that defendants failed to take possession of the subject property. For this reason, the Court did not hesitate to cancel the certificates of title in the defendants' names, since they were found not to be the rightful owners of the property. More importantly, the defendants were not innocent purchasers for value, since they were privy to the nullity of the contract of sale covering the property. *Santiago* is clearly inapplicable to the present case. Respondent herein who paid adequate consideration for the disputed land, took possession of the same, and is already the fifth transferee following the allegedly fraudulent initial transfer of the land, cannot be placed in the same position as a vendor who was a party to a simulated sale of a real property.

IN VIEW OF THE FOREGOING, the instant Petition is DENIED. The assailed Decision of the Court of Appeals in CA-G.R. CV No. 78582, promulgated on 1 July 2005, is AFFIRMED. Costs against petitioners.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Nachura, and Reyes, JJ., concur.

[1] Penned by Associate Justice Isaias P. Dicdican with Associate Justices Sesinando E. Villon and Enrico A. Lanzanas, concurring. Rollo, pp. 39-48.

[2] Penned by Judge Rumoldo R. Fernandez. Id. at 64-69.

[3] Id. at 51-52.

[4] Id. at 71.

[5] Id. at 64-65.

[6] Id. at 72.

[7] Id. at 73.

[8] Id. at 99.

[9] Id. at 100.

[10] Id. at 97.

[11] Id. at 65.

[12] TSN, 29 June 1999

[13] TSN, 2 September 1999 and 31 January 2000.

[14] Rollo, p. 65.

[15] Id. at 65-66.

[16] Records, p. 197.

[17] Id. at 194-196.

[18] Id. at 167-169.

[19] Id. at 159-166.

[20] Id. at 170-183.

[21] Rollo, pp. 101-106.

[22] CA rollo, p. 12-15.

[23] Id. at 18-19. Pastor Tiro is mentioned in the petition for the first time, while Dominga Tiro is one of the petitioners. In both of their Certificates of Baptism, Julian Tiro is named as their father.

[24] Id. at 20. In Dominga Tiro's Marriage Contract, Julian Tiro is named as her father.

[25] Id. at 21. Guillerma Tiro is one of the petitioners in this case. In Guillerma Tiro's Certificate of Marriage, Julian Tiro is named as father.

[26] Id. at 22. Pastor Tiro is mentioned in the petition for the first time. In his Certificate of Marriage, Julian Tiro is named as their father.

[27] Id. at 23. Witness Joveniano Diasana testified that Victoria Tiro is his wife and the daughter of Maximo Tiro. Victoria Tiro's Certificate of Baptism states that her father is Julian Tiro. It should further be noted that no document proving filiation with Pedro Tiro was offered by petitioners. TSN, 2 September 1999, p. 4.

[28] Id. at 38-41.

[29] Rollo, pp. 44-47.

[30] CA rollo, pp. 130-138.

[31] Rollo, pp. 49-50.

[32] Id. at 20-21.

[33] *Heirs of Severa P. Gregorio v. Court of Appeals*, 360 Phil. 753, 765 (1998).

[34] *Lim v. Chuatoco*, G.R. No. 161861, 11 March 2005, 453 SCRA 308, 316-317.

[35] *Spouses Chu, Sr. v. Benelda Estate Development Corporation*, 405 Phil. 936, 947 (2001); *Heirs of Severa P. Gregorio v. Court of Appeals*, *supra* note 33 at 766.

[36] Id. at 947.

[37] *Veloso v. Court of Appeals*, 329 Phil. 398, 407-408 (1996), citing *Tenio-Obsequio v. Court of Appeals*, G.R. No. 107967, 1 March 1994, 230 SCRA 550, 560-561.

[38] 343 Phil. 612 (1997).

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