

SPOUSES BERNADETTE AND RODULFO VILBAR, PETITIONERS, VS. ANGELITO L. OPINION, RESPONDENT.

G.R. No. 176043. January 15, 2014

Ponente: DEL CASTILLO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-176043/>

DEL CASTILLO, J.:

"[R]egistration is the operative act which gives validity to the transfer or creates a lien upon the land." [1]

Before this Court is a Petition for Review on Certiorari [2] of the May 26, 2006 Decision [3] of the Court of Appeals (CA) in CA-G.R. CV No. 84409 which affirmed the January 31, 2005 Decision [4] of the Regional Trial Court (RTC), Branch 255, Las Piñas City in Civil Case No. 98-0302, an *accion reivindicatoria* case filed by respondent Angelito L. Opinion (Opinion) against petitioner-spouses Bernadette and Rodulfo Vilbar (spouses Vilbar) and others.

Also assailed is the CA's December 22, 2006 Resolution [5] which denied spouses Vilbar's Motion for Reconsideration. [6]

Factual Antecedents

Spouses Vilbar claimed that on July 10, 1979, they and Dulos Realty and Development Corporation (Dulos Realty), entered into a Contract to Sell [7] involving a 108-square meter lot designated as Lot 20-B located in Airmen's Village, Las Piñas City and covered by Transfer Certificate of Title (TCT) No. S-39849 for P19,440.00. Lot 20-A which is also covered and embraced by the same certificate of title is the subject of another Contract to Sell between Elena Guingon (Elena) and Dulos Realty. Sometime in August 1979, spouses Vilbar took possession of Lot 20-B in the concept of owners and exercised acts of ownership thereon with the permission of Dulos Realty after making some advance payment. [8]

Upon full payment of the purchase price for Lot 20, or on June 1, 1981, Dulos Realty executed a duly notarized Deed of Absolute Sale [9] in favor of spouses Vilbar and their co-purchaser Elena. Dulos Realty also surrendered and delivered the owner's duplicate copy of TCT No. S-39849 covering Lot 20 to the buyers and new owners of the property. However, spouses Vilbar and Elena were not able to register and transfer the title in their names because Dulos Realty allegedly failed to have the lot formally subdivided despite its commitment to do so, until its President, Juan B. Dulos (Juan), died without the subdivision being accomplished. [10]

Spouses Vilbar and Dulos Realty also executed a Contract to Sell [11] dated July 10, 1979 covering Lot 21, Block 4 of Airmen's Village, with an area of 216 square meters and covered by TCT No. S-39850 amounting to P128,880.00. To pay for the balance of the purchase price amounting to P99,216.00, spouses Vilbar obtained a housing loan from the Development Bank of the Philippines (DBP) secured by a real estate mortgage [12] over the said lot. Dulos Realty facilitated the approval of the loan, the proceeds of which were immediately paid to it as full payment of the purchase price. [13]

In 1991, the spouses Vilbar were able to pay the loan in full and DBP issued the requisite Cancellation of

Mortgage[14] on March 25, 1991. Thereafter, DBP surrendered TCT No. 36777 / T-17725-A issued by the Registry of Deeds of Pasay City in the name of Bernadette Vilbar to the spouses Vilbar.[15] The spouses Vilbar have been in actual, open and peaceful possession of Lot 21 and occupy the same as absolute owners since 1981.

In contrast, Opinion claimed that he legally acquired Lots 20 and 21 through extra-judicial foreclosure of mortgage constituted over the said properties by Otilio Gorospe, Sr. and Otilio “Lito” Gorospe, Jr. (Gorospes) in his favor. Opinion alleged that on January 12, 1995, the Gorospes borrowed P440,000.00 and, to secure the loan, executed a Deed of Real Estate Mortgage[16] over the subject lots covered by TCT Nos. T-44796 (Lot 21)[17] and T-44797 (Lot 20).[18] The Gorospes defaulted, prompting Opinion to file a Petition for Extra-Judicial Foreclosure of Real Estate Mortgage[19] dated October 17, 1995 with the Office of the Notary Public of Las Piñas City. Subsequently, the subject properties were sold at a public auction where Opinion emerged as the highest bidder. A Certificate of Sale[20] was issued in his favor on December 18, 1995 and subsequently annotated on the TCTs of the properties. The Gorospes failed to redeem the properties within the reglementary period resulting in the eventual cancellation of their titles. Thus, TCT No. T-59010 (Lot 21)[21] and TCT No. T-59011 (Lot 20)[22] in the name of Opinion were issued on January 22, 1997 by the Registry of Deeds of Las Piñas City.

On February 13, 1997, Opinion filed a Petition for Issuance of a Writ of Possession[23] against the Gorospes with the RTC of Las Piñas City, Branch 253, docketed as LRC Case No. LP-162. Branch 253 initially issued a Writ of Possession and spouses Vilbar and Elena were served with a notice to vacate the premises. However, the writ was quashed when spouses Vilbar filed an urgent motion for the quashal of the writ and presented their title to Lot 21, while Elena presented the Deed of Absolute Sale executed by Dulos Realty covering Lot 20. Consequently, Opinion filed a Complaint for Accion Reinvidicatoria with Damages[24] docketed as Civil Case No. 98-0302 and raffled to Branch 255 of the RTC of Las Piñas City for him to be declared as the lawful owner and possessor of the subject properties and for his titles to be declared as authentic. He likewise prayed for the cancellation of the titles of spouses Vilbar and Elena.[25]

During trial, spouses Vilbar presented the Absolute Deed of Sale[26] executed by Dulos Realty in their favor and the owner’s duplicate copy of TCT No. S-39849[27] covering Lot 20. With respect to Lot 21, spouses Vilbar presented the real estate mortgage[28] they executed in favor of DBP; the official receipts[29] issued by DBP showing that they had paid the amortizations for the housing loan; the Cancellation of Mortgage[30] issued by DBP as proof that they have fully paid the loan; tax declarations[31] and receipts[32] to show that the property’s tax declaration under the name of Dulos Realty had been cancelled and a new one had been issued in their name in 1987 and that they have been paying the real property taxes on the property since 1980. The spouses Vilbar also presented TCT No. 36777/T-17725-A[33] issued by the Registry of Deeds of Pasay City on May 22, 1981, as proof of their ownership of Lot 21.

Opinion, on the other hand, justified the legality of his claim over the properties by tacking his rights on the rights passed on to him by the Gorospes. He traced his rights over the properties by claiming that Gorospe, Sr. was the former chairman of the Board of Directors and Chief Executive Officer (CEO) of Dulos Realty. He was offered substantial benefits and privileges by Dulos Realty as compensation for the positions he held, including a residential house and lot in Airmen’s Village, Las Piñas City valued at P180,000.00 and various allowances. However, Dulos Realty was not able to give to Gorospe, Sr. the promised allowances despite repeated demands. Thus, Gorospe, Sr. was constrained to file a Complaint for Sum of Money, Specific Performance and Damages[34] dated May 12, 1981 with the then Court of First Instance (CFI) of Manila. Subsequently, Juan signed a compromise agreement and based thereon the trial court rendered a Decision[35] dated April 1, 1982 ordering Dulos Realty to pay Gorospe, Sr. the total amount of P578,000.00. A Writ of Execution and Alias Writ

of Execution were issued by the trial court in its Orders[36] dated May 7, 1982 and September 30, 1983, respectively. Dulos Realty filed several cases challenging the validity of the compromise agreement and seeking to nullify the writs of execution, as well as the consequent levy and public auction sale of its properties.[37] One of the cases it filed was Civil Case No. 88-2800[38] seeking the nullification, cancellation and reconveyance of title on the ground, among others, that during the auction sale its properties were undervalued. All of its efforts, however, proved futile. Meanwhile, real properties of Dulos Realty were levied on October 31, 1984, which included Lots 20 and 21 covered by TCT Nos. S-39849 and S-39850, respectively.[39] The disputed properties were eventually sold at public auction on June 24, 1985 where Gorospe, Sr. emerged as the highest bidder.[40] On June 2, 1987, the Registry of Deeds of Pasay City issued TCT Nos. 117331 (Lot 20)[41] and 117330 (Lot 21)[42] in the name of Gorospe, Sr. and his wife. Upon the death of Gorospe, Sr.'s wife, the Gorospes transferred the titles in their names resulting in the issuance of TCT Nos. T-44797 (Lot 20)[43] and T-44796 (Lot 21)[44] by the Registry of Deeds of Las Piñas City.

During the course of the trial, Opinion likewise stated under oath that prior to the execution of the real estate mortgage between him and the Gorospes, he was given copies of the titles to the properties which he verified with the Registry of Deeds to be authentic[45] and that he inspected the subject properties and learned that there were occupants.[46] Opinion stated that he was informed by the Gorospes that the occupants, spouses Vilbar and Elena, were mere tenants renting from them.[47] Opinion admitted that he neither talked to the occupants nor made any inquiries as to the nature of their occupation over the subject properties;[48] he did not inquire further to determine whether there was a pending controversy;[49] and, that he merely relied on the statements of Gorospe, Sr. regarding the tenancy of the occupants without having been shown any contract of lease, proof of rental payments, or even an electric bill statement.[50] It was only after his Writ of Possession was quashed when he learned that spouses Vilbar and Elena are also claiming ownership over the properties, prompting him to make a more thorough investigation.[51] Opinion stated that despite the discovery of the adverse claims over the properties mortgaged to him, he did not ask Gorospe, Sr. why there are other claimants to the subject properties.[52] When asked about what he learned after investigating said claims, he declared that the titles of the spouses Vilbar are spurious because they contain discrepancies with the originals on file with the Registry of Deeds. According to Opinion, spouses Vilbar's titles do not have entries indicating the titles from which they were derived.[53] To bolster his claim, Opinion also presented a 2nd Indorsement[54] dated May 11, 1988 issued by the Registry of Deeds of Pasay City which states that TCT No. 36777 of the spouses Vilbar is presumed to be not validly issued.[55] Upon clarification, however, Opinion admitted that he made no further follow-up with the Registry of Deeds to determine the final outcome of the investigation on the title of the spouses Vilbar.[56]

Ruling of the Regional Trial Court

On January 31, 2005, the trial court rendered its Decision[57] in favor of Opinion declaring that he lawfully acquired the disputed properties and that his titles are valid, the sources of which having been duly established.[58] The dispositive portion of the Decision reads:

WHEREFORE, the foregoing considered, judgment is hereby rendered in favor of plaintiff Angelito L. Opinion, and against defendants Sps. Bernadette and Rodolfo Vilbar, including defendants Otilio Gorospe, Sr., Otilio Gorospe, Jr. and Elena Guingon, ordering the said defendants to immediately turn over possession of Lots 20 and 21, both of Block 4, located at Airmen's Village, Las Piñas City, to the herein plaintiff being the registered owner thereof per TCT Nos. T-59010 and T-59011 issued in his name.

Likewise, the above defendants are hereby directed to pay to the herein plaintiff the sum of P100,00.00 as and by way of attorney's fees, including the cost of suit.

SO ORDERED.[59]

The trial court, in ruling for Opinion, ratiocinated that there was no doubt that Opinion's predecessors-in-interest likewise acquired title to the properties through lawful means.[60] Titles originally in the name of Dulos Realty were cancelled after implementation and execution of the April 1, 1982 Decision of the CFI in favor of Gorospe, Sr. and new titles were issued in his name.[61] The trial court noted that when a new title for Lot 21 was issued in the name of Gorospe, Sr. on June 2, 1987, there was no indication that the title of Dulos Realty was already cancelled by Bernadette Vilbar's TCT No. 36777 purporting to have been issued on May 22, 1981.[62] As to Lot 20, the trial court noted that the supposed Deed of Absolute Sale dated June 1, 1981 in favor of defendants Bernadette Vilbar and Guingon was not annotated on TCT No. 39849. Thus, when this was cancelled by the subsequent titles, the property was not subject to any lien or encumbrance whatsoever pertaining to said purported Deed of Absolute Sale.[63] The trial court also opined that the efforts of Dulos Realty to question and annul the earlier rulings of the then Intermediate Appellate Court and Supreme Court did not prosper thereby strengthening the validity of the title of the Gorospes.[64] Further, the trial court found the mortgage in favor of Opinion, and the subsequent extrajudicial foreclosure thereof to be in order.[65]

As to spouses Vilbars' evidence, the trial court found their title to Lot 21 questionable as there was no showing that it came from TCT No. 39850 issued in the name of Dulos Realty.[66] The Contract to Sell of the spouses Vilbar can hardly serve as basis for the transfer of Lot 21 in their favor. Besides, the same was not even annotated on the title of Dulos Realty.[67] The trial court also found the issuance of TCT No. 36777 questionable because there was no proof that the purchase price was already paid considering that only a Contract to Sell was available. As a result, spouses Vilbar only had an inchoate right over the property.[68] The trial court went on to state:

Definitely, defendants Sps. Vilbar cannot readily claim that they acquired Lot 21 in good faith and for value. Based on the documents they presented, they cannot assert ignorance or allege that they were not aware that the purchase price for Lot 21, including any interest they may have in Lot 20, has not been duly settled at the time TCT No. 36777 for Lot 21 was issued in their favor or even when the Deed of Absolute Sale dated 01 June 1981 for Lot 20 was executed.

The payments supposedly made by the defendants Sps. Vilbar to the DBP only establishes the fact that they have not complied with what they obligated themselves with insofar as the above contracts to sell are concerned. More importantly, there is nothing in the records which would show that these contracts have been superseded by another deed to justify the transfer, among others, of TCT No. 39850 registered in the name of the defendant Dulos Realty to the defendants Sps. Vilbar, or the execution of a deed of sale involving Lot 20 covered by TCT No. 39849.

Needless to state, the fact that a mortgage contract was allegedly entered into by the defendants Sps. Vilbar with the DBP does not, by itself, result in a conclusive presumption that they have a valid title to Lot 21. Instead, this begs more questions than answers since the said mortgage was entered into on 21 May 1981, or a day after TCT No. 36777 was issued in favor of the defendants Sps. Vilbar. Added to this, the herein defendants failed to establish the basis for the issuance of their said title even when their contracts to sell indicate that the purchase price for Lot 21 would be paid on installments over a long period of time.

As to the tax declarations and real property tax payments made by the defendants Sps. Vilbar for Lot 21 the same are of no moment. It has been held that tax declarations are not conclusive proofs of ownership, let alone of the private character of the land – at best, they are merely 'indicia of a claim of ownership.' (Seville v. National Development Company, 351 SCRA 112) However, and with the plaintiff presenting convincing evidence of the basis and validity of his acquisition of the subject lots, such "indicia" in favor of the defendants Sps. Vilbar had been effectively impugned or refuted.

Moreso, the possession of the alleged original owner's copy of TCT No. 39849 for Lot 20 by the defendants

Sps. Vilbar or the execution of a deed of sale in favor of defendants Bernadette Vilbar and Guingon over the same cannot ripen into ownership thereof. It must be stressed that no subsequent title was issued in favor of the said defendants even when they have the above documents with them. On the other hand, the plaintiff eventually secured a title over Lot 20 after consolidating his ownership with respect thereto.

The fact that the defendants Sps. Vilbar are in possession of the subject lots cannot persuade the Court to rule in their favor. This is more settled insofar as Lot 20 is concerned. Having a valid title thereto, the claim of the plaintiff cannot just be ignored. It is a fundamental principle in land registration that a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein. (Vda. De Retuerto vs. Barz, 372 SCRA 712)[69]

Further, the trial court gave much credence to the 2[nd] Indorsement dated May 11, 1988 from the Registry of Deeds of Pasay City which provided that TCT No. 36777 is presumed not to be validly issued considering that no inscription exists at the back of the original title (TCT No. S-39850) showing that a Deed of Sale between Dulos Realty and spouses Vilbar had been registered. The discrepancy in the entries, or lack of it, in the TCTs in the custody of the spouses Vilbar and the Registry of Deeds of Las Piñas City[70] also tilted the balance against the said spouses.

Aggrieved, the spouses Vilbar appealed to the CA on February 22, 2005.[71]

Ruling of the Court of Appeals

On May 26, 2006, the CA promulgated its Decision[72] affirming the Decision of the RTC. The CA agreed with the trial court's ruling that Opinion validly acquired title over Lots 20 and 21 through a valid mortgage, extrajudicial foreclosure, and eventual consolidation proceedings instituted over the said properties.[73] The CA went on to state that there was no doubt as to the validity of the title of Opinion's predecessors-in-interest, the Gorospes, because the same was affirmed by the Supreme Court in a case involving the said properties.[74] In contrast, spouses Vilbar's TCT No. 36777 does not state the title from which it was derived.[75] Spouses Vilbar's title becomes even more dubious in light of the aforementioned 2[nd] Indorsement issued by the Registry of Deeds of Pasay City, which they failed to refute.[76] The CA further stated that acquisitive prescription will not set in because spouses Vilbar lacked the prerequisite just title, while the tax declaration is not a conclusive evidence of ownership.[77] As to Lot 20, the CA ratiocinated that the spouses Vilbar never registered the property in their names despite the lapse of several years, while Opinion was able to register the same property in his name. Being the registered owner, Opinion's title thus takes precedence over the unregistered claim of ownership of spouses Vilbar.[78]

Lastly, the CA opined that it is the registration that binds the whole world and that mere possession of the properties in question cannot defeat the right of Opinion as registered owner of the property. Since the sale claimed by the spouses Vilbar was never registered, it cannot bind Opinion.[79]

The spouses Vilbar moved for reconsideration of the CA Decision which was denied in a Resolution dated December 22, 2006. Hence, this Petition.

Issues

Petitioners raise the following issues:

A.

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN FINDING THAT THE RESPONDENT ANGELITO OPINION HAS A BETTER TITLE AND/OR HAS PREFERENCE OVER THE SUBJECT PROPERTIES IDENTIFIED AS LOTS 20 AND 21.

B.

THE COURT OF APPEALS SERIOUSLY ERRED WHEN IT OVERLOOKED THE FACT THAT OTILIO GOROSPE, AS STOCKHOLDER AND CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF DULOS REALTY AND RESPONDENT OPINION'S PREDECESSOR-IN-INTEREST, ACTED IN BAD FAITH WHEN HE LEVIED ON EXECUTION AND WHEN HE PURCHASED IN AN AUCTION SALE THE TWO LOTS SUBJECT OF THE INSTANT CASE ALREADY SOLD AND DELIVERED TO THE PETITIONERS BY DULOS REALTY.

C.

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED WHEN IT OVERLOOKED THE FACT THAT X X X RESPONDENT OPINION WAS LIKEWISE A PURCHASER IN BAD FAITH.

D.

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED WHEN IT OVERLOOKED THAT THE PETITIONERS SPOUSES VILBAR ARE THE OWNERS OF LOT[S] 21 AND 20 UPON DELIVERY THEREOF. E. THE COURT OF APPEALS ERRED IN ASSUMING THAT TCT NO. 36777 WAS NOT VALIDLY ISSUED IN FAVOR OF THE PETITIONERS.[80]

The pivotal issue to be resolved is: who between the parties has a better right over Lots 20 and 21?

Petitioners contend that they are the rightful owners and possessors of the contested properties through a valid sale perfected in 1981. They maintain that Gorospe, Sr., the predecessor-in-interest of Opinion, did not acquire ownership over Lots 20 and 21 because at the time of the levy and execution, said properties were no longer owned by Dulos Realty. Gorospe, Sr. could not, therefore, validly pass any rights to Opinion which the former did not have in the first place.[81]

Our Ruling

The Court finds no merit in the Petition.

Respondent Opinion's predecessor-in-interest is an innocent third party purchaser in the public auction sale, absent proof to the contrary.

This Court notes that Dulos Realty, the former owner and common predecessor of the parties herein, contracted with the spouses Vilbar for the sale and transfer of Lots 20 and 21 on July 10, 1979. As early as August 1979, the spouses Vilbar were already in peaceful and actual possession of the subject properties and have been exercising acts of ownership and dominion over their portion of Lot 20 and the entire Lot 21 despite the fact that the purchase price of the lots have not yet been paid in full. Admittedly, all these took place before Gorospe, Sr. filed his Complaint for Sum of Money, Specific Performance and Damages against Dulos Realty on May 12, 1981; prior to the issuance of the Writ of Execution and Alias Writ of Execution by the trial court on May 7, 1982 and September 30, 1983, respectively;[82] prior to the levy of the properties of Dulos Realty on October 31, 1984 to answer for the judgment favorable to Gorospe, Sr. in said collection/specific performance case; and prior to the public auction sale held on June 24, 1985. However, the Court also notes that the sale of Lot 20 was not annotated on the original title in the name of Dulos Realty, while only a Contract to Sell was executed between the spouses Vilbar and Dulos Realty as regards Lot 21 which makes the issuance of the title in the name of Bernadette Vilbar questionable. What makes spouses Vilbar's title over Lot 21 even more doubtful is the 2nd Indorsement issued by the Registry of Deeds of Pasay City which states that Bernadette Vilbar's title over said lot is presumed to be not validly issued.

The spouses Vilbar contend that Gorospe, Sr. acted in bad faith when he levied on the disputed properties and bought them at public auction. However, this Court cannot treat as significant the alleged fact that Gorospe, Sr. was the Chief Executive Officer and Chairman of the Board of Directors of Dulos Realty at the time the transactions with the spouses Vilbar were entered into by the company. Evidence on record shows that the Deed of Absolute Sale dated June 1, 1981 covering Lot 20, as well as the Contract to Sell over Lot 21, was signed by Juan as President of Dulos Realty. Simply, spouses Vilbar cannot ascribe bad faith on the part of Gorospe, Sr. absent clear and convincing proof that he had knowledge of the said spouses' transactions with the company. As far as the Court is concerned, the evidence presented shows that Gorospe, Sr. had no knowledge of the transactions between Dulos Realty and the spouses Vilbar because it was Juan who executed and signed the documents. More importantly, the aforementioned Deed of Absolute Sale and Contract to Sell were not registered and annotated on the original titles in the name of Dulos Realty. Under land registration laws, the said properties were not encumbered then, and third parties need only to rely on the face of the duly issued titles. Consequently, the Court finds no bad faith on Gorospe, Sr.'s part when he bought the properties at public auction free from liens and encumbrances.

It is worth stressing at this point that bad faith cannot be presumed. "It is a question of fact that must be proven"[83] by clear and convincing evidence. "[T]he burden of proving bad faith rests on the one alleging it." [84] Sadly, spouses Vilbar failed to adduce the necessary evidence. Thus, this Court finds no error on the part of the CA when it did not find bad faith on the part of Gorospe, Sr.

Furthermore, the Court recognizes "[t]he settled rule that levy on attachment, duly registered, takes preference over a prior unregistered sale. This result is a necessary consequence of the fact that the [properties] involved [were] duly covered by the Torrens system which works under the fundamental principle that registration is the operative act which gives validity to the transfer or creates a lien upon the land." [85] As aptly observed by the trial court:

To say the least, there is no reason to doubt that the predecessors-in-interest of the plaintiff (Opinion) with respect to the said properties, the defendants Gorospes, likewise acquired the same through lawful means. Indeed, and as acknowledged by both plaintiff Opinion and defendants Sps. Vilbar, the defendant Dulos Realty previously owned the above parcels of land under TCT Nos. 39849 and 39850. However, the said titles were cancelled after the Decision dated 01 April 1982 rendered in favor of defendant Otilio Gorospe, Sr. was implemented or executed. Consequently, TCT Nos. 117330 and 117331 were issued in the name of defendant Otilio Gorospe, Sr. Later on, the foregoing titles were cancelled owing to the death of the wife of defendant Otilio Gorospe, Sr., the late Leonor Gorospe, and TCT Nos. 44796 and 44797 were issued to defendants Gorospes as surviving heirs. These two titles then became the subject of the mortgage agreement that defendants Gorospes executed in favor of plaintiff Opinion on 12 January 1995.

The Court notes that when TCT No. 117330 dated 02 June 1987 for Lot 21 in the name of defendant Otilio Gorospe, Sr. was issued to cancel TCT No. 39850 for the same lot registered in favor of the defendant Dulos Realty there was no mention whatsoever that the latter title was already cancelled by TCT No. 36777 supposedly issued on 22 May 1981 to defendant Bernadette Vilbar. This being so, the subsequent cancellation of TCT No. 117330 by TCT No. 44796 dated 09 January 1995 for Lot 21 could not be affected by the supposed existence of the title of defendants Spouses Vilbar.

As to Lot 20, it is also noteworthy that the supposed Deed of Absolute Sale dated 01 June 1981 in favor of defendants Bernadette Vilbar and Guingon was not annotated on TCT No. 39849. Thus, when this was cancelled by TCT No. 117331 and, later on, by TCT No. 44797 also dated 09 January 1995, it was not subject to any lien or encumbrance whatsoever pertaining to the claim of the above defendants over the same. [86] (Emphasis supplied)

In effect, Gorospe, Sr. acquired through lawful means a valid right to the properties, and he and his son had a legal right to mortgage the same to Opinion. As a consequence, the Goropes transmitted property rights to Opinion, who, in turn, acquired valid rights from the Gorospes.

Respondent Opinion is a Buyer in Good Faith.

This Court also treats Opinion as a buyer in good faith. Admittedly, Opinion stated that prior to the execution of the mortgage, he only went to Lots 20 and 21 once and saw that the properties had occupants. He likewise admitted that he never talked to the spouses Vilbar and Guingon to determine the nature of their possession of the properties, but merely relied on the representation of Gorospe, Sr. that the occupants were mere tenants. He never bothered to request for any kind of proof, documentary or otherwise, to confirm this claim. Nevertheless, this Court agrees with the CA that Opinion is not required to go beyond the Torrens title, viz:

Contrary to the [Spouses Vilbar's] claim, [Opinion] was never remiss in his duty of ensuring that the Gorospes had clean title over the property. [Opinion] had even conducted an investigation. He had, in this regard, no reason not to believe in the assurance of the Gorospes, more so that the claimed right of [Spouses Vilbar] was never annotated on the certificate of title covering lot 20, because it is settled that a party dealing with a registered land does not have to inquire beyond the Certificate of Title in determining the true owner thereof, and in guarding or protecting his interest, for all that he has to look into and rely on are the entries in the Certificate of Title. [87]

Inarguably, Opinion acted in good faith in dealing with the registered owners of the properties. He relied on the titles presented to him, which were confirmed by the Registry of Deeds to be authentic, issued in accordance with the law, and without any liens or encumbrances.[88]

Besides, assuming *arguendo* that the Gorospes' titles to the subject properties happened to be fraudulent, public policy considers Opinion to still have acquired legal title as a mortgagee in good faith. As held in *Cavite Development Bank v. Spouses Lim*: [89]

There is, however, a situation where, despite the fact that the mortgagor is not the owner of the mortgaged property, his title being fraudulent, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy. This is the doctrine of 'the mortgagee in good faith' based on the rule that all persons dealing with property covered by a Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of a certificate of title, as evidence of the lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.[90]

Respondent Opinion was proven to be in good faith when he dealt with the Gorospes and relied on the titles presented to him. Spouses Vilbar, on the other hand, failed to present substantial evidence to prove otherwise.

Proofs of ownership of spouses Vilbar over Lots 20 and 21 are insufficient to conclude real ownership, thus, they cannot be considered as owners of subject lots.

In support of their claim of ownership, spouses Vilbar presented the following documentary evidence: (1) Contracts to Sell; (2) Deed of Absolute Sale over Lot 20; (3) Real Estate Mortgage Agreement with DBP over Lot 21 with reference to the spouses Vilbar as owners of the said property covered by TCT No. 36777; (4) Cancellation of Mortgage issued by the DBP in favor of the spouses Vilbar in connection with Lot 21; (5) various original Official Receipts issued by Dulos Realty in favor of the spouses Vilbar for installment payments of the purchase price of the lots in question; (6) various original Official Receipts issued by the DBP in favor of the spouses Vilbar for payment of loan amortizations; (7) owner's duplicate copy of TCT No. 36777 in the name of Bernadette Vilbar; (8) owner's duplicate copy of TCT No. S-39849 in the custody of the spouses Vilbar; and, (9)

tax declarations and receipts.

A review of these documents leads the Court to the same inescapable conclusion reached by the trial court. With regard to Lot 20, spouses Vilbar brag of a Deed of Absolute Sale executed by Dulos Realty in their favor and aver that they have the owner's copy of TCT No. S-39849 and are presently enjoying actual possession of said property. However, these are not sufficient proofs of ownership. For some unknown reasons, the spouses Vilbar did not cause the transfer of the certificate title in their name, or at the very least, annotate or register such sale in the original title in the name of Dulos Realty. This, sadly, proved fatal to their cause. Time and time again, this Court has ruled that "a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein." [91] Having no certificate of title issued in their names, spouses Vilbar have no indefeasible and incontrovertible title over Lot 20 to support their claim. Further, it is an established rule that "registration is the operative act which gives validity to the transfer or creates a lien upon the land." [92] "Any buyer or mortgagee of realty covered by a Torrens certificate of title x x x is charged with notice only of such burdens and claims as are annotated on the title." [93] Failing to annotate the deed for the eventual transfer of title over Lot 20 in their names, the spouses Vilbar cannot claim a greater right over Opinion, who acquired the property with clean title in good faith and registered the same in his name by going through the legally required procedure.

Spouses Vilbar's possession of the owner's copy of TCT No. 39849 is of no moment. It neither cast doubt on Gorospe Sr.'s TCT No. 117331 from which Opinion's TCT No. T-59011 covering Lot 20 emanated nor bar Gorospe Sr. from transferring the title over Lot 20 to his name. It should be recalled that Gorospe Sr. acquired Lots 20 and 21 thru forced sale. Under Section 107 [94] of Presidential Decree No. 1529, [95] Gorospe Sr. could have the TCTs of said lots cancelled and transferred to his name even if the previous registered owner (Dulos Realty) refused or neglected to surrender the owner's copy thereof. In *Valbuena v. Reyes*, [96] it was held that:

[W]here one acquires a valid deed or title to a property as a result of execution sale, tax sale, or any sale to enforce a lien, after the expiration of the period, if any, allowed by law for redemption, when said new owner goes to court and the office of the register of deeds to have his deed recorded and have a new certificate of title issued in his name, it is sufficient for purposes of notifying the former owner to surrender his certificate of title and show cause why it should not be cancelled, that the notification is effected by mail or by publication as the court may order; and if despite such notification by mail or by publication, he fails to appear and surrender his certificate of title, the court may validly order the cancellation of that certificate of title and the issuance of a new one in favor of the new owner. [97]

Here, it is clear that Gorospe Sr. was able to secure TCT No. 117331, [98] which was marked as Exhibit "N." Said title explicitly provides that it cancelled TCT No. 39849. Hence, having been superseded by TCT No. 117331, spouses Vilbar's possession of TCT No. 39849 is of no consequence. It may not be amiss to state at this point that spouses Vilbar's claim that Dulos Realty conveyed to them Lot 20 on June 1, 1981 is incongruous with Dulos Realty's filing of a complaint for reconveyance against Gorospe Sr. on January 4, 1990. We simply find it difficult to understand why Dulos Realty would seek reconveyance of Lot 20 from Gorospe Sr. if, indeed, it had already sold the same almost a decade earlier to spouses Vilbar as evidenced by the latter's Deed of Absolute Sale [99] dated June 1, 1981. (This complaint docketed as Civil Case No. 88-2800 though was dismissed for failure to prosecute.) [100]

With respect to Lot 21, the Court is likewise puzzled as to why spouses Vilbar's TCT No. 36777 does not indicate where it came from. The issuance of the said title also becomes suspect in light of the fact that no Deed of Absolute Sale was ever presented as basis for the transfer of the title from Dulos Realty. In fact, the spouses Vilbar do not even know if a Deed of Absolute Sale over Lot 21 was executed in their favor. As the evidence extant on record stands, only a Contract to Sell which is legally insufficient to serve as basis for the transfer of

title over the property is available. At most, it affords spouses Vilbar an inchoate right over the property. Absent that important deed of conveyance over Lot 21 executed between Dulos Realty and the spouses Vilbar, TCT No. 36777 issued in the name of Bernadette Vilbar cannot be deemed to have been issued in accordance with the processes required by law. In the same manner, absent the corresponding inscription or annotation of the required transfer document in the original title issued in the name of Dulos Realty, third parties are not charged with notice of said burden and/or claim over the property. The aforementioned flaws in the title (TCT No. 36777) of spouses Vilbar is aggravated by the 2nd Indorsement dated May 11, 1988 of the Registry of Deeds of Pasay City which provides that TCT No. 36777 is presumed not to have been validly issued considering that no inscription or annotation exists at the back of the original title (TCT No. S-39850) showing that a deed of sale between Dulos Realty and spouses Vilbar had been registered, coupled with the established material discrepancies in the certificate of title in the custody of the Registry of Deeds of Las Piñas City and the title presented by the spouses Vilbar.

Simply, the spouses Vilbar were not able to present material evidence to prove that TCT No. 36777 was issued in accordance with the land registration rules.

In addition, the real estate mortgage entered into by the spouses Vilbar with the DBP does not, by itself, result in a conclusive presumption that they have a valid title to Lot 21. The basic fact remains that there is no proof of conveyance showing how they acquired ownership over Lot 21 justifying the issuance of the certificate of title in their name.

With respect to the tax declarations, the trial court aptly declared, thus:

As to the tax declarations and real property tax payments made by the defendants Sps. Vilbar for Lot 21 the same are of no moment. It has been held that tax declarations are not conclusive proofs of ownership, let alone of the private character of the land – at best, they are merely ‘indicia of a claim of ownership.’ (Seville v. National Development Company, 351 SCRA 112) However, and with the plaintiff presenting convincing evidence of the basis and validity of his acquisition of the subject lots, such “indicia” in favor of the defendant Sps. Vilbar had been effectively impugned or refuted.[101]

WHEREFORE, the instant Petition for Review on Certiorari is hereby DENIED. The Decision dated May 26, 2006 of the Court of Appeals in CA-G.R. CV No. 84409 affirming the Decision dated January 31, 2005 of the Regional Trial Court, Branch 255, Las Piñas City in Civil Case No. 98-0302 is hereby AFFIRMED. No pronouncement as to costs.

SO ORDERED.

Carpio, (Chairperson), Brion, Perez, and Perlas-Bernabe, JJ., concur.

[1] Valdevieso v. Damalerio, 492 Phil. 51, 58 (2005).

[2] Rollo, pp. 21-63.

[3] CA rollo, pp. 121-140; penned by Associate Justice Vicente S.E. Veloso and concurred in by Associate Justices Amelita G. Tolentino and Fernanda Lampas Peralta.

[4] Records, pp. 611-626; penned by Judge Raul Bautista Villanueva.

[5] CA rollo, p. 174.

[6] Id. at 143-160.

- [7] Records, pp. 458-459.
- [8] Id. at 458; TSN dated April 14, 2003, pp. 29-30.
- [9] Id. at 448-449.
- [10] TSN dated April 14, 2003, p. 21.
- [11] Records, pp. 489-499.
- [12] Id. at 445.
- [13] TSN dated April 14, 2003, pp. 21, 28, 58-61, 63-64; TSN dated June 5, 2003, pp. 12-13.
- [14] Records, p. 447.
- [15] TSN dated April 14, 2003, p. 65; TSN dated June 5, 2003, p. 19
- [16] Records, pp. 234-235.
- [17] Id. at 240-241.
- [18] Id. at 242-243.
- [19] Id. at 236-237.
- [20] Id. at 238-239.
- [21] Id. at 232.
- [22] Id. at 233.
- [23] Id. at 309-312.
- [24] Id. at 1-7.
- [25] Id. at 5.
- [26] Id. at 448-449.
- [27] Id. at 444.
- [28] Id. at 445-446.
- [29] Id. at 491-543, 514-518, 526-548. (Note: page numbers as per Records of the RTC reverted to page no. 514 after page 543).
- [30] Id. at 447
- [31] Id. at 450-451.
- [32] Id. at 453-457.
- [33] Id. at 443.
- [34] Id. at 248-255.
- [35] Id. at 245-247.
- [36] Id. at 259, 263-264.

[37] Decision, CA-G.R. SP No. 14256 dated September 3, 1982, id. at 286-291; Resolution, G.R. No. 63663 dated June 20, 1983, id. at 282; Decision, CA-G.R. SP No. 04940 dated May 15, 1985, id. at 276-281; Entry of Judgment, G.R. No. 71721, id. at 294; Resolution, G.R. No. 71721 dated May 14, 1986, id. at 293; Resolution, G.R. No. 71721 dated October 27, 1986, id. at 292.

[38] See Amended Complaint dated January 4, 1990, id. at 296-307.

[39] Id. at 266.

[40] Id. at 267-270.

[41] Id. at 271-272.

[42] Id. at 273-274.

[43] Id. at 242-243.

[44] Id. at 240-241.

[45] TSN dated September 15, 2002, p. 12.

[46] Id. at 9, 11.

[47] Id. at 9.

[48] Id. at 10-12.

[49] Id. at 13-14.

[50] Id. at 17-18, 22.

[51] Id. at 16, 23; TSN dated January 12, 2001, p. 31

[52] TSN dated September 15, 2002, p. 24; TSN dated January 12, 2001, p. 32-33.

[53] Id. at 36-39.

[54] Records, pp. 314-315.

[55] Id.

[56] TSN dated January 12, 2001, pp. 43-45.

[57] Records, pp. 611-626.

[58] Id. at 621.

[59] Id. at 625-626.

[60] Id. at 621.

[61] Id.

[62] Id. at 621-622.

[63] Id. at 622.

[64] Id.

[65] Id.

- [66] Id.
- [67] Id.
- [68] Id. at 623.
- [69] Id. at 623-624.
- [70] Id. at 624.
- [71] Id. at 631.
- [72] CA rollo, pp. 121-140.
- [73] Id. at 131.
- [74] Id. at 132.
- [75] Id.
- [76] Id. at 132-133.
- [77] Id. at 135.
- [78] Id. at 136.
- [79] Id. at 137.
- [80] Rollo, p. 35.
- [81] Id. at 41-44.
- [82] Records, pp. 259, 263-264.
- [83] *Bermudez v. Gonzales*, 401 Phil. 38, 47 (2000).
- [84] Id.
- [85] *Valdevieso v. Damalerio*, supra note 1.
- [86] Records, pp. 621-622.
- [87] CA rollo, pp. 138-139.
- [88] *Clemente v. Razo*, 493 Phil. 119, 127-128 (2005).
- [89] 381 Phil. 355 (2000).
- [90] Id. at 368.
- [91] *Vda. de Retuerto v. Barz*, 423 Phil. 1008, 1016 (2001).
- [92] *Valdevieso v. Damalerio*, supra note 1.
- [93] *Clemente v. Razo*, supra note 88 at 128.
- [94] SEC. 107. Surrender of withheld duplicate certificates. – Where it is necessary to issue a new certificate of title pursuant to any involuntary instrument which divests the title of the registered owner against his consent or where a voluntary instrument cannot be registered by reason of the refusal or failure of the holder to surrender the owner's duplicate certificate of title, the party in interest may file a petition in court to compel surrender of the

same to the Register of Deeds. The court, after hearing, may order the registered owner or any person withholding the duplicate certificate to surrender the same, and direct the entry of a new certificate or memorandum upon such surrender. If the person withholding the duplicate certificate is not amenable to the process of the court, or if for any reason the outstanding owner's duplicate certificate cannot be delivered, the court may order the annulment of the same as well as the issuance of a new certificate of title in lieu thereof. Such new certificate and all duplicates thereof shall contain a memorandum of the annulment of the outstanding duplicate.

[95] PROPERTY REGISTRATION DECREE.

[96] 84 Phil. 676 (1949).

[97] Id. at 686.

[98] Records, pp. 271-272.

[99] Id. at 448-449.

[100] See Order dated October 1, 1992 issued b RTC, Branch 275, Las Piñas, id. at 308.

[101] Id. at 623.

ABOUT BATAS.ORG

Study smarter at BATAS.org

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

The complete Philippine law library - free for everyone.

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

Audio case-brief lectures.

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

Bar review built on the science of memory.

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

The full law-school curriculum.

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

Mock exams that tell you where you stand.

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

A study planner that keeps you on pace.

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

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

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

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

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