

**ALEJANDRO B. TY AND INTERNATIONAL REALTY CORPORATION,
PETITIONERS, VS. QUEEN'S ROW SUBDIVISION, INC., NEW SAN
JOSE BUILDERS, INC., GOVERNMENT SERVICE INSURANCE SYSTEM
AND REGIST...**

G.R. No. 173158. December 04, 2009

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

This is a Petition for Review on Certiorari seeking the reversal of the Decision[1] of the Court of Appeals dated 31 January 2005 in CA-G.R. CV No. 62610 and the Resolution of the same Court dated 29 July 2006 denying the Motion for Reconsideration. Said Decision affirmed the Joint Decision dated 18 November 1997 of the Regional Trial Court (RTC) of Imus, Cavite dismissing the separate Complaints for Declaratory Relief filed by petitioners Alejandro B. Ty and International Realty Corporation (IRC).

The facts of the case are as follows:

Petitioner Ty is the registered owner of a parcel of land situated in Molino, Bacoor, Cavite covered by Transfer Certificate of Title (TCT) No. T-3967. Petitioner IRC, on the other hand, is the registered owner of three parcels of land situated in the same barangay covered by TCTs No. T-1510, No. T-3617 and No. T-3618. The four titles were issued to petitioners sometime in 1960 and 1961.

In 1970, respondent Queen's Row Subdivision, Inc. (QRSI) was issued TCTs No. T-54188, No. T-54185, No. T-54186 and No. T-54187, covering exactly the same areas and containing the same technical descriptions as those embraced in the titles of petitioners.

On 29 June 1971, mortgages entered into by QRSI in favor of respondent Government Service Insurance System (GSIS) were annotated at the back of the four titles of QRSI.

In October 1973, petitioners Ty and IRC instituted with the then Court of First Instance (CFI) of Bacoor, Cavite four Complaints for the cancellation of the four aforementioned certificates of title of QRSI, impleading only the latter and the Register of Deeds. GSIS was not impleaded, despite the fact that the mortgage in its favor had already been annotated in the subject titles. The Complaints were docketed as Civil Cases No. B-44, No. B-45, No. B-48 and No. B-49. Petitioners did not move to have a notice of lis pendens annotated in the subject titles.

On 8 December 1980, the CFI of Bacoor, Cavite, rendered a Decision declaring that Ty's certificate of title, TCT No. 3967, was validly issued, and ordering the Register of Deeds to cancel QRSI's TCT No. 54188 for being void. On 20 December 1985, the same CFI rendered a Joint Decision ordering the Register of Deeds to cancel QRSI's TCTs No. T-54185, No. T-54186 and No. T-54187. Both Decisions were rendered for failure of respondent QRSI to appear at pre-trial despite filing an Answer to the Complaints.

QRSI defaulted in the payment of its mortgage indebtedness to GSIS, leading to the foreclosure of the mortgages.

The properties were sold at public auction, with GSIS emerging as the highest bidder. On 10 April 1986, Certificates of Sale were issued in favor of GSIS.

QRSI failed to redeem the foreclosed properties within the one-year redemption period, allowing GSIS to consolidate its ownership thereof. TCTs No. T-230070, No. T-230071, No. T-230072 and No. T-225212 were, thus, issued in the name of GSIS.

Thereupon, GSIS entered into a joint venture agreement with respondent New San Jose Builders, Inc. (NSJBI) for the development of the properties. NSJBI subsequently commenced construction and development works thereon.

On 8 November 1993, petitioners' counsel, through a letter, demanded that GSIS and NSJBI vacate the subject properties.

On 7 August 1994, Ty and IRC each filed a Petition for Declaratory Relief to Quiet Title/Remove Cloud from Real Property against respondents with the RTC of Imus, Cavite, this time impleading all respondents, QRSI, GSIS, NSJBI, and the Register of Deeds of Cavite. The cases were docketed as Civil Case No. BSC 94-2 and Civil Case No. 94-3. The cases were consolidated under Branch 20 of said court.

On 18 November 1997, the RTC of Imus, Cavite, rendered its Joint Decision dismissing the complaints.

Petitioners appealed to the Court of Appeals. The appeal was docketed as CA-G.R. CV No. 62610 and was raffled to the Seventh Division. On 31 January 2005, the Court of Appeals rendered its Decision affirming the Joint Decision of the RTC. On 29 June 2006, the Court of Appeals denied the Motion for Reconsideration filed by Petitioners.

Hence, this Petition, wherein petitioners present the following issues for our consideration:

I.

PRIVATE RESPONDENT GSIS, BEING A FINANCIAL INSTITUTION, IS CHARGED WITH THE DUTY TO EXERCISE MORE CARE AND PRUDENCE IN DEALING WITH REGISTERED LANDS FOR ITS BUSINESS IS ONE AFFECTED WITH PUBLIC INTEREST KEEPING IN TRUST MONEY BELONGING TO ITS MEMBERS AND SHOULD GUARD AGAINST LOSSES AND, THEREFORE, CANNOT INVOKE THE PROTECTED MANTLE OF LAND REGISTRATION STATUTE (ACT 496).

II.

THE TITLE OF PETITIONERS BEING SUPERIOR TO THAT OF PRIVATE RESPONDENT QUEEN'S ROW, THE PRINCIPLE OF INDEFEASIBILITY OF TITLE REMAINED UNAFFECTED AND PETITIONERS COULD NOT HAVE BEEN GUILTY OF LACHES, ESTOPPEL, MUCH LESS PRESCRIPTION.[2]

Innocent Purchaser for Value

In the first issue raised by petitioners, they assail the finding of the Court of Appeals that GSIS was an innocent purchaser for value. The appellate court held:

The records clearly show that the mortgages entered into by Queen's Row and GSIS were already inscribed on the former's titles on June 29, 1971 as shown by the entries appearing at the back of TCT Nos. T-54188, T-54185, T-54186 and T-54187, even before Civil Cases Nos. B-44, 45, 48 and 49 were instituted. In spite of this, petitioners-appellants (plaintiffs then) did not implead the GSIS as a party to the complaints. Moreso, no adverse claim or notice of lis pendens was annotated by petitioners-appellants on the titles of Queen's Row during the pendency of these cases. To make matters worse, as earlier stated, petitioners-appellants, after securing favorable decisions against Queen's Row, did not enforce the same for more than ten (10) years. By

their inaction, the efficacy of the decisions was rendered at naught.

Verily, a buyer in good faith is one who buys the property of another without notice that some other person has a right to or interest in such property. He is a buyer for value if he pays a full and fair price at the time of the purchase or before he has notice of the claim or interest of some other person in the property. In the instant case, the GSIS clearly had no notice of any defect, irregularity or encumbrance in the title of Queen's Row when the latter mortgaged the subject property. Neither did GSIS have any knowledge of facts and circumstances which should have put it on inquiry, requiring it to go [beyond] the certificate of title. Obviously, GSIS was an innocent purchaser for value and in good faith at the time it acquired the subject property.[3]

Petitioners claim that since GSIS is a financial institution, it is charged with the duty to exercise more care and prudence in dealing with registered lands. On this basis, petitioners conclude that GSIS cannot invoke the protection of land registration statutes insofar as they protect innocent purchasers for value.

While we agree with petitioners that GSIS, as a financial institution, is bound to exercise more than just ordinary diligence in the conduct of its financial dealings, we nevertheless find no law or jurisprudence supporting petitioners' claim that financial institutions are not protected when they are innocent purchasers for value. When financial institutions exercise extraordinary diligence in determining the validity of the certificates of title to properties being sold or mortgaged to them and still fail to find any defect or encumbrance upon the subject properties after said inquiry, such financial institutions should be protected like any other innocent purchaser for value if they paid a full and fair price at the time of the purchase or before having notice of some other person's claim on or interest in the property.

On this note, petitioners insist that "GSIS was guilty of gross negligence in its failure to inquire and investigate the status and condition of the property when it approved the loan of private respondent Queen's Row." [4] This allegation has no leg to stand on. Respondents allege that GSIS ascertained to its satisfaction the existence and authenticity of the titles of its predecessor-in-interest, QRSI; and was, in fact, able to procure true copies of the latter's titles from the Registry of Deeds.[5] GSIS furthermore conducted an ocular inspection and found that the property was not in the possession of any person claiming an interest that was adverse to that of its predecessor-in-interest.[6] Respondents' allegations are much more convincing in light of the fact that NSJBI was able to enter the subject property by virtue of its joint venture agreement with GSIS, and was able to commence construction and development works thereon.

Petitioners have presented absolutely no evidence to prove their allegation of fraud on the part of QRSI and bad faith on the part of GSIS. They want us to merely conclude the same on the ground that they were able to secure the favorable decisions they obtained in Civil Cases No. B-44, No. B-45, No. B-48 and No. B-49. However, as shall be discussed later, these are already stale judgments, which cannot be executed anymore. Furthermore, these judgments were obtained ex parte, for failure of respondent QRSI to appear at the pre-trial despite filing an Answer to the Complaints. GSIS, on the other hand, was never impleaded in these four Complaints for cancellation filed in October 1973, despite the fact that the mortgages in GSIS's favor had been annotated on the subject titles since 29 June 1971. GSIS, therefore, never had any notice of these proceedings.

Petitioners cannot expect GSIS to check the technical descriptions of each and every title in the Registry of Deeds of Cavite in order to determine whether there is another title to the same property. There is no one to blame for the failure of GSIS to have notice of such fact other than petitioners themselves. As stated above, they did not implead GSIS in their actions for cancellation of title despite the fact that, at the time of the filing of the cases, the mortgages in GSIS's favor had already been annotated on the subject titles. Petitioners likewise neglected to have a notice of lis pendens of the cancellation cases annotated on the subject titles, fueling respondents' suspicions that

the former wanted their actions for cancellation to be uncontested by GSIS, the party really interested in challenging the same.

Laches

Petitioners challenge the ruling of the Court of Appeals finding them guilty of laches for their failure to execute the favorable decisions they obtained in Civil Cases No. B-44, No. B-45, No. B-48 and No. B-49, arguing that laches "cannot be raised even as a valid defense for claiming ownership of registered land, more so, if titles are tainted with fraud in their issuances." [7] Their basis for this claim is the 1950 Court of Appeals case *Dela Cruz v. Dela Cruz*. [8]

We are not persuaded.

Firstly, as discussed above, while petitioners persistently harp on their allegation of fraud in the issuance of the title of GSIS, nevertheless, they have not presented any evidence to prove the alleged fraud on the part of either GSIS or even QRSI.

Secondly, it must be stressed that the Decisions of this Court are the only judicial decisions that form part of our legal system. While rulings of the Court of Appeals may serve as precedents for lower courts, they only apply to points of law not covered by any Supreme Court decision. [9]

Thirdly, this Court has, on several occasions, already ruled that even a registered owner of a property may be barred from recovering possession of the same by virtue of laches. Thus, in *Heirs of Panganiban v. Dayrit*, [10] this Court discussed several cases wherein the principle of laches was applied against the registered owner:

In our jurisdiction, it is an enshrined rule that even a registered owner of property may be barred from recovering possession of property by virtue of laches. Thus, in the case of *Lola v. Court of Appeals*, this Court held that petitioners acquired title to the land owned by respondent by virtue of the equitable principles of laches due to respondent's failure to assert her claims and ownership for thirty-two (32) years. In *Miguel v. Catalino*, this Court said that appellant's passivity and inaction for more than thirty-four (34) years (1928-1962) justifies the defendant-appellee in setting up the equitable defense of laches in his behalf. Likewise, in the case of *Mejia de Lucas v. Gamponia*, we stated that while the defendant may not be considered as having acquired title by virtue of his and his predecessor's long continued possession for thirty-seven (37) years, the original owner's right to recover possession of the property and the title thereto from the defendant has, by the latter's long period of possession and by patentee's inaction and neglect, been converted into a stale demand.

Laches is the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exerting due diligence could or should have been done earlier. [11] The law serves those who are vigilant and diligent, and not those who sleep when the law requires them to act. [12]

The Court of Appeals based its finding of laches on the fact that petitioners Ty and IRC failed to move for the execution of the favorable ex parte judgments, which they obtained on 8 December 1980 and 20 December 1985, respectively. If we read Section 6, Rule 39 of the Rules of Court together with Article 1144 of the Civil Code, we would see that the winning party in litigation has a period of five years from the date of entry of judgment to execute said judgment by motion, and another five years to execute it by action. Section 6, Rule 39 of the Rules of Court provides that a motion for the execution of a final judgment or order may be filed within five years from the date of its entry. After the lapse of such time, and before it is barred by the statute of limitations, a judgment may be enforced by action:

Section 6. Execution by motion or by independent action. - A final and executory judgment or order may be executed on motion within five (5) years from the date of its entry. After the lapse of such time, and before it is

barred by the statute of limitations, a judgment may be enforced by action. The revived judgment may also be enforced by motion within five (5) years from the date of its entry and thereafter by action before it is barred by the statute of limitations.

The statute of limitations referred to in the above section is found in Article 1144 of the Civil Code, which provides:

Art. 1144. The following actions must be brought within ten years from the time the right of action accrues:

- (1) Upon a written contract;
- (2) Upon an obligation created by law;
- (3) Upon a judgment.

While indeed, the above provisions on extinctive prescription cannot be the basis for depriving a registered owner of its title to a property, they nevertheless prohibit petitioners from enforcing the ex parte judgment in their favor, which can likewise be the basis of a pronouncement of laches. In *Villegas v. Court of Appeals*,^[13] we held that:

But even if Fortune had validly acquired the subject property, it would still be barred from asserting title because of laches. The failure or neglect, for an unreasonable length of time to do that which by exercising due diligence could or should have been done earlier constitutes laches. It is negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it has either abandoned it or declined to assert it. While it is by express provision of law that no title to registered land in derogation of that of the registered owner shall be acquired by prescription or adverse possession, it is likewise an enshrined rule that even a registered owner may be barred from recovering possession of property by virtue of laches. (Emphasis supplied.)

Petitioners' neglect in asserting their rights is likewise manifested in their failure to implead GSIS in the four Complaints for cancellation, which they filed in October 1973, despite the fact that the mortgages in the GSIS's favor had been annotated on the subject titles since 29 June 1971. It even became more evident from the fact that petitioners failed to have a notice of lis pendens annotated on the subject titles of the said cancellation of title cases, leading GSIS to believe that there were no other certificates of title to the same properties when it proceeded to foreclose the subject properties in 1986. We, therefore, find no reason to overrule the finding of the Court of Appeals that petitioners were guilty of laches.

WHEREFORE, the instant Petition is DENIED. The Decision of the Court of Appeals dated 31 January 2005 in CA-G.R. CV No. 62610 and the Resolution of the same Court dated 29 July 2006 are hereby AFFIRMED. No pronouncement as to costs.

SO ORDERED.

Corona, (Chairperson), Velasco, Jr., Nachura, and Peralta, JJ., concur.

[1] Penned by Associate Justice Aurora Santiago-Lagman with Associate Justices Portia Aliño-Hormachuelos and Rebecca de Guia-Salvador, concurring. Rollo, pp. 13-23.

[2] Rollo, pp. 526-527.

[3] Id. at 99-100.

[4] Petitioners' Memorandum; id. at 531.

[5] Id. at 482-483.

[6] Id. at 483.

[7] Id. at 63-66.

[8] CA-G.R. No. 18060-R, 30 August 1950.

[9] Government Service Insurance System v. Cadiz, 453 Phil. 384, 391 (2003).

[10] G.R. No. 151235, 28 July 2005, 464 SCRA 370, 379-380.

[11] La Campana Food Products v. Court of Appeals, G.R. No. 88246, 4 June 1993, 223 SCRA 151, 157-158.

[12] Marcelino v. Court of Appeals, G.R. No. 94422, 26 June 1992, 210 SCRA 444, 447.

[13] 403 Phil. 791, 800-801 (2001).

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