

**ANGEL M. PAGADUAN, AMELIA P. TUCCI, TERESITA P. DEL MONTE,
ORLITA P. GADIN, PERLA P. ESPIRITU, ELISA P. DUNN, LORNA P.
KIMBLE, EDITO N. PAGADUAN, AND LEO N. PAGADUAN,
PETITIONER...**

G.R. No. 176308. May 08, 2009

Ponente: TINGA, J.

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TINGA, J.:

In this Petition for Review,[1] petitioners assail the Decision[2] of the Court of Appeals dated September 18, 2006 which ruled that petitioners' action for reconveyance is barred by prescription and consequently reversed the decision[3] dated June 25, 2002 of the Regional Trial Court (RTC) of Olongapo City.

Petitioners Angel N. Pagaduan, Amelia P. Tucci, Teresita P. del Monte, Orlita P. Gadin, Perla P. Espiritu, Elisa P. Dunn, Lorna P. Kimble, Edito N. Pagaduan and Leo N. Pagaduan are all heirs of the late Agaton Pagaduan. Respondents are the spouses Estanislao Ocuma and Fe Posadas Ocuma.

The facts are as follows:

The subject lot used to be part of a big parcel of land that originally belonged to Nicolas Cleto as evidenced by Certificate of Title (C.T.) No. 14. The big parcel of land was the subject of two separate lines of dispositions. The first line of dispositions began with the sale by Cleto to Antonio Cereso on May 11, 1925. Cereso in turn sold the land to the siblings with the surname Antipolo on September 23, 1943. The Antipolos sold the property to Agaton Pagaduan, father of petitioners, on March 24, 1961. All the dispositions in this line were not registered and did not result in the issuance of new certificates of title in the name of the purchasers.

The second line of dispositions started on January 30, 1954, after Cleto's death, when his widow Ruperta Asuncion as his sole heir and new owner of the entire tract, sold the same to Eugenia Reyes. This resulted in the issuance of Transfer Certificate of Title (TCT) No. T-1221 in the name of Eugenia Reyes in lieu of TCT No. T-1220 in the name of Ruperta Asuncion.

On November 26, 1961, Eugenia Reyes executed a unilateral deed of sale where she sold the northern portion with an area of 32,325 square meters to respondents for P1,500.00 and the southern portion consisting of 8,754 square meters to Agaton Pagaduan for P500.00. Later, on June 5, 1962, Eugenia executed another deed of sale, this time conveying the entire parcel of land, including the southern portion, in respondent's favor. Thus, TCT No. T-1221 was cancelled and in lieu thereof TCT No. T-5425 was issued in the name of respondents. On June 27, 1989, respondents subdivided the land into two lots. The subdivision resulted in the cancellation of TCT No. T-5425 and the issuance of TCT Nos. T-37165 covering a portion with 31,418 square meters and T-37166 covering the remaining portion with 9,661 square meters.

On July 26, 1989, petitioners instituted a complaint for reconveyance of the southern portion with an area of 8,754 square meters, with damages, against respondents before the RTC of Olongapo City.

On June 25, 2002, the trial court rendered a decision in petitioners' favor. Ruling that a constructive trust over the property was created in petitioners' favor, the court below ordered respondents to reconvey the disputed southern portion and to pay attorney's fees as well as litigation expenses to petitioners. The dispositive portion of the decision reads:

WHEREFORE, foregoing premises considered, judgment is hereby rendered:

- Ordering the defendants to reconvey to the plaintiffs, a portion of their property originally covered by Certificate of Title No. T-54216[4] now TCT Nos. 37165 and 37166 an area equivalent to 8,754 square meters.
- Ordering the defendant to pay plaintiffs P15,000.00 as attorneys fees and P5,000.00 for litigation expenses.
- Defendants counterclaims are dismissed.

SO ORDERED.[5]

Dissatisfied with the decision, respondents appealed it to the Court of Appeals. The Court of Appeals reversed and set aside the decision of the trial court; with the dispositive portion of the decision reading, thus:

WHEREFORE, premises considered, the appeal is granted. Accordingly, prescription having set in, the assailed June 25, 2002 Decision of the RTC is reversed and set aside, and the Complaint for reconveyance is hereby DISMISSED.

SO ORDERED.[6]

The Court of Appeals ruled that while the registration of the southern portion in the name of respondents had created an implied trust in favor of Agaton Pagaduan, petitioners, however, failed to show that they had taken possession of the said portion. Hence, the appellate court concluded that prescription had set in, thereby precluding petitioners' recovery of the disputed portion.

Unperturbed by the reversal of the trial court's decision, the petitioners come to this Court via a petition for review on certiorari.[7] They assert that the Civil Code provision on double sale is controlling. They submit further that since the incontrovertible evidence on record is that they are in possession of the southern portion, the ten (10)-year prescriptive period for actions for reconveyance should not apply to them.[8] Respondents, on the other hand, aver that the action for reconveyance has prescribed since the ten (10)-year period, which according to them has to be reckoned from the issuance of the title in their name in 1962, has elapsed long ago.[9]

The Court of Appeals decision must be reversed and set aside, hence the petition succeeds.

An action for reconveyance respects the decree of registration as incontrovertible but seeks the transfer of property, which has been wrongfully or erroneously registered in other persons' names, to its rightful and legal owners, or to those who claim to have a better right. However, contrary to the positions of both the appellate and trial courts, no trust was created under Article 1456 of the new Civil Code which provides:

Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes. (Emphasis supplied)

The property in question did not come from the petitioners. In fact that property came from Eugenia Reyes. The title of the Ocumas can be traced back from Eugenia Reyes to Ruperta Asuncion to the original owner Nicolas Cleto. Thus, if the respondents are holding the property in trust for anyone, it would be Eugenia Reyes and not the petitioners.

Moreover, as stated in *Berico v. Court of Appeals*,[10] Article 1456 refers to actual or constructive fraud. Actual

fraud consists in deception, intentionally practiced to induce another to part with property or to surrender some legal right, and which accomplishes the end designed. Constructive fraud, on the other hand, is a breach of legal or equitable duty which the law declares fraudulent irrespective of the moral guilt of the actor due to the tendency to deceive others, to violate public or private confidence, or to injure public interests. The latter proceeds from a breach of duty arising out of a fiduciary or confidential relationship. In the instant case, none of the elements of actual or constructive fraud exists. The respondents did not deceive Agaton Pagaduan to induce the latter to part with the ownership or deliver the possession of the property to them. Moreover, no fiduciary relations existed between the two parties.

This lack of a trust relationship does not inure to the benefit of the respondents. Despite a host of jurisprudence that states a certificate of title is indefeasible, unassailable and binding against the whole world, it merely confirms or records title already existing and vested, and it cannot be used to protect a usurper from the true owner, nor can it be used for the perpetration of fraud; neither does it permit one to enrich himself at the expense of others.[11]

Rather, after a thorough scrutiny of the records of the instant case, the Court finds that this is a case of double sale under article 1544 of the Civil Code which reads:

ART. 1544. If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first possession thereof in good faith, if it should be movable property.

Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

Should there be no inscription, the ownership shall pertain to the person who in good faith was first in possession; and, in the absence thereof; to the person who presents the oldest title, provided there is good faith.

Otherwise stated, where it is an immovable property that is the subject of a double sale, ownership shall be transferred: (1) to the person acquiring it who in good faith first recorded it in the Registry of Property; (2) in default thereof, to the person who in good faith was first in possession; and (3) in default thereof, to the person who presents the oldest title, provided there is good faith. The requirement of the law then is two-fold: acquisition in good faith and registration in good faith.[12]

In this case there was a first sale by Eugenia Reyes to Agaton Pagaduan and a second sale by Eugenia Reyes to the respondents.[13] For a second buyer like the respondents to successfully invoke the second paragraph, Article 1544 of the Civil Code, it must possess good faith from the time of the sale in its favor until the registration of the same. Respondents sorely failed to meet this requirement of good faith since they had actual knowledge of Eugenia's prior sale of the southern portion property to the petitioners, a fact antithetical to good faith. This cannot be denied by respondents since in the same deed of sale that Eugenia sold them the northern portion to the respondents for P1,500.00, Eugenia also sold the southern portion of the land to Agaton Pagaduan for P500.00.[14]

It is to be emphasized that the Agaton Pagaduan never parted with the ownership and possession of that portion of Lot No. 785 which he had purchased from Eugenia Santos. Hence, the registration of the deed of sale by respondents was ineffectual and vested upon them no preferential rights to the property in derogation of the rights of the petitioners.

Respondents had prior knowledge of the sale of the questioned portion to Agaton Pagaduan as the same deed of sale that conveyed the northern portion to them, conveyed the southern portion to Agaton Pagaduan.[15] Thus the subsequent issuance of TCT No. T-5425, to the extent that it affects the Pagaduan's portion, conferred no better

right than the registration which was the source of the authority to issue the said title. Knowledge gained by respondents of the first sale defeats their rights even if they were first to register the second sale. Knowledge of the first sale blackens this prior registration with bad faith.[16] Good faith must concur with the registration.[17] Therefore, because the registration by the respondents was in bad faith, it amounted to no registration at all.

As the respondents gained no rights over the land, it is petitioners who are the rightful owners, having established that their successor-in-interest Agaton Pagaduan had purchased the property from Eugenia Reyes on November 26, 1961 and in fact took possession of the said property. The action to recover the immovable is not barred by prescription, as it was filed a little over 27 years after the title was registered in bad faith by the Ocumas as per Article 1141 of the Civil Code.[18]

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals dated January 25, 2006 and its Resolution dated May 5, 2006 are hereby REVERSED and SET ASIDE. The Decision of the Regional Trial Court is hereby REINSTATED.

SO ORDERED.

Carpio-Morales,[*] (Acting Chairperson), Velasco, Jr., Leonardo-De Castro,**] and Brion, JJ., concur.

* Acting Chairperson as replacement of Justice Leonardo A. Quisumbing who is on official leave per Special Order No. 618.

** Additional member of the Second Division per Special Order No. 619.

[1] Rollo, pp. 10-29, with annexes.

[2]Id. at 36-49; Penned by Justice Rosmari D. Carandang and concurred in by Justices Renato C. Dacudao and Estela M. Perlas-Bernabe.

[3] Id. at 30-35.

[4] The correct number is T-5425.

[5] Id. at 35.

[6]Id. at 48-49.

[7]Id. at 10-29.

[8]Id. at 21-26.

[9] Id. at 58-63.

[10] G.R. No. 96306, August 20, 1993, 469 SCRA 225.

[11] Consolidated Rural Bank (Cagayan Valley), Inc., v. Court of Appeals, G.R. No. 132161, January 17, 2005, 448 SCRA 347, 368; Bayoca v. Nogales, 394 Phil. 465, 481 (2000); Suntay v. Court of Appeals, 251 SCRA 430 (1995).

[12]Gabriel v. Spouses Mabanta, 447 Phil. 717, 726 (2003).

[13] Fudot v. Cattleya Land Inc., G.R. No. 171008, September 13, 2007, 533 SCRA 350.

[14] Rollo, p. 44.

[15] Id. at 43.

[16] Ulep v. Court of Appeals, G.R. No. 125254, 11 October 2005, 472 SCRA 241, 253, citing Uraca v. Court of Appeals, 278 SCRA 702 (1997).

[17] Uraca v. Court of Appeals, 344 Phil. 253, 265 (1997); Gabriel v. Mabanta, 447 Phil. 717, 729 (2003).

[18] Article 1141. Real actions over immovables prescribe after thirty years.

This provision is without prejudice to what is established for the acquisition of ownership and other real rights by prescription.

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