

ROBERT SAN PEDRO, PETITIONER, VS. WILLY ONG AND NORMITA CABALLES, RESPONDENTS.*G.R. No. 177598. October 16, 2008*

Ponente: CHICO-NAZARIO, J.

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Before this Court is a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court, filed by petitioner Robert San Pedro (San Pedro), seeking to reverse and set aside the Decision[1] of the Court of Appeals dated 29 December 2006 and its Resolution[2] dated 13 April 2007 in CA-G.R. CV No. 79399. In its assailed Decision, the Court of Appeals reversed the Decision[3] dated 21 February 2003 of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 19, in Civil Case No. 515-M-99, declaring, *inter alia*, that the deeds of real estate mortgage constituted on the subject properties are null and void; while, in its assailed Resolution, the appellate court denied San Pedro's Motion for Reconsideration.

The factual and procedural antecedents of this case are as follows:

On 3 April 1996, San Pedro purchased from the spouses Guillermo Narciso and Brigida Santiago (spouses Narciso) two parcels of land (subject properties) covered by Transfer Certificates of Title TCTs No. T-82381 and No. T-82382 of the Registry of Deeds of Bulacan, with areas of about 200 square meters and 150 square meters, respectively. San Pedro bought the subject properties for P35,000.00, as evidenced by Deeds of Sale executed in his favor by the spouses Narciso on 8 April 1996.[4]

In order to transfer in his name the TCTs covering the subject properties, and upon the spouses Narciso's recommendation, San Pedro hired the services of Adora Dela Peña (Dela Peña) who is known to be very familiar with the intricacies of real property transfers.[5]

After sometime, San Pedro inquired with the Registry of Deeds of Bulacan as to the status of his application for the issuance in his name of new TCTs for the subject properties. He was surprised to find out, however, that the subject properties were still registered in the names of the Narciso spouses and were mortgaged to Willy Ong (Ong).[6]

According to the annotation stamped at the back of TCTs No. T-82381 and No. T-82382, the spouses Narciso, on 23 July 1998, executed Special Powers of Attorney (SPAs) authorizing Dela Peña to mortgage the subject properties to Ong. The SPAs were procured by Dela Peña from the spouses Narciso with the help of one Rufino Landayan, a tricycle driver who accompanied Dela Peña to the spouses Narciso's residence. San Pedro found out that it was Normita Caballes (Caballes), Ong's agent, who caused the registration of the mortgages with the Registry of Deeds of Bulacan and the annotation thereof on the TCTs of the spouses Narciso.[7]

In order to free the subject properties from the said encumbrances, San Pedro filed with the RTC on 7 May 1999 a Petition for Nullification of Mortgage with Damages against the spouses Narciso, Dela Peña, Landayan, Ong, and Caballes, docketed as Civil Case No. 515-M-99.

On 14 May 1991, the RTC issued summons to spouses Narciso, Dela Peña, Landayan, Ong, and Caballes, directing them to file their Answers to San Pedro's Petition in Civil Case No. 515-M-99. On the same day, the Sheriff served the summons on all concerned as evidenced by the Sheriff's Return,[8] which reads:

SERVICE RETURN

THIS IS TO CERTIFY that on 14[th] day of May 1999, the undersigned served a copies (sic) of Summons in connection in (sic) the above-entitled case accompanying (sic) by the Complaints with annexes attached thereto upon defendants, at their given address, to wit:

Spouses Brigida Santiago &
Guillermo Narciso

-

thru their son Jaime Narciso/
Received & sign

Adora Dela Peña

-

thru her sister-in-law/
Received but refused to sign

Rufino Landayan

-

thru his son Christopher
Landayan/received & sign

Normita Caballes &
Willy Ong

-

thru Paul Caballes son of
Normita Caballes/received
& sign

The original copy of Summons is, therefore, respectfully returned DULY SERVED.

While the spouses Narciso, Landayan, Ong, and Caballes separately filed their Answers in accordance with the summons, thereby voluntarily submitting themselves to the jurisdiction of the RTC, Dela Peña failed to do so and she was, thus, declared by the RTC to be in default.

In their Answer,[9] the spouses Narciso admitted to selling the subject properties to San Pedro, and denied authorizing the mortgage of the same to Ong. Their signatures on the SPAs were fraudulently secured by Dela Peña who misrepresented to them that such document was necessary to facilitate the transfer of the TCTs of the subject properties to San Pedro. The spouses Narciso denied that they participated in or benefited from the loan obligation obtained by Dela Peña from Ong.

For their part, Caballes and Ong raised in their Joint Answer[10] the defense of mortgagee-in-good-faith. They claimed that they both relied in good faith on the SPAs granting Dela Peña the authority to mortgage the subject properties since there was nothing on the face thereof which would have raised their suspicion as to the

authenticity of the document. Ong alleged that the subject properties were used by Dela Peña as collateral for the loan, amounting to P170,000.00, which she obtained from Ong. Since the said loan obligation already became due and demandable, Ong sought the foreclosure of the subject properties. During the auction sale, Ong emerged as the highest bidder but the TCTs of the subject properties were not yet transferred to his name.

Landayan, in his Answer,[11] denied any participation in the procurement of the SPAs or in the mortgage of the subject properties, except that he was hired by Dela Peña to bring her to the spouses Narciso's residence at the time the alleged SPAs were fraudulently procured.

After the Pre-Trial Conference, trial on the merits ensued.

During the trial, San Pedro presented Landayan to testify in his favor. According to Landayan, he came to know Dela Peña when the latter hired his tricycle. Landayan took Dela Peña and a woman, whom he identified as Caballes' sister, to the residence of the spouses Narciso to secure Guillermo Narciso's signature on a certain document. While Dela Peña and Caballes' sister were inside the spouses Narciso's house, Caballes was waiting for them outside in a white car. After a few minutes, Dela Peña and Caballes' sister came out, and together with Caballes, they visited and inspected the subject properties; after which, Dela Peña and Caballes' sister proceeded to a restaurant to try and secure Brigida Santiago's signature on the document they carried. After somebody signed the document for Brigida Santiago, Dela Peña asked Landayan to sign the same as witness, to which he obliged.[12]

San Pedro himself took the witness stand. He testified that he bought the subject properties from the spouses Narciso for P35,000.00. After the execution of the Deeds of Sale and payment of the purchase price to the spouses Narciso, possession of the subject properties were turned over to him. San Pedro started to build his dream house on the subject properties, spending about P2,000,000.00 thereon, only to find out later on that the subject properties on which his house was built was encumbered by Dela Peña to Ong on the strength of the SPAs executed by the spouses Narciso in Dela Peña's favor. When San Pedro confronted the spouses Narciso about the mortgages, they denied authorizing the same.[13]

San Pedro's sister, Luz San Pedro Tominago (Tominago), narrated before the RTC that on 31 March 1991, she filed a complaint against Dela Peña before the Philippine National Police (PNP) Station in Balagtas, Bulacan for the latter's failure to effect the transfer of the TCTs of the subject properties in San Pedro's name, as she was obliged to do. Tominago filed the complaint on behalf of San Pedro, who was working abroad.[14]

Finally, a document examiner and handwriting expert from the National Bureau of Investigation (NBI) was also presented as a witness for San Pedro. He confirmed that the signature of Guillermo Narciso on one of the SPAs was forged, while the signatures of his wife Brigida Santiago on both SPAs were spurious.[15]

After San Pedro presented his evidence, Ong and Caballes filed a demurrer to evidence, questioning the lack of jurisdiction of the RTC over the person of Dela Peña. Since Dela Peña was an indispensable party in the case, they claimed that no final determination of the same could be arrived at without the said court acquiring jurisdiction over Dela Peña.[16]

In an Order dated 24 August 2001, the RTC denied the demurrer to evidence filed by Ong and Caballes. Hence, trial proceeded with the presentation of evidence by the defense.

Ong testified for the defense that Caballes informed him that she knew of two parcels of land in Bulacan that were being offered as collaterals for a loan. When Ong expressed interest in the subject properties, Caballes showed him copies of the SPA executed by the spouses Narciso in favor of Dela Peña. Ong then instructed Caballes to verify with the Registry of Deeds whether the spouses Narciso were the real owners of the subject properties and

whether their TCTs were clean. Caballes returned with certified true copies of the TCTs which were in the names of the spouses Narciso and bore no encumbrances. Satisfied with the documents, Ong agreed to release the amount of P170,000.00 as loan, secured by the subject properties. Ong admitted that he was not able to personally talk to Dela Peña or to the spouses Narciso. All negotiations pertaining to the loan and mortgages were transacted through Caballes.[17]

Caballes also offered her testimony, in which she stated that she came to know Dela Peña because the latter was looking for someone who can grant her a loan with the subject properties as collateral. Dela Peña was armed with the SPAs from the spouses Narciso authorizing her to mortgage the subject properties. After Caballes examined the documents, she proceeded to the Registry of Deeds of Bulacan to verify the status and ownership of the subject properties. After she found out that the TCTs were in the name of the spouses Narciso and were clean, Caballes went to Ong who released the money for the loan. Dela Peña issued nine post-dated checks to Ong as payment for her loan obligation. All nine checks were dishonored by the drawee bank when presented for payment because Dela Peña's account was already closed. Ong, thus, instituted before the Municipal Trial Court (MTC) of Balagtas, Bulacan, a case against Dela Peña for violation of Batas Pambansa Blg. 22.[18]

On 21 February 2003, the RTC rendered a Decision in Civil Case No. 515-M-99, declaring null and void the mortgages constituted over the subject properties in Ong's favor. According to the court a quo, Ong and Caballes failed to exercise reasonable degree of diligence before they entered into mortgage contracts with Dela Peña, who was not the registered owner of the properties being mortgaged and was only purportedly authorized by the registered owners thereof. The RTC, thus, ruled:

WHEREFORE, judgment is hereby rendered as follows:

- Declaring [San Pedro] the legal and rightful owner of the two (2) parcels of land subject of this litigation, covered by TCT No. T-82381 and TCT No. 82382 presently in the name of [the spouses Narciso].
- Adjudging the sale by [the spouses Narciso] to [San Pedro], legal, valid, subsisting and in all respect enforceable.
- Resolving to declare the Special Power[s] of Attorney constituted in favor of [Dela Peña] null and void.
- Declaring the Deeds of Mortgage purportedly executed by [Dela Peña] as Attorney-in-fact of [the spouses Narciso], in favor of [Ong] constituted in [sic] TCT No. T-82381 and TCT No. 82382 void ab initio.
- Ordering the Registry of Deeds for the Province of Bulacan to cancel the recordings of mortgages in favor of Ong constituted in [sic] TCT No. 82381 and TCT No. 82382 as well as any annotation of foreclosure proceedings if there are any by [Ong].
- Ordering [Ong] to return to [San Pedro] the owner's duplicate copy of TCT No. 82381 and TCT No. 82382 which are presently in his possession.
- Ordering [Dela Peña] to pay [Ong] the sum of P245,000.00 plus legal interest from September, 1998 until the whole obligation is fully extinguished.

All other claims, counterclaims and cross claims are ordered denied for lack of merit.[19]

Without filing any Motion for Reconsideration before the RTC, Ong and Caballes appealed the adverse RTC Decision to the Court of Appeals, assigning as error the lack of jurisdiction of the RTC over the person of Dela Peña which rendered all the proceedings held before said court fatally defective. Their appeal was docketed as CA-G.R. CV No. 79399.

In a Decision[20] dated 29 December 2006, the Court of Appeals granted the appeal of Ong and Caballes, and

accordingly reversed the RTC Decision dated 21 February 2003. The appellate court justified its reversal of the ruling of the RTC on its finding that the service of summons on Dela Peña was invalid; thus, the RTC did not acquire jurisdiction over her person. The substituted service of summons employed by the Sheriff was ineffective for failure to comply with the statutory requirements before such mode of service could be resorted to. The Sheriff in the present case used substituted service without even showing that Dela Peña could not be served personally with the summons within reasonable time. Since Dela Peña was an indispensable party to the controversy, without her no final determination of the case can be had. Thus, the dispositive portion of the assailed Court of Appeals Decision reads:

WHEREFORE, all the above premises considered, the Decision, dated February 21, 2003, of the Regional Trial Court of Malolos, Bulacan, Branch 19, is hereby set aside for want of jurisdiction. The instant case is hereby remanded to the court a quo for appropriate proceedings. No costs.[21]

The Motion for Reconsideration filed by San Pedro was denied by the Court of Appeals in its Resolution[22] dated 13 April 2007 for the issues raised therein were already sufficiently threshed out in its Decision.

San Pedro is now before this Court assailing the adverse decision rendered by the Court of Appeals.[23] For the resolution of this Court are the following issues:

I.

WHETHER OR NOT THE RTC HAS JURISDICTION TO HEAR AND DECIDE THE CASE FILED BY SAN PEDRO.

II.

WHETHER OR NOT DE LA PEÑA IS AN INDISPENSABLE PARTY TO THE CASE.

III.

WHETHER OR NOT ONG WAS MORTGAGEE-IN-GOOD FAITH.

Vital to the resolution of the present controversy are the questions on whether there was a valid service of summons upon Dela Peña; and if there was none, whether the improper service of summons on Dela Peña invalidates the entire proceedings before the court a quo.

Summons is a writ by which the defendant is notified of the action brought against him. Service of such writ is the means by which the court may acquire jurisdiction over his person. Any judgment without such service in the absence of a valid waiver is null and void.[24]

To provide perspective, it is crucial to determine first whether the action is in personam, in rem, or quasi in rem because the rules on service of summons under Rule 14 of the Revised Rules of Court apply according to the nature of the action.[25]

In the case at bar, Civil Case No. 515-M-99, instituted by San Pedro, is anchored on his claim that he is the real and rightful owner of the subject properties, thus, no one else has the right to mortgage them. The real estate mortgages constituted on the subject properties in favor of Ong, annotated on their TCTs, are encumbrances on said properties, which may be considered a cloud on San Pedro's title thereto.

Such cloud may be removed or San Pedro's title quieted under Article 476 of the Civil Code, which reads:

Art. 476. Whenever there is a cloud on title to real property or any interest therein, by reason of any instrument, record, claim, encumbrance or proceeding which is apparently valid or effective but is in truth and in fact invalid, ineffective, voidable, or unenforceable, and may be prejudicial to said title, an action may be

brought to remove such cloud or to quiet the title.

An action may also be brought to prevent a cloud from being cast upon title to real property or any interest therein. (Emphasis ours.)

San Pedro alleged in his Petition in Civil Case No. 515-M-99 that the mortgages in favor of Ong may, at first, appear valid and effective, but are actually invalid or voidable for having been made without the knowledge and authority of the spouses Narciso, the registered owners of the subject properties and San Pedro's predecessors-in-interest. In asking the cancellation of the mortgages on the TCTs of the subject properties, San Pedro was ultimately asking the RTC to remove a cloud on his title to the same. It is, thus, irrefragable that Civil Case No. 515-M-99 is an action for quieting of title.

Significantly, suits to quiet title are characterized as proceedings quasi in rem. Technically, they are neither in rem nor in personam. In an action quasi in rem, an individual is named as defendant. However, unlike suits in rem, a quasi in rem judgment is conclusive only between the parties. A proceeding quasi in rem is one brought against persons seeking to subject the property of such persons to the discharge of the claims assailed. [26]

In an action quasi in rem, an individual is named as defendant and the purpose of the proceeding is to subject his interests therein to the obligation or loan burdening the property. Actions quasi in rem deal with the status, ownership or liability of a particular property but which are intended to operate on these questions only as between the particular parties to the proceedings and not to ascertain or cut off the rights or interests of all possible claimants. The judgments therein are binding only upon the parties who joined in the action.[27]

According to Section 6, Rule 14 of the Revised Rules of Court, summons on the defendant in actions in personam must be served by handing a copy thereof to the defendant in person, or, if he refuses to receive it, by tendering it to him.[28] Meanwhile, in actions in rem or quasi in rem, jurisdiction over the person of the defendant is not a prerequisite to confer jurisdiction on the court provided that the court acquires jurisdiction over the res, although summons must be served upon the defendant in order to satisfy the due process requirements.[29]

In *Alba v. Court of Appeals*, [30] the Court further elucidated that:

In an action in personam, jurisdiction over the person of the defendant is necessary for the court to validly try and decide the case. In a proceeding in rem or quasi in rem, jurisdiction over the person of the defendant is not a prerequisite to confer jurisdiction on the court, provided that the latter has jurisdiction over the res. Jurisdiction over the res is acquired either (a) by the seizure of the property under legal process, whereby it is brought into actual custody of the law; or (b) as a result of the institution of legal proceedings, in which the power of the court is recognized and made effective. The service of summons or notice to the defendant is not for the purpose of vesting the court with jurisdiction but merely for satisfying the due process requirements. (Emphasis supplied.)

Given that Civil Case No. 515-M-99 is an action for quieting of title, settled to be quasi in rem, the RTC was not required to acquire jurisdiction over the persons of the defendants, it being sufficient for the said court to acquire jurisdiction over the subject matter of the case. By San Pedro's institution of Civil Case No. 515-M-99, the RTC already acquired jurisdiction over the subject properties - the res. Therefore, the service of summons to the defendants in said case, including Dela Peña, did not affect the jurisdiction of the RTC to hear and decide Civil Case No. 515-M-99, and did not invalidate the proceedings held therein on the basis of jurisdiction.

Admittedly, there was a defect in the service of the summons on Dela Peña. The Sheriff immediately resorted to substituted service of summons on Dela Peña without attempting first to effect personal service within reasonable time. The Sheriff's Return[31] merely stated that he served a copy of the summons on Dela Peña's sister-in-law who refused to sign the same.

Personal service of summons is preferred to substitute service. Only if the former cannot be made promptly can the process server resort to the latter. Moreover, the proof of service of summons must (a) indicate the impossibility of service of summons within a reasonable time; (b) specify the efforts exerted to locate the defendant; and (c) state that the summons was served upon a person of sufficient age and discretion who is residing in the address, or who is in charge of the office or regular place of business, of the defendant. It is likewise required that the pertinent facts proving these circumstances be stated in the proof of service or in the officer's return. The failure to comply faithfully, strictly and fully with all the foregoing requirements of substituted service renders the service of summons ineffective.[32] Indisputably, the Sheriff did not comply with any of the foregoing requirements, thus, rendering his service of summons on Dela Peña invalid.

Nonetheless, the improper service of summons on Dela Peña did not void the proceedings conducted by the RTC in Civil Case No. 515-M-99, for lack of jurisdiction. As the Court has underscored herein, in quasi in rem proceedings, the court need not acquire jurisdiction over the persons of the defendants, for as long as it has acquired jurisdiction over the res. The defect in the service of summons merely infringed Dela Peña's right to due process that precluded the RTC from rendering a valid judgment with respect to her personal liability. And since Dela Peña's right to due process is personal and pertains to her alone, it could not be invoked by her other co-defendants in Civil Case No. 515-M-99 so as to escape the judgment of liability against them.

Contrary to the pronouncement of the Court of Appeals, Dela Peña was not an indispensable party to this case, without whom, no final conclusion of the case can be arrived at.

The Court defined indispensable party in *Philippine National Bank v. Heirs of Estanislao Militar and Deogracias Militar*, [33] as follows:

An indispensable party is one whose interest will be affected by the court's action in the litigation, and without whom no final determination of the case can be had. The party's interest in the subject matter of the suit and in the relief sought are so inextricably intertwined with the other parties' (sic) that his legal presence as a party to the proceeding is an absolute necessity. In his absence there cannot be a resolution of the dispute of the parties before the court which is effective, complete, or equitable.

Conversely, a party is not indispensable to the suit if his interest in the controversy or subject matter is distinct and divisible from the interest of the other parties and will not necessarily be prejudiced by a judgment which does complete justice to the parties in court. He is not indispensable if his presence would merely permit complete relief between him and those already parties to the action or will simply avoid multiple litigation. (Emphasis supplied.)

Evidently, Dela Peña does not fall within the definition of an indispensable party. As the Court has explained, Civil Case No. 515-M-99 is an action for quieting of title, intended to remove any cloud upon San Pedro's title to the subject properties. The real estate mortgages in favor of Ong annotated on the TCTs of the subject properties constitute the cloud to be removed. Thus, the crux of the controversy is the title of San Pedro to the subject properties vis-à-vis that of Ong, for the determination of which, Dela Peña's participation is not an absolute necessity. The judgment of the RTC upholding San Pedro's title to the subject properties over Ong's, or even if it were the other way around, would not have affected Dela Peña, because Dela Peña never claimed title to the subject properties; she only misrepresented that she had authority to mortgage the same on behalf of the registered owners, namely, the spouses Narciso. After she successfully, albeit, fraudulently, obtained the loan using the subject properties as mortgage, her interest in the same had ended. She may have perpetrated fraud for which she may be held liable but, clearly, these may be established in a separate and subsequent case. Her presence in the proceedings before the RTC would have only permitted complete relief since the said court could have already determined therein her liability for the damages she had caused to any of the parties, but it does not make her

presence indispensable.

San Pedro's title proved to be superior to that of Ong's. The subject properties were sold to him prior to the mortgage of the same to Ong. The spouses Narciso, registered owners of the subject properties, admitted the sale thereof to San Pedro and denied giving any authority to Dela Peña to mortgage the said properties. An expert witness affirmed that the signature of Guillermo Narciso on one of the purported SPAs in favor of Dela Peña was forged, while the signatures of his wife Brigida Santiago on both SPAs were spurious. Ong and Caballes cannot even point out any defect in San Pedro's title to the subject properties. Ong can only assert better right to the same as allegedly a mortgagee in good faith.

However, the well-entrenched legal principle in our jurisprudence requires a higher degree of diligence to be exercised by the mortgagee when he is not directly dealing with the registered owner of real property. As the Court enunciated in *Abad v. Guimba* [34]:

While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is not the registered owner is expected to examine not only the certificate of title but all factual circumstances necessary for [one] to determine if there are any flaws in the title of the transferor, or in [the] capacity to transfer the land. Although the instant case does not involve a sale but only a mortgage, the same rule applies inasmuch as the law itself includes a mortgagee in the term "purchaser."

The Court has stressed time and again that every person dealing with an agent is put upon inquiry, and must discover upon his peril the authority of the agent, and this is especially true where the act of the agent is of unusual nature. If a person makes no inquiry, he is chargeable with knowledge of the agent's authority, and his ignorance of that authority will not be any excuse.[35]

In the more recent case of *Bank of Commerce v. San Pablo, Jr.*, [36] the Court elucidated:

The Bank of Commerce clearly failed to observe the required degree of caution in ascertaining the genuineness and extent of the authority of Santos to mortgage the subject property. It should not have simply relied on the face of the documents submitted by Santos, as its undertaking to lend a considerable amount of money required of it a greater degree of diligence. That the person applying for the loan is other than the registered owner of the real property being mortgaged should have already raised a red flag and which should have induced the Bank of Commerce to make inquiries into and confirm Santos' authority to mortgage the Spouses San Pablo's property. A person who deliberately ignores a significant fact that could create suspicion in an otherwise reasonable person is not an innocent purchaser for value (Emphasis ours.)

Considering Ong's undue haste in granting the loan without inquiring into the ownership of the subject properties being mortgaged, as well as the authority of the supposed agent to constitute the mortgages on behalf of the owners, he cannot be considered a mortgagee-in-good-faith. Ong's averment that he exercised prudence in the loan-mortgage transaction is debunked by his own admission that he merely relied on Caballes' representations thereon, without personally meeting or speaking with Dela Peña, the supposed agent, or the spouses Narciso, the registered owners of the subject properties. Although he instructed Caballes to check the TCTs of the subject properties, he did not bother to personally meet Dela Peña and ascertain the genuineness and authenticity of the latter's authority to mortgage the same on behalf of the spouses Narciso especially considering that the one mortgaging the property is not the registered owner.

The real estate mortgages constituted on the subject properties based on false and fraudulent SPAs are void ab initio. In *Veloso and Rosales v. La Urbana*, [37] the Court ruled that forged powers of attorney are without force and effect and, thus, nullified the mortgage constituted on the strength thereof:

In view of the forgoing facts, the court held that pursuant to Article 1714 of the Civil Code and under the

Torrens Act in force in this jurisdiction, the forged powers of attorney prepared by Del Mar were without force and effect and that the registration of the mortgages constituted by virtue thereof were likewise null and void and without force and effect, and that they could not in any way prejudice the rights of the plaintiff as the registered owner of her participations in the properties in question.

Consequently, the foreclosure proceedings on the mortgaged properties are likewise void ab initio. Since Ong cannot be deemed a mortgagee-in-good-faith nor an innocent purchaser for value of the subject properties at the auction sale thereof, his claim to the said properties cannot prevail over that of San Pedro. The Court's ruling, however, is without prejudice to the right of Ong to proceed against those who perpetrated the fraud to his prejudice.

WHEREFORE, in view of the foregoing, the instant Petition is GRANTED. The Decision dated 29 December 2006 rendered by the Court of Appeals in CA-G.R. CV No. 79399 is REVERSED and SET ASIDE. The Decision dated 21 February 2003 of the Regional Trial Court of Malolos, Bulacan, Branch 19, in Civil Case No. 515-M-99, is hereby REINSTATED with the modification that the portion ordering Adora Dela Peña to pay Willy G. Ong the sum of P245,000.00 plus legal interest, is DELETED.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Azcuna[*], and Nachura, JJ., concur.

[*] Per Special Order No. 521, dated 29 September 2008, signed by Chief Justice Reynato S. Puno, designating Associate Justice Adolfo S. Azcuna to replace Associate Justice Ruben T. Reyes, who is on official leave.

[1] Penned by Associate Justice Normandie B. Pizzaro with Associate Justices Juan Q. Enriquez, Jr., and Aurora Santiago-Lagman, concurring. Rollo, pp. 109-116.

[2] Rollo, pp. 122-123.

[3] Penned by Presiding Judge Renato C. Francisco; rollo, pp. 84-108.

[4] Id.

[5] Id.

[6] Id.

[7] Id. at 56-59.

[8] Id. at 126.

[9] Id. at 50-51.

[10] Id. at 66-73.

[11] Id. at 80-83.

[12] Id. at 84-108.

[13] Id.

[14] Id.

[15] Id.

[16] Id.

[17] Id.

[18] Id.

[19] Id. at 107-108.

[20] Id. at 109-116.

[21] Id. at 115.

[22] Id. at 122-123.

[23] Id. at 12-50.

[24] *Casimina v. Legaspi*, G.R. No. 147530, 29 June 2005, 462 SCRA 171, 177-178.

[25] *Gomez v. Court of Appeals*, 469 Phil. 38, 47-48 (2004).

[26] *Portic v. Cristobal*, G.R. No. 156171, 22 April 2005, 456 SCRA 577, 584-585.

[27] *Domagas v. Jensen*, G.R. No. 158407, 17 January 2005, 448 SCRA 663, 674.

[28] Id.

[29] Id.

[30] G.R. No. 164041, 29 July 2005, 465 SCRA 495, 505-506.

[31] *Rollo*, p. 51.

[32] *Spouses Jose v. Spouses Boyon*, 460 Phil. 354, 363 (2003).

[33] G.R. No. 164801, 18 August 2005, 467 SCRA 377, 384.

[34] G.R. No. 157002, 29 July 2005, 465 SCRA 356, 369.

[35] Id. at 368.

[36] G.R. No. 167848, 27 April 2007, 522 SCRA 713, 728.

[37] 58 Phil. 681, 683 (1933).

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