

ESTATE OF LINO OLAGUER, REPRESENTED BY LINDA O. OLAGUER, AND LINDA O. MONTAYRE, PETITIONERS, VS. EMILIANO M. ONGJOCO, RESPONDENT.

G.R. No. 173312. August 26, 2008

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Assailed in this Petition for Review on Certiorari[1] is the Decision[2] of the Court of Appeals dated 27 February 2006 in CA-G.R. CV No. 71710. Said decision modified the Decision[3] and the subsequent Order[4] of the Regional Trial Court (RTC) of Legazpi City, Branch 6, in Civil Case No. 6223, and upheld the validity of the sales of properties to respondent Emiliano M. Ongjoco.

The relevant factual antecedents of the case, as found by the trial court and adapted by the Court of Appeals, are as follows:

The plaintiffs Sor Mary Edith Olaguer, Aurora O. de Guzman, Clarissa O. Trinidad, Lina Olaguer and Ma. Linda O. Montayre are the legitimate children of the spouses Lino Olaguer and defendant Olivia P. Olaguer.

Lino Olaguer died on October 3, 1957 so Special Proceedings No. 528 for probate of will was filed in the then Court of First Instance of Albay. Defendant Olivia P. Olaguer was appointed as administrator pursuant to the will. Later, defendant Eduardo Olaguer was appointed as co-administrator. x x x

On October 15, 1959 defendant Olivia P. Olaguer got married to defendant Jose A. Olaguer before the then Justice of the Peace of Sto. Domingo (Libog) Albay. (Exhibit "NNNN") On January 24, 1965 they were married in church. (Exhibit "XX")

In the order of the probate court dated April 4, 1961, some properties of the estate were authorized to be sold to pay obligations of the estate. Pursuant to this authority, administrators Olivia P. Olaguer and Eduardo Olaguer on December 12, 1962 sold to Pastor Bacani for [P]25,000 Pesos, twelve (12) parcels of land, particularly, Lots 4518, 4526, 4359, 8750, 7514, 6608, 8582, 8157, 7999, 6167, 8266, and 76 with a total area of 99 hectares. (Exhibit "A" - Deed of Sale notarized by defendant Jose A. Olaguer)

This sale of twelve (12) parcels of land to Pastor Bacani was approved by the Probate Court on December 12, 1962. (Exhibit "15")

The following day, December 13, 1962, Pastor Bacani sold back to Eduardo Olaguer and Olivia Olaguer for [P]12,000.00 Pesos, one of the twelve (12) lots he bought the day before, particularly, Lot No. 76 in the proportion of 7/13 and 6/13 pro-indiviso respectively. (Exhibit "B" - Deed of Sale notarized by Felipe A. Cevallos, Sr.)

Simultaneously, on the same day December 13, 1962, Pastor Bacani sold back to Olivia Olaguer and Eduardo Olaguer the other eleven (11) parcels he bought from them as follows:

To Olivia Olaguer - Four (4) parcels for 10,700 Pesos, particularly Lots 4518, 4526, 4359, 8750 with a total area of 84 hectares. (Exhibit "E" - Deed of Sale notarized by Felipe A. Cevallos, Sr.)

To Eduardo Olaguer - Seven (7) parcels of land for 2,500 Pesos, particularly Lots 7514, 6608, 8582, 8157, 7999, 6167, and 8266 with a total area of 15 hectares. (Exhibit "C" - Deed of Sale notarized by defendant Jose A. Olaguer)

Relying upon the same order of April 4, 1961 but without prior notice or permission from the Probate Court, defendants Olivia P. Olaguer and Eduardo Olaguer on November 1, 1965 sold to Estanislao Olaguer for 7,000 Pesos, ten (10) parcels of land, particularly, (a) TCT No. T-4011 - Lot No. 578, (b) TCT No. T-1417 - Lot No. 1557, (c) TCT No. T-4031 - Lot No. 1676, (d) TCT No. T-4034 - Lot No. 4521, (e) TCT No. T-4035 - Lot No. 4522, (f) TCT No. 4013 - Lot No. 8635, (g) TCT No. T-4014 - Lot 8638, (h) TCT No. T-4603 - Lot No. 7589, (i) TCT No. 4604 - Lot No. 7593, and (j) TCT No. T-4605 - Lot No. 7396. (Exhibit "D" - Deed of Sale notarized by Rodrigo R. Reantaso)

This sale to Estanislao Olaguer was approved by the Probate Court on November 12, 1965.

After the foregoing sale to Estanislao Olaguer, the following transactions took place:

1) On July 7, 1966, defendant Olivia P. Olaguer executed a Special Power of Attorney notarized by Rodrigo R. Reantaso (Exhibit "T") in favor of defendant Jose A. Olaguer, authorizing the latter to "sell, mortgage, assign, transfer, endorse and deliver" the properties covered by TCT No. 14654 for Lot 76 6/13 share only, T-13983, T-14658, T-14655, T-14656, and T-14657.

2) On July 7, 1966, Estanislao Olaguer executed a Special Power of Attorney in favor of Jose A. Olaguer (Exhibit "X") notarized by Rodrigo R. Reantaso authorizing the latter to "sell, mortgage, assign, transfer, endorse and deliver" the properties covered by TCT No. T-20221, T-20222, T-20225 for Lot No. 8635, T-20226 for Lot No. 8638, T-20227, T-20228, and T-20229.

By virtue of this Special Power of Attorney, on March 1, 1967, Jose A. Olaguer as Attorney-in-Fact of Estanislao Olaguer mortgaged Lots 7589, 7593 and 7396 to defendant Philippine National Bank (PNB) as security for a loan of 10,000 Pesos. The mortgage was foreclosed by the PNB on June 13, 1973 and the properties mortgage were sold at public auction to PNB. On December 10, 1990, the PNB transferred the properties to the Republic of the Philippines pursuant to Exec. Order No. 407 dated June 14, 1990 for agrarian reform purposes. (records, vol. 1, page 66)

3) On October 29, 1966, Estanislao Olaguer executed a General Power of Attorney notarized by Rodrigo R. Reantaso (Exhibit "Y") in favor of Jose A. Olaguer, authorizing the latter to exercise general control and supervision over all of his business and properties, and among others, to sell or mortgage any of his properties.

4) On December 29, 1966, Estanislao Olaguer sold to Jose A. Olaguer for 15,000 Pesos, (Exhibit "UU") the ten (10) parcels of land (Lots 578, 4521, 4522, 1557, 1676, 8635, 8638, 7589, 7593 and 7396) he bought from Olivia P. Olaguer and Eduardo Olaguer under Exhibit "D".

5) On March 16, 1968, Estanislao Olaguer sold to Jose A. Olaguer for 1 Peso and other valuable consideration Lot No. 4521 - TCT No. T-20223 and Lot 4522 - TCT No. 20224 with a total area of 2.5 hectares. (records, vol. 1, page 33)

6) On June 5, 1968, Estanislao Olaguer sold Lot No. 8635 under TCT No. T-20225, and Lot No. 8638 under TCT No. 20226 to Jose A. Olaguer for 1 Peso and other valuable consideration. (Exhibit "F") Deed of Sale was notarized by Rodrigo R. Reantaso.

7) On May 13, 1971, Jose A. Olaguer in his capacity as Attorney in-Fact of Estanislao Olaguer sold to his son Virgilio Olaguer for 1 Peso and other valuable consideration Lot No. 1557 - TCT No. 20221 and Lot No. 1676 -

TCT No. 20222. The deed of sale was notarized by Otilio Sy Bongon.

8) On July 15, 1974, Jose A. Olaguer sold to his son Virgilio Olaguer Lot No. 4521 and Lot No. 4522 for 1,000 Pesos. Deed of Sale was notarized by Otilio Sy Bongon. (records, vol. 1, page 34)

9) On September 16, 1978 Virgilio Olaguer executed a General Power of Attorney in favor of Jose A. Olaguer notarized by Otilio Sy Bongon (Exhibit "V") authorizing the latter to exercise general control and supervision over all of his business and properties and among others, to sell or mortgage the same.

Olivia P. Olaguer and Eduardo Olaguer were removed as administrators of the estate and on February 12, 1980, plaintiff Ma. Linda Olaguer Montayre was appointed administrator by the Probate Court.

Defendant Jose A. Olaguer died on January 24, 1985. (Exhibit "NN") He was survived by his children, namely the defendants Nimfa Olaguer Taguay, Corazon Olaguer Uy, Jose Olaguer, Jr., Virgilio Olaguer, Jacinto Olaguer, and Ramon Olaguer.

Defendant Olivia P. Olaguer died on August 21, 1997 (Exhibit "OO") and was survived by all the plaintiffs as the only heirs.

The decedent Lino Olaguer have had three marriages. He was first married to Margarita Ofemaria who died April 6, 1925. His second wife was Gloria Buenaventura who died on July 2, 1937. The third wife was the defendant Olivia P. Olaguer.

Lot No. 76 with an area of 2,363 square meters is in the heart of the Poblacion of Guinobatan, Albay. The deceased Lino Olaguer inherited this property from his parents. On it was erected their ancestral home.

As already said above, Lot No. 76 was among the twelve (12) lots sold for 25,000 Pesos, by administrators Olivia P. Olaguer and Eduardo Olaguer to Pastor Bacani on December 12, 1962. The sale was approved by the probate court on December 12, 1962.

But, the following day, December 13, 1962 Pastor Bacani sold back the same 12 lots to Olivia P. Olaguer and Eduardo Olaguer for 25,200 Pesos, as follows:

a) Lot No. 76 was sold back to Olivia P. Olaguer and Eduardo Olaguer for 12,000 Pesos, in the proportion of [6/13] and [7/13] respectively. (Exhibit "B")

b) 4 of the 12 lots namely, Lots 4518, 4526, 4359, and 8750 were sold back to Olivia Olaguer for 10,700 Pesos. (Exhibit "E")

c) 7 of the 12 lots namely, Lots 7514, 6608, 8582, 8157, 7999, 6167, and 8266 were sold back to Eduardo Olaguer for 2,500 Pesos. (Exhibit "C")

d) Lot No. 76 was thus issued TCT No. T-14654 on December 13, 1962 in the names of Eduardo B. Olaguer married to Daisy Pantig and Olivia P. Olaguer married to Jose A. Olaguer to the extent of 7/13 and 6/13 pro-indiviso, respectively. (Exhibit "FF" also "14-a)

e) It appears from Plan (LRC) Psd-180629 (Exhibit "3") that defendant Jose A. Olaguer caused the subdivision survey of Lot 76 into eleven (11) lots, namely, 76-A, 76-B, 76-C, 76-D, 76-E, 76-F, 76-G, 76-H, 76-I, 76-J, and 76-K, sometime on April 3, 1972. The subdivision survey was approved on October 5, 1973. After the approval of the subdivision survey of Lot 76, a subdivision agreement was entered into on November 17, 1973, among Domingo Candelaria, Olivia P. Olaguer, Domingo O. de la Torre and Emiliano M. [Ongjoco]. (records, vol. 2, page 109).

This subdivision agreement is annotated in TCT No. 14654 (Exhibit "14" - "14-d") as follows:

Owner

Lot No.

Area in sq. m.

TCT No.

Vol.

Page

Domingo Candelaria

76-A

300

T-36277

206

97

Olivia P. Olaguer

76-B

200

T-36278

"

98

- do -

76-C

171

T-36279

"

99

- do -

76-D

171

T-36280

"

100

- do -

76-E

171

T-36281

"

101

- do -

76-F

171

T-36282

"

102

- do -

76-G

202

T-36283

"

103

Domingo O. de la Torre

76-H

168

T-36284

"

104

- do -

76-I

168

T-36285

"

105

- do -

76-J

168

T-36286

"

106

Emiliano M. [Ongjoco]

76-K

473

T-36287

"

107

After Lot 76 was subdivided as aforesaid, Jose A. Olaguer as attorney-in-fact of Olivia P. Olaguer, sold to his son Virgilio Olaguer Lots 76-B, 76-C, 76-D, 76-E, 76-F, and 76-G on January 9, 1974 for 3,000 Pesos. (Exhibit "G") The deed of absolute sale was notarized by Otilio Sy Bongon.

Lots 76-B and 76-C were consolidated and then subdivided anew and designated as Lot No. 1 with an area of 186 square meters and Lot No. 2 with an area of 185 square meters of the Consolidation Subdivision Plan (LRC) Pcs-20015. (Please sketch plan marked as Exhibit "4", records, vol. 2, page 68)

On January 15, 1976, Jose A. Olaguer claiming to be the attorney-in-fact of his son Virgilio Olaguer under a general power of attorney Doc. No. 141, Page No. 100, Book No. 7, Series of 1972 of Notary Public Otilio Sy Bongon, sold Lot No. 1 to defendant Emiliano M. [Ongjoco] for 10,000 Pesos per the deed of absolute sale notarized by Otilio Sy Bongon. (Exhibit "H") The alleged general power of attorney however was not presented or marked nor formally offered in evidence.

On September 7, 1976, Jose A. Olaguer again claiming to be the attorney-in-fact of Virgilio Olaguer under the same general power of attorney referred to in the deed of absolute sale of Lot 1, sold Lot No. 2 to Emiliano M. [Ongjoco] for 10,000 Pesos. (Exhibit "I") The deed of absolute sale was notarized by Otilio Sy Bongon.

On July 16, 1979, Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer under a general power of attorney Doc. No. 378, Page No. 76, Book No. 14, Series of 1978 sold Lot No. 76-D to Emiliano M. [Ongjoco] for 5,000 Pesos.

The deed of absolute sale is Doc. No. 571, Page No. 20, Book No. 16, Series of 1979 of Notary Public Otilio Sy Bongon. (Exhibit "K")

The same Lot No. 76-D was sold on October 22, 1979 by Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer under a general power of attorney Doc. No. 378, Page No. 76, Book No. 14, Series of 1978 of Notary Public Otilio Sy Bongon sold Lot No. 76-D to Emiliano M. [Ongjoco] for 10,000 Pesos. The deed of absolute sale is Doc. No. 478, Page No. 97, Book NO. XXII, Series of 1979 of Notary Public Antonio A. Arcangel. (Exhibit "J")

On July 3, 1979, Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer sold Lots 76-E and 76-F to Emiliano M. [Ongjoco] for 15,000 Pesos. The deed of absolute sale is Doc. No. 526, Page No. 11, Book No. 16, Series of 1979 of Notary Public Otilio Sy Bongon. (Exhibit "M")

The same Lots 76-E and 76-F were sold on October 25, 1979, by Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer under the same general power of attorney of 1978 referred to above to Emiliano M. [Ongjoco] for 30,000 Pesos. The deed of absolute sale is Doc. No. 47, Page No. 11, Book No. XXIII, Series of 1972 of Notary Public Antonio A. Arcangel. (Exhibit "L")

On July 2, 1979 Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer sold Lot No. 76-G to Emiliano M. [Ongjoco] for 10,000 Pesos. The deed of sale is Doc. No. 516, Page No. 9, Book No. 16, Series of 1979 of Notary Public Otilio Sy Bongon. (Exhibit "N")

The same Lot 76-G was sold on February 29, 1980 by Jose A. Olaguer as attorney-in-fact of Virgilio Olaguer under the same general power of attorney of 1978 referred to above to Emiliano M. [Ongjoco] for 10,000 Pesos. The deed of absolute sale is Doc. No. 102, Page No. 30, Book No. 17, Series of 1980 of Notary Public Otilio Sy Bongon. (Exhibit "O")^[5] (Emphases ours.)

Thus, on 28 January 1980, the Estate of Lino Olaguer represented by the legitimate children of the spouses Lino Olaguer and defendant Olivia P. Olaguer, namely, Sor Mary Edith Olaguer, Aurora O. de Guzman, Clarissa O. Trinidad, Lina Olaguer and Ma. Linda O. Montayre, as attorney-in-fact and in her own behalf, filed an action for the Annulment of Sales of Real Property and/or Cancellation of Titles^[6] in the then Court of First Instance of Albay.^[7]

Docketed as Civil Case No. 6223, the action named as defendants the spouses Olivia P. Olaguer and Jose A. Olaguer; Eduardo Olaguer; Virgilio Olaguer; Cipriano Duran; the Heirs of Estanislao O. Olaguer, represented by Maria Juan Vda. de Olaguer; and the Philippine National Bank (PNB).

In the original complaint, the plaintiffs therein alleged that the sales of the following properties belonging to the Estate of Lino Olaguer to Estanislao Olaguer were absolutely simulated or fictitious, particularly: Lots Nos. 578, 1557, 1676, 4521, 4522, 8635, 8638, 7589, 7593, and 7396. In praying that the sale be declared as null and void, the plaintiffs likewise prayed that the resulting Transfer Certificates of Title issued to Jose Olaguer, Virgilio Olaguer, Cipriano Duran and the PNB be annulled.

Defendant PNB claimed in its Answer,^[8] inter alia, that it was a mortgagee in good faith and for value of Lots Nos. 7589, 7593 and 7396, which were mortgaged as security for a loan of P10,000.00; the mortgage contract and other loan documents were signed by the spouses Estanislao and Maria Olaguer as registered owners; the proceeds of the loan were received by the mortgagors themselves; Linda Olaguer Montayre had no legal capacity to sue as attorney-in-fact; plaintiffs as well as Maria Olaguer were in estoppel; and the action was already barred by prescription. PNB set up a compulsory counterclaim for damages, costs of litigation and attorney's fees. It also filed a cross-claim against Maria Olaguer for the payment of the value of the loan plus the agreed interests in the event that judgment would be rendered against it.

Defendants Olivia P. Olaguer, Jose A. Olaguer and Virgilio Olaguer, in their Answer,[9] denied the material allegations in the complaint. They maintained that the sales of the properties to Pastor Bacani and Estanislao Olaguer were judicially approved; the complaint did not state a sufficient cause of action; it was barred by laches and/or prescription; lis pendens existed; that the long possession of the vendees have ripened into acquisitive prescription in their favor, and the properties no longer formed part of the Estate of Lino Olaguer; until the liquidation of the conjugal properties of Lino Olaguer and his former wives, the plaintiffs were not the proper parties in interest to sue in the action; and in order to afford complete relief, the other conjugal properties of Lino Olaguer with his former wives, and his capital property that had been conveyed without the approval of the testate court should also be included for recovery in the instant case.

Defendant Maria Juan Vda. de Olaguer, representing the heirs of Estanislao Olaguer, in her Answer,[10] likewise denied the material allegations of the complaint and insisted that the plaintiffs had no valid cause of action against the heirs of the late Estanislao Olaguer, as the latter did not participate in the alleged transfer of properties by Olivia P. Olaguer and Eduardo Olaguer in favor of the late Estanislao Olaguer.

Defendant Cipriano Duran claimed, in his Answer,[11] that the complaint stated no cause of action; he was merely instituted by his late sister-in-law Josefina Duran to take over the management of Lots Nos. 8635 and 8638 in 1971; and the real party-in-interest in the case was the administrator of the estate of Josefina Duran.

On 11 January 1995, an Amended Complaint[12] was filed in order to implead respondent Emiliano M. Ongjoco as the transferee of Virgilio Olaguer with respect to portions of Lot No. 76, namely Lots Nos. 1, 2, 76-D, 76-E, 76-F, and 76-G.

In his Answer with Counterclaim and Motion to Dismiss,[13] respondent Ongjoco denied the material allegations of the amended complaint and interposed, as affirmative defenses the statute of limitations, that he was a buyer in good faith, that plaintiffs had no cause of action against him, and that the sale of property to Pastor Bacani, from whom Ongjoco derived his title, was judicially approved.

On 23 January 1996, plaintiffs filed a Re-Amended Complaint,[14] in which the heirs of Estanislao Olaguer were identified, namely, Maria Juan Vda. de Olaguer, Peter Olaguer, Yolanda Olaguer and Antonio Bong Olaguer.

In their Answer,[15] the heirs of Estanislao Olaguer reiterated their claim that Estanislao Olaguer never had any transactions or dealings with the Estate of Lino Olaguer; nor did they mortgage any property to the PNB.

On 5 August 1998, the heirs of Estanislao Olaguer and petitioner Ma. Linda Olaguer Montayre submitted a compromise agreement,[16] which was approved by the trial court.

On 6 October 1999, Cipriano Duran filed a Manifestation[17] in which he waived any claim on Lots Nos. 8635 and 8638. Upon motion, Duran was ordered dropped from the complaint by the trial court in an order[18] dated 20 October 1999.

In a Decision[19] dated 13 July 2001, the RTC ruled in favor of the plaintiffs. The pertinent portions of the decision provide:

The entirety of the evidence adduced clearly show that the sale of the 12 lots to Pastor Bacani pursuant to Exhibit "A" and the sale of the 10 lots to Estanislao Olaguer pursuant to Exhibit "D" were absolutely simulated sales and thus void ab initio. The two deeds of sales Exhibits "A" and "D" are even worse than fictitious, they are completely null and void for lack of consideration and the parties therein never intended to be bound by the terms thereof and the action or defense for the declaration of their inexistence does not prescribe. (Art. 1410, Civil Code) Aside from being simulated they were clearly and unequivocally intended to deprive the compulsory heirs of their legitimate share.

The deeds of sale, Exhibits "A" and "D" being void ab initio, they are deemed as non-existent and the approval thereof by the probate court becomes immaterial and of no consequence, because the approval by the probate court did not change the character of the sale from void to valid x x x.

x x x x

Defendant Jose A. Olaguer simulated the sales and had them approved by the probate court so that these properties would appear then to cease being a part of the estate and the vendee may then be at liberty to dispose of the same in any manner he may want. They probably believed that by making it appear that the properties were bought back from Pastor Bacani under a simulated sale, they (Olivia Olaguer and Eduardo Olaguer) would appear then as the owners of the properties already in their personal capacities that disposals thereof will no longer require court intervention. x x x.

x x x x

[Jose A. Olaguer] had Olivia P. Olaguer execute a Special Power of Attorney (Exhibit "T") authorizing him (Jose A. Olaguer) to sell or encumber the properties allegedly bought back from Pastor Bacani which Jose A. Olaguer did with respect to the 6/13 share of Olivia P. Olaguer on Lot No. 76 by selling it to his son Virgilio for only 3,000 Pesos, then caused Virgilio to execute a power of attorney authorizing him to sell or encumber the 6/13 share which he did by selling the same to defendant Emiliano M. [Ongjoco].

Virgilio Olaguer however executed an affidavit (Exhibit "CC") wherein he denied having bought any property from the estate of Lino Olaguer and that if there are documents showing that fact he does not know how it came about. x x x.

The 1972 power of attorney referred to by Jose A. Olaguer as his authority for the sale of Lots 1 and 2 (formerly lots 76-B and 76-C) was not presented nor offered in evidence.

There are two deeds of sale over Lot 76-D, (Exhibits "K" and "J") in favor of defendant Emiliano M. [Ongjoco] with different dates of execution, different amount of consideration, different Notary Public.

There are two deeds of sale over Lots 76-E and 76-F (Exhibits "M" and "L") in favor of defendant Emiliano M. [Ongjoco] with different dates of execution, different amount of consideration and different Notary Public.

There are two deeds of sale over Lot 76-G (Exhibits "N" and "O") in favor of Emiliano M. [Ongjoco] with different dates of execution with the same amount of consideration and the same Notary Public.

While Lot 76-D was allegedly sold already to Emiliano M. [Ongjoco] in 1979, yet it was still Jose A. Olaguer who filed a petition for the issuance of a second owner's copy as attorney in fact of Virgilio Olaguer on August 8, 1980 (Exhibit "SS") and no mention was made about the sale.

Under these circumstances, the documents of defendant Emiliano M. [Ongjoco] on lots 76 therefore, in so far as the portions he allegedly bought from Jose A. Olaguer as attorney in fact of Virgilio Olaguer suffers seriously from infirmities and appear dubious.

Defendant Emiliano M. [Ongjoco] cannot claim good faith because according to him, when these lots 76-[B] to 76-G were offered to him his condition was to transfer the title in his name and then he pays. He did not bother to verify the title of his vendor. x x x.

So with respect to the sale of Lots 76-B to 76-G, Emiliano M. [Ongjoco] has no protection as innocent purchaser for good faith affords protection only to purchasers for value from the registered owners. x x x. Knowing that he was dealing only with an agent x x x, it behooves upon defendant Emiliano M. [Ongjoco] to find out the extent of the authority of Jose A. Olaguer as well as the title of the owner of the property, because as early as 1973 pursuant to the subdivision agreement, (records, vol. 2, page 109 and Exhibit "14" and "14-d") he already knew fully well that Lots 76-B to 76-G he was buying was owned by Olivia P. Olaguer and not by

Virgilio Olaguer.

x x x x

With respect to the 10 lots sold to [Eduardo] Olaguer (Exhibit "D") Jose A. Olaguer had Estanislao Olaguer execute a power of attorney (Exhibit "X") authorizing him (Jose A. Olaguer) to sell or encumber the 10 lots allegedly bought by Estanislao from the estate. With this power of attorney, he mortgaged lots 7589, 7593 and 7398 to the PNB. He sold lots 1557 and 1676 to his son Virgilio Olaguer. While under Exhibit "UU" dated December 29, 1966, he bought the 10 parcels of land, among which is lots 4521 and 4522 from Estanislao Olaguer, yet, on March 16, 1968, he again bought lots 4521 and 4522 (records, vol. 1, page 38) from Estanislao Olaguer. While lots 8635 and 8638 were among those sold to him under Exhibit "UU", it appears that he again bought the same on June 5, 1968 under Exhibit "F".

The heirs of Estanislao Olaguer however denied having bought any parcel of land from the estate of Lino Olaguer. Estanislao Olaguer's widow, Maria Juan vda. de Olaguer, executed an affidavit (Exhibit "BB") that they did not buy any property from the estate of Lino Olaguer, they did not sell any property of the estate and that they did not mortgage any property with the PNB. She repeated this in her deposition. (records, vol. 2, page 51) This was corroborated by no less than former co-administrator Eduardo Olaguer in his deposition too (Exhibit "RRRR") that the sale of the 10 parcels of land to Estanislao Olaguer was but a simulated sale without any consideration. x x x.

x x x x

A partial decision was already rendered by this court in its order of August 5, 1998 (records, vol. 2, page 64) approving the compromise agreement with defendants Heirs of Estanislao Olaguer. (records, vol. 2 page 57).

Defendant Cipriano Duran was dropped from the complaint per the order of the court dated October 20, 1999 (records, vol. 2, page 155) because he waived any right or claim over lots 8635 and 8638. (records, vol. 2, page 150). (Emphasis ours.)

The dispositive portion of the above decision was, however, amended by the trial court in an Order[20] dated 23 July 2001 to read as follows:

WHEREFORE, premises considered, decision is hereby rendered in favor of the plaintiffs as follows:

1) The deed of sale to Pastor Bacani (Exhibit "A") and the deed of sale to Estanislao Olaguer (Exhibit "D") are hereby declared as null and void and without force and effect and all the subsequent transfers and certificates arising therefrom likewise declared null and void and cancelled as without force and effect, except as herein provided for.

2) Lot Nos. 4518, 4526, 4359 and 8750 are hereby ordered reverted back to the estate of Lino Olaguer and for this purpose, within ten (10) days from the finality of this decision, the heirs of Olivia P. Olaguer (the plaintiffs herein) [sic] are hereby ordered to execute the necessary document of reconveyance, failure for which, the Clerk of Court is hereby ordered to execute the said deed of reconveyance.

3) Lot Nos. 7514, 6608, 8582, 8157, 7999, 6167 and 8266 are hereby ordered reverted back to the estate of Lino Olaguer and for this purpose, within ten (10) days from the finality of this decision, defendant Eduardo Olaguer is hereby ordered to execute the necessary document of reconveyance, failure for which, the Clerk of Court is hereby ordered to execute the said deed of reconveyance.

4) Lots 1 and 2, Pcs-20015, and Lots 76-D, 76-E, 76-F and 76-G, Psd-180629 sold to Emiliano M. [Ongjoco] are hereby ordered reverted back to the estate of Lino Olaguer. For this purpose, within ten (10) days from the finality of this decision, defendant Emiliano M. [Ongjoco] is hereby ordered to execute the necessary deed of reconveyance, otherwise, the Clerk of Court shall be ordered to execute the said reconveyance and have the

same registered with the Register of Deeds so that new titles shall be issued in the name of the estate of Lino Olaguer and the titles of Emiliano [Ongjoco] cancelled.

5) The parties have acquiesced to the sale of the 7/13 portion of Lot 76 to Eduardo Olaguer as well as to the latter's disposition thereof and are now in estoppel to question the same. The court will leave the parties where they are with respect to the 7/13 share of Lot 76.

6) Lots 578, 1557, 1676, 4521, 4522, 8635, 8638, are hereby reverted back to the estate of Lino Olaguer and for this purpose, the Clerk of [Court] is hereby ordered to execute the necessary deed of reconveyance within ten days from the finality of this decision and cause its registration for the issuance of new titles in the name of the Estate of Lino Olaguer and the cancellation of existing ones over the same.

7) While the mortgage with the defendant PNB is null and void, Lots 7589, 7593 and 7396 shall remain with the Republic of the Philippines as a transferee in good faith.

Both the petitioners and respondent filed their respective Notices of Appeal[21] from the above decision. The case was docketed in the Court of Appeals as CA-G.R. CV No. 71710.

In their Plaintiff-Appellant's Brief[22] filed before the Court of Appeals, petitioner Estate argued that the trial court erred in not ordering the restitution and/or compensation to them of the value of the parcels of land that were mortgaged to PNB, notwithstanding the fact that the mortgage was declared null and void. Petitioners maintain that the PNB benefited from a void transaction and should thus be made liable for the value of the land, minus the cost of the mortgage and the reasonable expenses for the foreclosure, consolidation and transfer of the lots.

Ongjoco, on the other hand, argued in his Defendant-Appellant's Brief[23] that the trial court erred in: declaring as null and void the Deeds of Sale in favor of Pastor Bacani and Eduardo Olaguer and the subsequent transfers and certificates arising therefrom; ordering the reconveyance of the lots sold to him (Ongjoco); and failing to resolve the affirmative defenses of prescription, the authority of Olivia and Eduardo to dispose of properties formerly belonging to the estate of Lino Olaguer, recourse in a court of co-equal jurisdiction, and forum shopping.

Petitioner Linda O. Montayre was likewise allowed to file a Brief[24] on her own behalf, as Plaintiff-Appellee and Plaintiff-Appellant.[25] She refuted therein the assignment of errors made by Defendant-Appellant Ongjoco and assigned as error the ruling of the trial court that the lots mortgaged to the PNB should remain with the Republic of the Philippines as a transferee in good faith.

On 27 February 2006, the Court of Appeals rendered the assailed Decision, the dispositive portion of which reads:

WHEREFORE, premises considered, the appealed Decision is hereby MODIFIED, in that Paragraph 4 of the amended decision is hereby Ordered Deleted, and the questioned sales to defendant-appellant Emiliano M. Ongjoco are UPHeld.[26]

In denying the appeal interposed by petitioners, the appellate court reasoned that the claim for the value of the lots mortgaged with the PNB were not prayed for in the original Complaint, the Amended Complaint or even in the Re-Amended Complaint. What was sought therein was merely the declaration of the nullity of the mortgage contract with PNB. As the relief prayed for in the appeal was not contained in the complaint, the same was thus barred.

The Court of Appeals also ruled that the evidence of petitioners failed to rebut the presumption that PNB was a mortgagee in good faith. Contrarily, what was proven was the fact that Olivia Olaguer and Jose A. Olaguer were the persons responsible for the fraudulent transactions involving the questioned properties. Thus, the claim for restitution of the value of the mortgaged properties should be made against them.

As regards the appeal of respondent Ongjoco, the appellate court found the same to be meritorious. The said court ruled that when the sale of real property is made through an agent, the buyer need not investigate the principal's title. What the law merely requires for the validity of the sale is that the agent's authority be in writing.

Furthermore, the evidence adduced by petitioners was ruled to be inadequate to support the conclusion that Ongjoco knew of facts indicative of the defect in the title of Olivia Olaguer or Virgilio Olaguer.

Petitioners moved for a partial reconsideration[27] of the Court of Appeals' decision in order to question the ruling that respondent Ongjoco was a buyer in good faith. The motion was, however, denied in a Resolution[28] dated 29 June 2006.

Aggrieved, petitioners filed the instant Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court, raising the following assignment of errors:

I.

THE COURT OF APPEALS COMMITTED AN ERROR IN LAW WHEN IT RULED, ON SPECULATION, THAT RESPONDENT EMILIANO M. ONGJOCO WAS A BUYER IN GOOD FAITH OF THE PROPERTIES OF THE ESTATE OF LINO OLAGUER, DESPITE THE EXISTENCE OF FACTS AND CIRCUMSTANCES FOUND BY THE TRIAL COURT THAT OUGHT TO PUT EMILIANO M. ONGJOCO ON NOTICE THAT THE PETITIONERS-APPELLANTS HAVE A RIGHT OR INTEREST OVER THE SAID PROPERTIES, AND CONTRARY TO PREVAILING JURISPRUDENCE.

II.

THE COURT OF APPEALS COMMITTED AN ERROR IN LAW WHEN IT DISREGARDED THE CLEAR FINDINGS OF FACTS AND CONCLUSIONS MADE BY THE TRIAL COURT, IN THE ABSENCE OF ANY STRONG AND COGENT REASONS TO REVERSE THE SAID FINDINGS, CONTRARY TO PREVAILING JURISPRUDENCE.[29]

Essentially, the question that has been brought before us for consideration is whether or not, under the facts and circumstances of this case, respondent Ongjoco can be considered an innocent purchaser for value.

Petitioners agree with the pronouncement of the trial court that respondent Ongjoco could not have been a buyer in good faith since he did not bother to verify the title and the capacity of his vendor to convey the properties involved to him. Knowing that Olivia P. Olaguer owned the properties in 1973 and that he merely dealt with Jose A. Olaguer as an agent in January 1976, Ongjoco should have ascertained the extent of Jose's authority, as well as the title of Virgilio as the principal and owner of the properties.

Petitioners likewise cite the following incidents that were considered by the trial court in declaring that respondent was a buyer in bad faith, namely: (1) that Virgilio Olaguer executed an affidavit,[30] wherein he denied having bought any property from the estate of Lino Olaguer, and that if there are documents showing that fact, he does not know how they came about; (2) that the power of attorney referred to by Jose A. Olaguer as his authority for the sale of Lots 1 and 2 (formerly Lots 76-B and 76-C) was not presented or offered in evidence; (3) that there are two deeds of sale[31] over Lot 76-D in favor of Ongjoco; (4) that there are two deeds of sale[32] over Lots 76-E and 76-F in favor of Ongjoco; (5) that there are two deeds of sale[33] over Lot 76-G in favor of Ongjoco; and (6) that while Lot 76-D was already sold to Ongjoco in 1979, it was still Jose A. Olaguer as attorney in fact of Virgilio Olaguer who filed on 8 August 1980 a petition for the issuance of a second owner's copy[34] of the title to the property, and no mention was made about the sale to Ongjoco.

Respondent Ongjoco, on the other hand, invokes the ruling of the Court of Appeals that he was an innocent purchaser for value. His adamant stance is that, when he acquired the subject properties, the same were already

owned by Virgilio Olaguer. Respondent insists that Jose A. Olaguer was duly authorized by a written power of attorney when the properties were sold to him (Ongjoco). He posits that this fact alone validated the sales of the properties and foreclosed the need for any inquiry beyond the title to the principal. All the law requires, respondent concludes, is that the agent's authority be in writing in order for the agent's transactions to be considered valid.

Respondent Ongjoco's posture is only partly correct.

According to the provisions of Article 1874[35] of the Civil Code on Agency, when the sale of a piece of land or any interest therein is made through an agent, the authority of the latter shall be in writing. Absent this requirement, the sale shall be void. Also, under Article 1878,[36] a special power of attorney is necessary in order for an agent to enter into a contract by which the ownership of an immovable property is transmitted or acquired, either gratuitously or for a valuable consideration.

We note that the resolution of this case, therefore, hinges on the existence of the written power of attorney upon which respondent Ongjoco bases his good faith.

When Lots Nos. 1 and 2 were sold to respondent Ongjoco through Jose A. Olaguer, the Transfer Certificates of Title of said properties were in Virgilio's name.[37] Unfortunately for respondent, the power of attorney that was purportedly issued by Virgilio in favor of Jose Olaguer with respect to the sale of Lots Nos. 1 and 2 was never presented to the trial court. Neither was respondent able to explain the omission. Other than the self-serving statement of respondent, no evidence was offered at all to prove the alleged written power of attorney. This of course was fatal to his case.

As it stands, there is no written power of attorney to speak of. The trial court was thus correct in disregarding the claim of its existence. Accordingly, respondent Ongjoco's claim of good faith in the sale of Lots Nos. 1 and 2 has no leg to stand on.

As regards Lots Nos. 76-D, 76-E, 76-F and 76-G, Ongjoco was able to present a general power of attorney that was executed by Virgilio Olaguer. While the law requires a special power of attorney, the general power of attorney was sufficient in this case, as Jose A. Olaguer was expressly empowered to sell any of Virgilio's properties; and to sign, execute, acknowledge and deliver any agreement therefor.[38] Even if a document is designated as a general power of attorney, the requirement of a special power of attorney is met if there is a clear mandate from the principal specifically authorizing the performance of the act.[39] The special power of attorney can be included in the general power when the act or transaction for which the special power is required is specified therein.[40]

On its face, the written power of attorney contained the signature of Virgilio Olaguer and was duly notarized. As such, the same is considered a public document and it has in its favor the presumption of authenticity and due execution, which can only be contradicted by clear and convincing evidence.[41]

No evidence was presented to overcome the presumption in favor of the duly notarized power of attorney. Neither was there a showing of any circumstance involving the said document that would arouse the suspicion of respondent and spur him to inquire beyond its four corners, in the exercise of that reasonable degree of prudence required of a man in a similar situation. We therefore rule that respondent Ongjoco had every right to rely on the power of attorney in entering into the contracts of sale of Lots Nos. 76-D to 76-G with Jose A. Olaguer.

With respect to the affidavit of Virgilio Olaguer in which he allegedly disavowed any claim or participation in the purchase of any of the properties of the deceased Lino Olaguer, we hold that the same is rather irrelevant. The affidavit was executed only on 1 August 1986 or six years after the last sale of the properties was entered into in

1980. In the determination of whether or not a buyer is in good faith, the point in time to be considered is the moment when the parties actually entered into the contract of sale.

Furthermore, the fact that Lots Nos. 76-D to 76-G were sold to respondent Ongjoco twice does not warrant the conclusion that he was a buyer in bad faith. While the said incidents might point to other obscured motives and arrangements of the parties, the same do not indicate that respondent knew of any defect in the title of the owner of the property.

As to the petition filed by Jose A. Olaguer for the issuance of a second owner's copy of the title to Lot No. 76-D, after the property was already sold to respondent Ongjoco, the same does not inevitably indicate that respondent was in bad faith. It is more likely that Jose A. Olaguer was merely compiling the documents necessary for the transfer of the subject property. Indeed, it is to be expected that if the title to the property is lost before the same is transferred to the name of the purchaser, it would be the responsibility of the vendor to cause its reconstitution.

In sum, we hold that respondent Emiliano M. Ongjoco was in bad faith when he bought Lots Nos. 1 and 2 from Jose A. Olaguer, as the latter was not proven to be duly authorized to sell the said properties.

However, respondent Ongjoco was an innocent purchaser for value with regard to Lots Nos. 76-D, 76-E, 76-F and 76-G since it was entirely proper for him to rely on the duly notarized written power of attorney executed in favor of Jose A. Olaguer.

WHEREFORE, premises considered, the instant petition is hereby **PARTIALLY GRANTED**. The assailed Decision of the Court of Appeals dated 27 February 2006 in CA-G.R. CV NO. 71710 is **MODIFIED** in that Paragraph 4 of the Decision dated 13 July 2001 of the Regional Trial Court of Legazpi City, Branch 6, and the Order dated 23 July 2001 shall read as follows:

4) Lots 1 and 2, Pcs-20015 sold to Emiliano M. Ongjoco are hereby ordered reverted back to the estate of Lino Olaguer. For this purpose, within ten (10) days from the finality of this decision, defendant Emiliano M. Ongjoco is hereby ordered to execute the necessary deed of reconveyance, otherwise, the Clerk of Court shall be ordered to execute the said reconveyance and have the same registered with the Register of Deeds so that new titles shall be issued in the name of the estate of Lino Olaguer and the titles of Emiliano Ongjoco cancelled.

No costs.

SO ORDERED.

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

[1] Rollo, pp. 9-36

[2] Penned by Associate Justice Eliezer R. de Los Santos with Associate Justices Jose C. Reyes, Jr. and Arturo G. Tayag, concurring; rollo, pp. 37-64.

[3] Penned by Judge Vladimir B. Brusola; rollo, pp. 79-95.

[4] Rollo, pp. 96-97.

[5] Id. at 85-91.

[6] Records, Vol. 1, pp. 1-14.

[7] The other related cases concerning the Estate of Lino Olaguer are as follows:

After the death of Lino Olaguer on 3 October 1957, Olivia P. Olaguer filed a Petition for Probate of Will and Issuance of Letters of Administration on 21 October 1957. The case was docketed as SPECIAL PROC. NO. 528.

On 24 September 1979, Olivia P. Olaguer filed an action for Quieting of Title and Damages with Petition for Injunction against Linda Olaguer Montayre, assisted by her husband Nelson Montayre, Lina P. Olaguer, Faustino Adra, Celso Llagas, Mariano Orfano, Estelita Almorfe Orfano, Geminiano Llagas, Lorenzo Llagas and Serafin Gustilo. The case was docketed as CIVIL CASE No. 6146.

On 20 March 1980, the Estate of Lino Olaguer, represented by the children of the first marriage of Lino Olaguer, filed an action for the Annulment of Donation and Recovery of Possession and Ownership with Damages against Olivia P. Olaguer, then married to Jose A. Olaguer. The case was docketed as CIVIL CASE No. 6253.

In the order of the Executive Judge of the RTC of Legazpi City, Branch 6 dated 15 June 1983, SPECIAL PROC. NO. 528, CIVIL CASE NO. 6146 and CIVIL CASE NO. 6253 were consolidated with the instant case (CIVIL CASE NO. 6223).

On 9 February 1987, the trial court dismissed all the cases for failure to prosecute.

On 3 March 1987, the trial court reconsidered and set aside the order of dismissal dated 9 February 1987 but ordered the four (4) cases archived.

On 15 January 1998, the records of these cases were again consolidated with the instant case.

[8] Records, Vol. 1, pp. 69-75.

[9] Id. at 76-83.

[10] Id. at 103-105.

[11] Id. at 109-110.

[12] Id. at 173-190.

[13] Id. at 220-223.

[14] Id. at 348-363.

[15] Id. at 439-443.

[16] Records, Vol. 2, pp. 57-59.

[17] Id. at 150.

[18] Id. at 155.

[19] Rollo, pp. 79-95.

[20] Id. at 96-97.

[21] Records, Vol. 2, pp. 383, 386-389.

[22] CA rollo, pp. 93-113.

[23] Id. at 38-74.

[24] Id. at 179-198.

[25] Id. at 201.

[26] Id. at 229.

[27] Rollo, pp. 67-78.

[28] Id. at 65-66.

[29] Id. at 21.

[30] Exhibit "CC," Exhibits for the Plaintiffs, p. 52.

[31] Exhibits "J" and "K," id. at 33-35.

[32] Exhibits "L" and "M," id. at 36-39.

[33] Exhibits "N" and "O," id. at 40-41.

[34] Exhibit "SS," id. at 67-69.

[35] Art. 1874. When a sale of a piece of land or any interest therein is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void.

[36] Art. 1878. Special powers of attorney are necessary in the following cases:

x x x x

(5) To enter into any contract by which the ownership of an immovable is transmitted or acquired either gratuitously or for a valuable consideration;

[37] Exhibits "5-a," and "6-a-6-b," Exhibits for the Defendants, pp. 4-5.

[38] The specific provisions of the General Power of Attorney authorizes Jose A. Olaguer, among other powers:

- To buy or otherwise acquire, to hire or lease, and to pledge, mortgage or otherwise hypothecate, sell, assign and dispose of any and all my property, real, personal or mixed, of any kind whatsoever and wheresoever situated, or any interest therein, upon such terms and conditions and under such covenants as my said attorney shall deem fit and proper, and to execute in or other writings therefore, or in any way connected therewith or with my business or property.

[39] Bravo-Guerrero v. Bravo, G.R. No. 152658, 29 July 2005, 465 SCRA 244, 259.

[40] Veloso v. Court of Appeals, 329 Phil. 398, 405 (1996), cited in Bravo-Guerrero v. Bravo, id.

[41] Domingo v. Robles, G.R. No. 153743, 18 March 2005, 453 SCRA 812, 818-819.

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