

INSURANCE OF THE PHILIPPINE ISLANDS CORPORATION, PETITIONER, VS. SPOUSES VIDAL S. GREGORIO AND JULITA GREGORIO, RESPONDENTS.

G.R. No. 174104. February 14, 2011

Ponente: PERALTA, J.

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PERALTA, J.:

Before the Court is a petition for review on certiorari under Rule 45 of the Rules of Court seeking the reversal and nullification of the Decision[1] of the Court of Appeals (CA), dated June 14, 2006 and its Resolution[2] dated August 10, 2006 in CA-G.R. CV No. 82303. The assailed CA Decision reversed the Decision[3] of the Regional Trial Court (RTC) of Morong, Rizal, Branch 79, in Civil Case No. 748-M in favor of herein petitioner, while the questioned CA Resolution denied petitioner's motion for reconsideration.

The pertinent antecedent facts of the case, as summarized by the CA, are as follows:

On January 10, 1968, the spouses Vidal Gregorio and Julita Gregorio [herein respondents] obtained a loan from the Insurance of the Philippine Islands Corporation [herein petitioner] (formerly known as Pyramid Insurance Co., Inc.) in the sum of P2,200.00, payable on or before January 10, 1969, with interest thereon at the rate of 12% per annum. By way of security for the said loan, [respondents] executed a Real Estate Mortgage in favor of [petitioner] over a parcel of land known as Lot 6186 of the Morong Cadastre, then covered by Tax Declaration No. 7899 issued by the Municipal Assessor's Office of Morong, Rizal.

On February 14, 1968, [respondents] again obtained another loan from [petitioner] in the sum of P2,000.00, payable on or before February 14, 1969, with 12% interest per annum. Another Real Estate Mortgage, covering a parcel of land known as Lot No. 6190 of the Morong Cadastre under Tax Declaration No. 10518, was executed by [respondents] in favor of [petitioner].

On April 10, 1968, [respondents] obtained, for the third time, another loan from [petitioner] in the amount of P4,500.00 payable on or before April 10, 1969 with 12% interest per annum. As a security for the loan, [respondents] again executed a Real Estate Mortgage, this time covering two parcels of land: Lot 3499 under Tax Declaration No. 10631-Rizal and a lot situated in Brgy. Kay Kuliat under Tax Declaration No. 3918.

[Respondents] failed to pay their loans, as a result of which the [mortgaged] properties were extrajudicially foreclosed. The extrajudicial foreclosure sale was conducted on December 11, 1969 where [petitioner] was the highest bidder. Since [respondents] failed to redeem the property, [petitioner] consolidated its ownership over the properties. The corresponding Tax Declarations were thereafter issued in the name of [petitioner].[4]

On February 20, 1996, petitioner filed a Complaint[5] for damages against respondents alleging that in 1995, when it was in the process of gathering documents for the purpose of filing an application for the registration and confirmation of its title over the foreclosed properties, it discovered that the said lots were already registered in the names of third persons and transfer certificates of title (TCT) were issued to them.

Claiming that respondents acted in a fraudulent and malevolent manner in enticing it to grant their loan

applications by misrepresenting ownership of the subject properties, petitioner prayed for the grant of actual and exemplary damages as well as attorney's fees and litigation expenses.

In their Amended Answer,[6] respondents contended that their obligations in favor of petitioner were all settled by the foreclosure of the properties given as security therefor. In the alternative, respondents argue that petitioner's cause of action and right of action are already barred by prescription and laches.

In its Decision dated February 23, 2004, the RTC of Morong, Rizal, ruled in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and as against the defendants, directing the latter to pay the plaintiff, jointly and severally, as follows:

- a. Actual damages in the amount of P1,000,000.00, representing the fair market value of the real properties subject matter of this suit;
- b. For defendants' deceit and bad faith, exemplary damage in the sum of P300,000.00;
- c. Attorney's fees and litigation expenses in the amount of P200,000.00; and
- d. Costs of suit.

SO ORDERED.[7]

Aggrieved, respondents appealed the judgment of the trial court to the CA.

On June 14, 2006, the CA rendered a Decision reversing and setting aside the decision of the RTC and dismissing the complaint of petitioner. It ruled that petitioner's action for damages is barred by prescription and laches.

Petitioner filed a Motion for Reconsideration but the CA denied it in its Resolution of August 10, 2006.

Hence, the instant petition.

Petitioner's main contention is that the CA erred in ruling that petitioner's right to any relief under the law has already prescribed or is barred by laches. Petitioner argues that the prescriptive period of its action for damages should be counted from 1995, which it alleges to be the time that it discovered the fraud committed by respondents against it.

On the other hand, the CA ruled that petitioner's right of action prescribed four years after the subject properties were registered with the Register of Deeds of Morong, Rizal and TCTs were subsequently issued in the names of third persons in the years 1970, 1973 and 1989.

The Court finds the petition meritorious.

Petitioner filed an action for damages on the ground of fraud committed against it by respondents. Under the provisions of Article 1146 of the Civil Code, actions upon an injury to the rights of the plaintiff or upon a quasi-delict must be instituted within four years from the time the cause of action accrued.[8]

The Court finds no error in the ruling of the CA that petitioner's cause of action accrued at the time it discovered the alleged fraud committed by respondents. It is at this point that the four-year prescriptive period should be counted. However, the Court does not agree with the CA in its ruling that the discovery of the fraud should be reckoned from the time of registration of the titles covering the subject properties.

The Court notes that what has been given by respondents to petitioner as evidence of their ownership of the subject properties at the time that they mortgaged the same are not certificates of title but tax declarations, in the

guise that the said properties are unregistered. On the basis of the tax declarations alone and by reason of respondent's misrepresentations, petitioner could not have been reasonably expected to acquire knowledge of the fact that the said properties were already titled. As a consequence, petitioner may not be charged with any knowledge of any subsequent entry of an encumbrance which may have been annotated on the said titles, much less any change of ownership of the properties covered thereby. As such, the Court agrees with petitioner that the reckoning period for prescription of petitioner's action should be from the time of actual discovery of the fraud in 1995. Hence, petitioner's suit for damages, filed on February 20, 1996, is well within the four-year prescriptive period.

Neither may the principle of laches apply in the present case.

The essence of laches or "stale demands" is the failure or neglect for an unreasonable and unexplained length of time to do that which, by exercising due diligence, could or should have been done earlier, thus, giving rise to a presumption that the party entitled to assert it either has abandoned or declined to assert it.[9] It is not concerned with mere lapse of time; the fact of delay, standing alone, being insufficient to constitute laches.[10][]

In addition, it is a rule of equity and applied not to penalize neglect or sleeping on one's rights, but rather to avoid recognizing a right when to do so would result in a clearly unfair situation.[11] There is no absolute rule as to what constitutes laches or staleness of demand; each case is to be determined according to its particular circumstances.[12] Ultimately, the question of laches is addressed to the sound discretion of the court and, being an equitable doctrine, its application is controlled by equitable considerations.[13] It cannot be used to defeat justice or perpetrate fraud and injustice.[14] It is the better rule that courts, under the principle of equity, will not be guided or bound strictly by the statute of limitations or the doctrine of laches when to be so, a manifest wrong or injustice would result.[15]

It is significant to point out at this juncture that the overriding consideration in the instant case is that petitioner was deprived of the subject properties which it should have rightly owned were it not for the fraud committed by respondents. Hence, it would be the height of injustice if respondents would be allowed to go scot-free simply because petitioner relied in good faith on the former's false representations. Besides, as earlier discussed, even in the exercise of due diligence, petitioner could not have been expected to immediately discover respondents' fraudulent scheme.

WHEREFORE, the instant petition is GRANTED. The Decision and Resolution, dated June 14, 2006 and August 10, 2006, respectively, of the Court of Appeals in CA-G.R. CV No. 82303, are REVERSED and SET ASIDE. The Decision of the Regional Trial Court of Morong, Rizal, Branch 79, dated February 23, 2004 in Civil Case No. 748-M, is REINSTATED.

SO ORDERED.

Carpio, (Chairperson), Nachura, Abad, and Mendoza, JJ., concur.

[1] Penned by Associate Justice Renato C. Dacudao, with Associate Justices Hakim S. Abdulwahid and Monina Arevalo-Zenarosa, concurring; rollo, pp. 28-40.

[2] Id. at 42.

[3] Rollo, pp. 187-194.

[4] Id. at 29-30.

[5] Records, pp. 1-12.

[6] Id. at 77-82.

[7] Id. at 553-554.

[8] Philippine Long Distance Telephone Company v. Dulay, 254 Phil. 30, 36 (1989).

[9] Heirs of Emilio Santioque v. Heirs of Emilio Calma, G.R. No. 160832, October 27, 2006, 505 SCRA 665, 684-685.

[10] GF Equity, Inc. v. Valenzona, G.R. No. 156841, June 30, 2005, 462 SCRA 466, 480.

[11] Bicol Agro-Industrial Producers Cooperative, Inc. (BAPCI) v. Obias, G.R. No. 172077, October 9, 2009, 603 SCRA 173, 196; Bogo-Medellin Milling Co., Inc. v. Court of Appeals, 455 Phil. 285, 303 (2003).

[12] Department of Education, Division of Albay v. Oñate, G.R. No. 161758, June 8, 2007, 524 SCRA 200, 216-217.

[13] Placewell International Services Corporation v. Camote, G.R. No. 169973, June 26, 2006, 492 SCRA 761, 769.

[14] LICOMCEN, Inc. v. Foundation Specialists, Inc., G.R. Nos. 167022 and 169678, August 31, 2007, 531 SCRA 705, 725; Amoroso v. Alegre, Jr., G.R. No. 142766, June 15, 2007, 524 SCRA 641, 656; Galicia v. Manlquez Vda. de Mindo, G.R. No. 155785, April 13, 2007, 521 SCRA 85, 96.

[15] Benatiro v. Heirs of Evaristo Cuyos, G.R. No. 161220, July 30, 2008, 560 SCRA 478, 503.

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