

**SPS. JUANITO R. VILLAMIL AND LYDIA M. VILLAMIL, REPRESENTED
HEREIN BY THEIR ATTORNEY-IN-FACT/SON WINFRED M. VILLAMIL,
PETITIONERS, VS. LAZARO CRUZ VILLAROSA, RESPONDENT.**

G.R. No. 177187. April 07, 2009

Ponente: TINGA, J.

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TINGA, J.:

The instant petition for review seeks the reversal of the Decision and Resolution of the Court of Appeals[1] dated 12 September 2006 and 23 March 2007, which partially reversed and set aside the Decision of the Regional Trial Court (RTC)[2] of Quezon City, Branch 88, in Civil Case No. Q-92-11997.

Spouses Juanito and Lydia Villamil (petitioners) represented by their son and attorney-in-fact, Winfred Villamil, filed a complaint[3] for annulment of title, recovery of possession, reconveyance, damages, and injunction against the Spouses Mateo and Purificacion Tolentino (Spouses Tolentino), Lazaro Villarosa (Villarosa) and the Register of Deeds of Quezon City before the RTC of Quezon City. The complaint alleged that petitioners were the registered owners of a parcel of land situated at Siska Subdivision, Tandang Sora, Quezon City, covered by Transfer Certificate of Title (TCT) No. 223611[4]; that Juanito Villamil Jr. asked permission from his parents, petitioners herein, to construct a residential house on the subject lot in April 1986; that in the first week of May 1987, petitioners visited the lot and found that a residential house was being constructed by a certain Villarosa; that petitioners proceeded to the Office of the Register of Deeds to verify their title; that they discovered a Deed of Sale[5] dated 16 July 1979 which they purportedly executed in favor of Cipriano Paterno (Paterno) as the vendee; that they later found out that the TCT in their names was cancelled and a new one, TCT No. 351553, was issued in the name of Paterno; that a Deed of Assignment[6] was likewise executed by Paterno in favor of the Spouses Tolentino, and; that on the basis of said document, TCT No. 351553 was cancelled and in its place TCT No. 351673[7] was issued in the name of the Spouses Tolentino.

Three months later, the Spouses Tolentino executed a Deed of Absolute Sale[8] in favor of Villarosa for the sum of P276,000.00. TCT No. 354675 was issued in place of TCT No. 351673.[9]

Spouses Villamil asserted that the Deed of Sale in favor of Paterno is a falsified document because they did not participate in its execution and notarization. They also assailed the Deed of Assignment in favor of the Spouses Tolentino as having been falsified because the alleged assignor is a fictitious person. Finally, they averred that the Deed of Sale between Spouses Tolentino and Villarosa is void considering that the former did not have any right to sell the subject property.

In their Answer, the Spouses Tolentino alleged that Paterno had offered the property for sale and presented to him TCT No. 351553 registered in his (Paterno's) name. Since they did not have sufficient funds then, the Spouses Tolentino negotiated with and obtained from Express Credit Financing a loan, the proceeds of which they used in paying the agreed consideration. They paid Paterno P180,000.00, but upon the latter's request, a deed of assignment was issued, instead of a deed of sale, to avoid payment of capital gains tax. Express Credit Financing

held their title as security for the loan. The Spouses Tolentino thereafter decided to sell the property to Villarosa to pay their obligation to Express Credit Financing.[10]

Villarosa, for his part, claimed in his Answer that he is a purchaser in good faith and for value, having paid P276,000.00 as consideration for the purchase of the land and the payment having been received and acknowledged by Mateo Tolentino.[11]

In their Reply, petitioners insisted that the deed of absolute sale executed by the Spouses Tolentino in favor of Villarosa is legally defective, having been notarized by one Atty. Juanito Andrade, who was not a duly commissioned notary public for the year 1987, as evidenced by a certification of the Clerk of Court of the RTC of Quezon City.[12]

To establish that the deed of sale between the Spouses Villamil and Paterno is spurious, the Spouses Villamil proffered three points, namely: first, the residence certificate number of Juanito Villamil in the Deed of Sale was 510462 while in the income tax return he filed in 1979, his residence certificate was numbered 4868818; [13] second, the tax account numbers in these two documents are not the same, in the Deed of Sale, it was 9007-586-9 whereas in the income tax return he filed in 1979 it was J 4545-30821-A-1;[14] and third, the Spouses Villamil had paid the real estate taxes over the subject land from 1976-1987.[15]

Petitioner also alleged that Paterno is a fictitious person. [16]

During the pre-trial, the parties agreed to limit the issues to the following:

- whether the Deed of Absolute Sale executed by Villamil in favor of Paterno is fake;
- Whether Paterno is a fictitious person;
- Whether the Spouses Tolentino are buyers in good faith;

Whether Villarosa, the present registered owner, is a buyer in good faith.[17]

On 12 June 2003, the trial court declared all the TCTs of Paterno, Spouses Tolentino and Villarosa null and void and ordered the cancellation of the latter's title and the issuance of a new one in the name of the Spouses Villamil. The dispositive portion reads:

WHEREFORE, in view of the foregoing, the court finds merit on plaintiff's complaint and hereby orders the following:

The injunction against defendant Lazaro Cruz Villarosa, enjoining him from further acts of possession, ownership and dominion over the property is made permanent.

- Transfer Certificate of Titles Number 351553; in the name of Cipriano Paterno, 351673; in the name of Spouses Mateo A. Tolentino and Purificacion Tolentino and 354675; in the name of Lazaro Cruz Villarosa are declared null and void;
- All of the existing improvements on the land shall be forfeited in favor of the plaintiffs;
- The Register of Deeds of Quezon City is hereby ordered to cancel TCT No. 354675 in the name of Lazaro Cruz Villarosa and issue a new one in the name of Spouses Juanito R. Villamil and Lydia M. Villamil;
- Defendant Lazaro Cruz Villarosa shall pay plaintiffs the rent of P1,000.00 per month to commence February 1987 up to the present;
- Defendants shall pay solidarily plaintiffs the amount of P30,000.00 as attorney's fees, P50,000.00 as moral damages and P20,000.00 exemplary damages.

- The counterclaims of the defendants are dismissed.

SO ORDERED.[18]

The trial court also found that the Deed of Absolute Sale executed by the Spouses Villamil in favor of Paterno is fake; that Paterno is a fictitious person; and that Spouses Tolentino and Villarosa are both buyers in bad faith.

On 12 September 2006, the Court of Appeals reversed the trial court and declared void the title of the Spouses Tolentino and Paterno but upheld the validity of the title of Villarosa. The dispositive portion of the appellate court's decision reads, thus:

WHEREFORE, the appeal is GRANTED and the trial court's June 12, 2003 Decision is REVERSED and SET ASIDE with respect to appellant. In lieu thereof, another is entered as follows: (a) ordering the dissolution of the injunction issued by the trial court; (b) declaring Transfer Certificate of Title No. 354675 in the name of appellant valid; (c) affirming appellant's ownership of the subject parcel as well as all existing improvements thereon; and (d) absolving appellant of liability for all monetary awards adjudicated by the trial court.[19]

The appellate court ruled that while the Spouses Tolentino's acquisition of the subject land does not "appear to be above board,"[20] the circumstances surrounding Villarosa's acquisition, on the other hand, indicate that he is a purchaser for value and in good faith.[21]

On 23 March 2007, the appellate court denied petitioners' motion for reconsideration. Hence, this petition.

It should be noted that Paterno was not made a defendant in the complaint before the trial court and that the decision of the Court of Appeals insofar as it nullified the title in the name of the Spouses Tolentino was not appealed to this Court. Thus, the petition before this Court centers on the validity of Villarosa's title only. The resolution of this issue devolves on whether Villarosa is a purchaser in good faith.

The Spouses Villamil maintains that Villarosa is not a purchaser in good faith considering that he has knowledge of the circumstances that should have forewarned him to make further inquiry beyond the face of the title.[22]

Villarosa counters that he is a purchaser in good faith because before buying the property, he went to the Register of Deeds of Quezon City to verify the authenticity of Spouses Tolentino's title, as well as to the Express Credit Financing Corporation to check whether Spouses Tolentino had indeed mortgaged the subject property. Having been assured of the authenticity and genuineness of its title, he proceeded to purchase the property.[23]

The determination of whether Villarosa is a purchaser in good faith is a factual issue which is generally outside the province of this Court to determine in a petition for review. Indeed, this Court is not a trier of facts, and the factual findings of the Court of Appeals are binding and conclusive upon this Court.[24] However, the rule has its recognized exceptions,[25] one of which obtains in this case, i.e., there is a conflict between the findings of fact of the Court of Appeals and those of the trial court.

In the case at bar, the courts below arrived at the same findings concerning the circumstances related to the transfer of titles in favor of Paterno and the Spouses Tolentino and on that basis declared both their titles spurious. But they differ with respect to the title of Villarosa. The trial court held that Villarosa knew of the circumstances of Spouses Tolentino's acquisition of the subject property, thus making him (Villarosa) a purchaser in bad faith. To the contrary, the Court of Appeals, upon review of the records, found that Villarosa is a purchaser in good faith.

The burden of proving the status of a purchaser in good faith lies upon one who asserts that status.[26]

An innocent purchaser for value is one who buys the property of another without notice that some other person

has a right to or interest in that same property, and who pays a full and fair price at the time of the purchase or before receiving any notice of another person's claim.[27]

The honesty of intention that constitutes good faith implies freedom from knowledge of circumstances that ought to put a prudent person on inquiry. Good faith consists in the belief of the possessors that the persons from whom they received the thing are its rightful owners who could convey their title. Good faith, while always presumed in the absence of proof to the contrary, requires this well-founded belief.[28]

Indeed, we found that Villarosa had successfully discharged this burden. In the instant case, there were no traces of bad faith on Villarosa's part in acquiring the subject property by purchase. Villarosa merely responded to a newspaper advertisement for the sale of a parcel of land with an unfinished structure located in Tierra Pura, Tandang Sora, Quezon City.[29] He contacted the number specified in the advertisement and was able to talk to a certain lady named Annabelle[30] who introduced him to the owner, Mateo Tolentino.[31] When he visited the site, he inquired from Mateo Tolentino about the unfinished structure and was informed that the latter allegedly ran out of money and eventually lost interest in pursuing the construction because of his old age.[32] Villarosa was then given a copy of the title.[33] He went to the Register of Deeds and was able to verify the authenticity of the title.[34] He also found out that the property was mortgaged under the name of Mario Villamor, who turned out to be the employer of Tolentino. Upon reaching an agreement on the price of P276,000.00, Villarosa redeemed the title from Express Financing Company.[35] Thereafter, the property was released from mortgage and a deed of sale was executed.[36] Villarosa then secured the transfer of title in his name.[37]

Well-settled is the rule that every person dealing with a registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property. Where there is nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore further than what the Torrens Title upon its face indicates in quest for any hidden defects or inchoate right that may subsequently defeat his right thereto.[38]

This principle does not apply when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith.[39]

Petitioner enumerates the instances that should have put Villarosa on guard with respect to the title of the Spouses Tolentino.

First, petitioner points out that Villarosa should have inquired about the unfinished structure by verifying if there was a building permit. If he did ask, Villarosa would have found out that it was not the Spouses Tolentino who owned the structure, petitioner adds.

In finding bad faith on Villarosa, the trial court relied mainly on the alleged testimony of Mateo Tolentino that he told Villarosa at the time he offered the property for sale to him that the lot and the unfinished structure belonged to Spouses Villamil.[40] However, as observed by the appellate court to which the Court agrees, all that the transcript of the stenographic notes of the hearing concerned state is that Mateo Tolentino told Villarosa that the unfinished structure belonged to the previous owner without mention of the Spouses Villamil.[41]

In any event, even if Mateo Tolentino had particularly referred to or mentioned the Spouses Villamil, that would not have mattered at all. Specifically, the information alone and without more would not be enough to make

Villarosa investigate further.

Second, petitioner notes that while the title of the Spouses Tolentino was issued only on 6 November 1986 they offered the property for sale barely two months later. According to petitioner, this should have prompted Villarosa to make further inquiries.

Third, petitioner harps that the property was mortgaged to Express Financing to secure a loan in the amount of P225,000.00 which was satisfied out of the proceeds of the sale to Villarosa, leaving the Spouses Tolentino a "measly" P21,000.00 from the transaction. The circumstance was no cause for Villarosa to be alarmed nor to arouse his suspicion that there was a defect in the title of the Spouses Tolentino. There was nothing unlawful or irregular with the fact that the property offered for sale or sold was mortgaged. Besides, the records are bereft of any indication that Villarosa had knowledge of the details of the mortgage transaction. Also, there is no question about the adequacy of the price provided in the deed of sale in favor of Villarosa.

Petitioner also avers that since Paterno's transfer to Spouses Tolentino is spurious, the Spouses Tolentino could not also transfer any right to Villarosa on account of the principle that no one can transfer a greater right to another than he himself has.

We do not agree.

A forged or fraudulent document may become the root of a valid title if the property has already been transferred from the name of the owner to that of the forger.[42] This doctrine serves to emphasize that a person who deals with registered property in good faith will acquire good title from a forger and be absolutely protected by a Torrens title.[43]

Having made the necessary inquiries and having found the title to be authentic, Villarosa need not go beyond the certificate of title. When dealing with land that is registered and titled, as in this case, buyers are not required by the law to inquire further than what the Torrens certificate of title indicates on its face.[44] He examined the transferor's title, which was then under the name of Spouses Tolentino. He did not have to scrutinize each and every title and previous owners of the property preceding Tolentino.

In sum, Villarosa was able to establish good faith when he bought the subject property. Therefore, TCT No. 354675 issued in his name is declared valid.

WHEREFORE, the Decision of the Court of Appeals dated 12 September 2006 is AFFIRMED. Costs against petitioners.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Velasco, Jr., and Brion, JJ., concur.

[1] Penned by Associate Justice Rebecca De Guia-Salvador, concurred in by Associate Justices Magdangal M. De Leon and Ramon R. Garcia.

[2] Presided by Judge Abednego O. Adre.

[3]Rollo, p. 174. Spouses Villamil had previously filed a similar complaint before the RTC of Quezon City, Branch 77 on 26 May 1987 but the records of said case were totally destroyed in a fire prompting them to refile this case.

[4] Id. at 176.

[5]Id. at 177.

[6] Id. at 180.

[7] Id. at 181.

[8] Id. at 185.

[9] Id. at 188.

[10] Id. at 115.

[11] Id. at 91.

[12]Id. at 150.

[13] TSN, 5 November 1993, pp. 23-24.

[14]Id. at 27.

[15]Id. at 30.

[16]Id. at 58-59. They went to the address indicated in the Deed of Sale but there was no such house. They even inquired with the barangay but were told that there was no such address and person living in the area.

[17] Records, vol.1, p. 295.

[18]CA rollo, p. 146.

[19] Rollo, p. 66.

[20] Id. at 59.

[21]Id. at 65.

[22] Rollo, p. 23.

[23] Id. at 1066.

[24] Sigaya v. Mayuga, G.R. No. 143254, 18 August 2005, citing Orquiola v. Court of Appeals, G.R. No. 141463, August 6, 2002, 386 SCRA 301, 309; Sps. Uy v. Court of Appeals, G.R. No. 109197, 21 June 2001, 359 SCRA 262, Baricuatro v. Court of Appeals, G.R No. 105902, February 9, 2000, 325 SCRA 137, 145.

[25](1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion. *Insular Life Assurance Company, Ltd. vs. Court of Appeals* , G.R. No. 126850, 28 April 2004; *Go v. Court of Appeals*, G.R. No. 112550, 5 February 2001, 351 SCRA 145, citing *Reyes v. Court of Appeals*, 258 SCRA 651 (1996).

[26] Potenciano v. Reynoso, G.R. No. 140707, 22 April 2003.

[27] Domingo v. Reed, G.R. No. 157701, 9 December 2005, 477 SCRA 227.

[28]Id. at 241.

[29] TSN, 24 July 1995, p. 35.

[30]Id. at 39.

[31] Id. at 43.

[32] Id. at 49.

[33]Id. at 52.

[34]Id. at 56.

[35]Id. at 61.

[36]Id. at 69-71.

[37]Id. at 75.

[38] Lim v. Chuatoco, G.R. No. 161861, 11 March 2005, citing Legarda v. Court of Appeals, G.R. No. 94457, 16 October 1997, 280 SCRA 642; Cruz v. Court of Appeals, 346 Phil. 506 (1997); Halili v. Court of Industrial Relations, 326 Phil. 982 (1996); Sandoval v. Court of Appeals, 329 Phil. 48 (1996).

[39] Occeña v. Esponilla, G.R. No. 156973, 4 June 2004.

[40] CA rollo, pp. 144-145.

[41]TSN, 7 March 1995, pp. 49-53.

[42] Republic v. Agunoy, G.R. No. 155394, 17 February 2005, citing Pino v. Court of Appeals, 198 SCRA 434, 445 (1991), Duran v. IAC, 138 SCRA 489, 494 (1985) reiterated in Philippine National Bank v. Court of Appeals, 187 SCRA 735, 741 (1990).

[43] Lim v. Chuatoco, supra citing Fule v. Legare, 117 Phil. 367 (1963).

[44] Supra note 28.

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