

CRESENTE PICHAY, ET AL., PLAINTIFFS-APPELLEES, VS. ISAIAS CELESTINO, ET AL., DEFENDANTS, THE PHILIPPINE NATIONAL BANK, (DAGUPAN BRANCH), DEFENDANT-APPELLANT.*G. R. No. 18292-4. May 30, 1967*

Ponente: DIZON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-18292-4/>**DIZON, J.:**

In the early months of the year 1957 four civil actions - Civil Cases Nos. U-27, U-32, U-34 and U-36 - were commenced in the Court of First Instance of Pangasinan. The first three were instituted by several parties to rescind certain documents and deeds affecting registered lands situated in the province of Pangasinan; the fourth was filed by the Philippine National Bank - hereinafter referred to as the Bank - to foreclose several real estate mortgages on said lands executed in its favor by Isaias Celestino as security for the payment of several loans obtained by him, some in his capacity as attorney-in-fact of the plaintiffs in Civil Case No. U-27, and the others in his own name and right (Civil Cases Nos. U-32, and U-34). Because the cases involved common questions of law and fact, they were jointly tried and, thereafter, the lower court rendered judgment as follows:

"WHEREFORE, judgment is hereby rendered in the following cases, to wit:

CIVIL CASE NO. U-27

(1) Declaring the deed of special power of attorney in which the signatures and/or thumbmarks of Cresente Pichay, Juana Larioza, Esteban Renopa, Eugenia Agdoma, Esteban Lariosa, Mercedes Agdoma and Pedro Agdoma were found to have been forged, null and void; (2) declaring the chattel mortgage on the standing crops of (Exhibit F-3-bank), and the real estate mortgage upon the parcel of land described in Transfer Certificate of Title No. 10795-P executed in favor of the Philippine National Bank by defendant Celestino (Exh. G-1-bank) null and void; (3) ordering the Register of Deeds to cancel the second owner's duplicate copy of Transfer Certificate of Title No. 10795-P, while the first owner's duplicate copy thereof, is ordered subsisting and valid; and (4) ordering defendant Isaias Celestino to pay the plaintiffs Cresente Pichay, et al, the sum of P1,300.00 as attorney's fees and expenses of litigation.

CIVIL CASE NO. U-32

(1) Declaring the deed of sale (Exh. 11-Agdoma), the deed of chattel mortgage (Exh. D-2), and the deed of real estate mortgage (Exh. G-1) null and void; (2) ordering Register of Deeds of this province to cancel Transfer Certificate of Title No. 18925 which is in the name of Isaias Celestino, while the first owner's duplicate copy of Original Certificate of Title No. 62507 is hereby ordered subsisting and valid; (3) declaring plaintiffs the absolute owners pro-indiviso of the parcel of land covered by said Original Certificate of Title No. 62507; (4) ordering defendant Isaias Celestino to pay plaintiffs, who are also cross-claimants in Civil Case No. U-36, the sum of P143.00 representing the unrealized produce of the land for the agricultural year, 1956-1957, plus P1,200.00 as attorney's fees.

CIVIL CASE NO. U-34

(1) declaring the deed of sale (Exh. C-Papa) and the real estate mortgage (Exh. E-bank) null and void; (2) ordering the Register of Deeds to cancel said Transfer Certificate of Title No. 19622 which is in the name of Isaias Celestino while the first owner's duplicate of said Transfer Certificate of Title No. 16479 is hereby ordered subsisting and valid; (3) ordering Isaias Celestino to pay plaintiffs herein who are also cross-claimants in Civil Case No. U-36 the amount of P1,300.00 as attorney's fees and expenses of the suit.

CIVIL CASE NO. U-36

Having declared all the mortgages executed in favor of the bank by defendant Isaias Celestino null and void, except the mortgages upon the property described in Transfer Certificate of Title No. 18801 and on its standing crops, the complaint for foreclosure of the property of Cresente Pichay, et al, of Mercedes Agdoma, et al, and of Eugenio Papa, et al, is hereby dismissed, but ordering the defendant Isaias Celestino to pay the Philippine National Bank, Dagupan Branch, the various loans in the aggregate amount of P2,825.00, together with the interest thereon at the rate of 6% per annum from the date the corresponding promissory notes (Exhs. C, D, D-1, E, F, F-1, F-2 and G) were issued until the same are fully paid, plus 10% of said amount as attorney's fees, as well as the sum of P600.00 as expenses of litigation. Also ordering defendant Celestino to pay the bank the sum of P1,000.00 as attorney's fees in Civil Case No. U-34.

In the case of defendant Vicente Libed, the deed of chattel mortgage on standing crops of (Exh. A-2-bank), and real estate mortgage upon, the parcel of land described in Transfer Certificate of Title No. 18801 (Exh. B-1-bank), are hereby declared null and void insofar as the one-half eastern portion pro-indiviso is concerned, of which Vicente Libed is declared absolute owner and therefore, the complaint for foreclosure thereof is ordered dismissed.

It is further ordered that defendant Isaias Celestino to pay plaintiff bank the sum of P760.00 together with the interest thereon at the rate of 6% per annum, from the date the corresponding promissory notes were issued (Exhs. A, A-1 and B) until the same are fully paid, plus 10% of said amount as attorney's fees, within a period of ninety (90) days from the date this decision becomes final, and in default of such payment, the other half of the parcel of land described in Transfer Certificate of Title No. 18801 be sold at public auction and the proceeds thereof shall be applied to satisfy the above obligation of the defendant Isaias Celestino.

Also ordering defendant Isaias Celestino to pay cross-claimant, Vicente Libed, the sum of P1,000.00 as attorney's fees.

Lastly, ordering defendant Celestino, to pay all the costs of these suits."

Hence, the present appeals taken by the Bank from the portions of the aforesaid decision adverse to it. The appeals, however, do not affect Civil Case No. U-32 in which the Bank was not a party.

Proper understanding of the issue involved makes necessary a brief statement of the main facts of each case, all of them either admitted by all the parties or established by conclusive and uncontradicted evidence.

(1) Civil Case No. U-27 (G. R. No. L-18292)

The spouses Crisente Pichay and Juana Larioza, Esteban Renopa and Eugenia Agdoma, Esteban Larioza and Mercedes Agdoma, and Pedro Agdoma, single, were owners pro-indiviso of a parcel of land covered by Transfer Certificate of Title No. 10795-P of the Office of the Register of Deeds of Pangasinan. On August 9, 1955, Celestino obtained from appellant Bank two separate loans of P800.00 each and, as security therefor, executed two real estate mortgages over said pro-property. In executing said mortgages, Celestino forged the owners' signatures in two special powers of attorney, making it appear that they had authorized him to solicit loans from the Bank, and to enable him to register said deeds, he filed a verified petition ex-parte with the Court of First

Instance of Pangasinan, making it appear that Eugenia Agdoma was asking for another owner's duplicate certificate of T.C.T. No. 10895-P to replace her copy thereof allegedly destroyed. Plaintiffs became aware of the fraudulent acts of Celestino only when they received a letter of demand from the Bank.

Although Celestino filed his answer denying all the material allegations of the complaint and interposing a counterclaim for damages in the amount of P100,000.00, he did not appear at the trial. For its part, the Bank's answer denied the averments of the complaint regarding the forgery of plaintiffs' signatures in the aforementioned special powers of attorney but presented no evidence to prove the genuineness thereof. It relied mainly on its defense that it granted the two loans in question relying in good faith upon said powers of attorney presented by Celestino.

(2) Civil Case No. U-32

Appellant Bank was not a party-defendant in Civil Case No. U-32, but the action for foreclosure (Civil Case No. U-36) instituted by it covers and affects the property involved in the former.

Mercedes, Eugenia and Pedro, all surnamed Agdoma and Isaias Celestino were the forced heirs of the deceased spouses, Julian Agdoma and Anastacia Cabatic - the former being the registered owner of a parcel of land situated in barrio San Juan, municipality of Alcala, Pangasinan, covered by Original Certificate of Title No. 62507 of the office of the Register of Deeds of Pangasinan. Upon Julian Agdoma's death, they became the co-owners pro-indiviso of said pro-property. Celestino, however, for valuable consideration received, renounced his interest and participation therein in favor of the other co-owners. On August 14, 1955 Celestino fabricated a deed of sale making it appear therein that Julian Agdoma - who had been dead since July 23, 1945 - had sold the aforesaid parcel to him. Thereafter, Celestino, who was a lawyer and a notary public, filed a petition ex--parte with the Court of First Instance of Pangasinan for the issuance of a second owner's duplicate copy of Original Certificate of Title No. 62507 in lieu of the copy thereof which had been allegedly burned. After the Court had granted the petition, the Register of Deeds of Pangasinan issued to Celestino a second owner's copy of Original Certificate of Title No. 62507. Upon the presentation of the forged deed of sale and of the owner's duplicate certificate of title just mentioned, the Register of Deeds cancelled the latter and issued, in lieu thereof, Transfer Certificate of Title No. 18925 in Celestino's name. Then on August 18, 1955, Celestino mortgaged the property in favor of the Bank to secure two loans in the sums of P425.00 and P215.00 each.

Although Celestino filed an answer denying the material averments of the complaint and interposing a counterclaim for damages, he did not appear at the trial.

(3) Civil Case No. U-34

The spouses Eugenio Papa and Maria Mangaoang, and Julia Libed were the registered owners of a parcel of land situated in barrio Villanueva, municipality of Bautista, Pangasinan, covered by Transfer Certificate of Title No. 16479 of the Office of the Register of Deeds of Pangasinan. Upon the death of Julia on October 2, 1954, her father, Rufino Libed, inherited her rights and interest in said property. On December 6, 1955, Celestino forged a document purporting to be a sale in his favor of the aforesaid property by the deceased Julia Libed and the Papa spouses. In the same month, Celestino (following the same fraudulent pattern as in the transactions mentioned heretofore) was able to secure a second owner's duplicate copy of Transfer Certificate of Title No. 16479 and, after causing the registration of the falsified deed of sale above-mentioned, succeeded in securing the cancellation of said certificate of title and the issuance of another in his name (Transfer Certificate of Title No. 19622). Armed with said title, he subsequently obtained from the Bank a loan in the amount of P800.00, secured by a mortgage on the property aforesaid.

In this as in the other case (Civil Case No. U-27) the Bank relied mainly on its defense that it was a mortgagee in good faith and for value.

(4) Civil Case No. U-36

On March 11, 1957, the Bank filed an action in the Court of First Instance of Pangasinan against Isaias Celes-tino, Vicente Libed, Mercedes, Eugenia and Pedro, all surnamed Agdoma, Eugenio Papa, Maria Mangaoang and Rufino Libed, for the foreclosure of the mortgages constituted on the properties covered by Transfer Certificates of Title Nos. 18801, 18925 (Civil Case No. U-32), 19622 (Civil Case No. U-34), and 10795 (Civil Case No. U-27), all of the Office of the Register of Deeds of Pangasinan. The com-plaint alleged that Celestino was the registered owner of the first three parcels of land; that on the dates and for the amounts mentioned below, Celestino obtained from the Bank several loans for which he executed the corresponding promissory notes:

Dates of Loans	Kind of Loan	Amount of Loans
----------------	--------------	-----------------

July 27, 1955	Time Loan	P380.00
---------------	-----------	---------

August 22, 1955	"	P210.00
-----------------	---	---------

January 6, 1956	"	P800.00
-----------------	---	---------

August 22, 1955	Crop Loan	P155.00
-----------------	-----------	---------

October 25, 1955	"	P 60.00
------------------	---	---------

July 27, 1955	"	P280.00
---------------	---	---------

October 18, 1955	"	P100.00
------------------	---	---------

that as security therefor, Celestino executed in favor of the Bank the corresponding deeds of real estate mortgage over the above-mentioned properties which were registered in the office of the Register of Deeds of Pangasinan and annotated on the corresponding certificates of title; that the above-mentioned loans have long become overdue and, despite repeated demands by the mortgagee, Celestino had failed to pay the same.

The complaint further alleged that Vicente Libed was included as a party-defendant because, long after the re-gistration of the mortgages in question, he registered an adverse claim over the parcel of land described in Transfer Certificate of Title No. 18801; that Mercedes, Eugenia and Pedro, all surnamed Agdoma, were likewise included as party-defendants because, subsequent to the registration of the mortgages in favor of the Bank, they registered a notice of Lis Pendens over the parcel of land described in Transfer Certificate of Title No. 18925, and that Eugenio Papa, Maria Mangaoang and Rufino Libed were also made party-defendants in the case on the ground that they were claiming rights and interests in the parcel of land described in Transfer Certificate of Title No. 19622.

In the sixth cause of action alleged in the complaint, the Bank alleged that on or about August 9, 1955, Celestino, by virtue of a special power of attorney which appeared to have been executed and acknowledged in his favor by Crisente Pichay, Juana Larioza and Mercedes Agdoma, obtained from it two loans in the total amount of P1,600.00 and executed two deeds of real estate mortgage as attorney-in-fact of the aforementioned parties over the property belonging to the latter described in Transfer Certificate of Title No. 10795-P of the Registry of Deeds of Pangasinan; and that, despite repeated demands therefor, Celestino had failed to pay said loans.

After the defendants had filed their answers to the complaint and after a joint trial with the other cases mentioned heretofore - at which Celestino did not appear - the lower court rendered the appealed judgment.

The case before Us, reduced into its simplest terms, is this: the owners of the registered lands mortgaged to the Bank did not execute the Powers of Attorney and Deeds of Sale mentioned heretofore. Without their knowledge and consent, and without even a trace of negligence on their part, said documents were forged and used by Isaias Celestino to secure the loans in question from, and to execute the corresponding deeds of mortgage in favor of the Bank. Julio B. Pequet, the Notary Public before whom the documents mentioned heretofore were supposedly acknowledged, was a "non-existing" person (Partial Stipulation of Facts submitted by the parties, Record on Appeal p. 175), and his supposed signatures appearing thereon were forged by Celestino.

On the other hand, regarding the Bank's claim that it granted the loans and accepted the mortgages in question in good faith, the following observations of the trial court seem to be appropriate and conclusive:

xxx x x x x x x

'As between two innocent persons, one of whom must suffer the consequence of a breach of trust, the one who made it possible by his act of confidence must bear the loss.

'When a mortgagee relies upon a Torrens title and loans money in all good faith on the basis of the title standing in the name of the mortgagor, only thereafter to discover one defendant to be an alleged forger and the other defendant to have by his negligence or acquiescence made it possible for the fraud to transpire, as between the innocent persons, the mortgagee and one of the mortgagors, the latter who made the fraud possible by his act of confidence must bear the loss.'

"This court believes that the aforecited doctrine could not be applied to the bank's contention that it is an innocent mortgagee for value. The court has made the observation that, in granting several loans to the defendant Isaias Celestino, the Philippine National Bank did not exercise due diligence in determining the authority of the defendant Isaias Celestino to borrow money for the plaintiffs, Cresente Pichay and his co-owners as well as the true ownership of the defendant Isaias Celestino over the property described in Transfer Certificates of Title Nos. 18925 and 19622. This conclusion is arrived at in view of the fact that the date of the execution of the chattel mortgage (Exh. H-Pichay; 6-bank) as well as the two real estate mortgages (Exhs. C & 1-Pichay; 5 & 7-bank) and the date of the issuance of the second owner's duplicate copy of Transfer Certificate of Title No. 10795-P (Exh. E-Pichay & 3-bank) borne the same date, that is, August 8, 1955. Aside from this, the special power of attorney (Exh. B-Pichay) was made on August 3, 1955, that is five days before the execution of the aforementioned mortgages.

["]In the case of Agdoma, et al. (Civil Case No. U-32), although there is no means to determine the date of the issuance of Transfer Certificate of Title No. 18925, which cancelled Original Certificate of Title No. 62507 because it was not pre-sented in evidence, it is safe to assume that certificate of title No. 18925 was issued a day before the execution of the real estate mortgage upon the property covered by the same. This is so because the order of the court for the issuance of second owner's duplicate copy of Original Certificate of Title No. 62507 which was issued only on August 17, 1955, while the real estate mortgage was made on August 18, 1955.

"With respect to the case of Papa and his co-owners (Civil Case No. U-34), it appears that the loan to the defendant, Isaias Celestino, which was secured by a real estate mortgage upon the property previously described in Transfer Certificate of Title No. 16479, was only granted a few days after the issuance of Transfer Certificate of Title No. 19622. This is so because the ex-parte petition for the issuance of another owner's duplicate copy of Transfer Certificate of Title No. 16479 was presented in court on December 23, 1955 and the real estate mortgage was executed on January 5, 1956.

"It is therefore obvious that the approval of these transactions by the bank was characterized with undue haste. It is of public knowledge, though not of judicial notice, that the common practice of banking institution, before approving a loan, is to send its representative to the premises of the land offered as collateral and to investigate

who are the true owners there-of. But in these cases, this court holds that there is no such investigation made by the bank because, if a representative of the bank had made such investigation, such fraudulent transfers of ownership of the land, as well as want of authority of defendant Celestino to execute the mortgage over the property described in Transfer Certificate of Title No. 10795-P, could have been discovered.

Under these circumstances, the bank may not be considered a mortgagee in good faith. This is in consonance with the doctrine enunciated by the Supreme Court, to wit:

'One who purchases real estate with knowledge of a defect or lack of title in his vendor cannot claim that he has acquired title thereto in good faith as against the true owner of the land of an interest therein; and the same rule must be applied to one who has knowledge of facts which should have put him upon such inquiry and investigation as might be necessary to acquaint him with the defects in the title of his vendor. A purchaser cannot close his eyes to facts which should put a reasonable man upon his guard, and the claim that he acted in good faith under the belief that there was no defect in the title of the vendor. His mere refusal to believe that such defect exists, or his willful closing of his eyes to the possibility of the existence of a defect in his vendor's title, will not make him an innocent purchaser for value, if it afterwards develops that the title was in fact defective, and it appears that he had such notice of the defect as would have led to its discovery had he acted with that measure of precaution which may reasonably be required of a prudent man in a like situation. x x x'

"Even assuming for the sake of argument that the Philippine National Bank is an innocent mortgagee, the legal maxim - as between two innocent persons, one of whom must suffer the consequence of the breach of trust, the one who made it possible by his act of confidence must bear the loss - could not be invoked by the Philippine National Bank. The court finds that the records are replete with irrefutable evidence showing that the true owners of the parcel of land mortgaged have not in any way contributed to the commission of fraud. Neither were they guilty of negligence nor had there been an acquiescence on their part as to make it possible for the fraud to happen, because, as above-stated, the first owner's duplicate copies of Certificates of Title Nos. 10795-P, 16479 and 62507 were not lost, it appearing that same, except the last one which was submitted in the Supreme Court in connection with Administrative Case No. 289, were presented in evidence (Exhs. E-Pichay, et al; E & 5-Papa, et al). Even in the filing of ex-parte petitions for the issuance of a second owner's duplicate copy of the above-mentioned certificates of title in lieu of lost ones, the true owners had no hand in the preparation and presentation of the same but all was done at the instance of the defendant Isaias Celestino. In fact, Cresente Pichay and his co-owners, upon learn-ing thru a letter of demand sent by the bank to them of the said fraudulent transaction filed Civil Case No. U-27 on January 19, 1957. Mercedes Agdoma and his co-owners also filed a complaint for annulment of document on February 7, 1957 (Civil Case No. U-32), after having verified in the office of the register of Deeds the claim of defendant Celestino of the alleged sale of their land. Eugenio Papa and his co-owners, after dis-covering the fraudulent transaction of Celestino which was checked up by their lawyer in the office of the Register of Deeds on January 1957, filed a complaint against Celestino and the bank (Civil Case No. U-34), when their demand upon defendants to cancel or cause the cancellation of Transfer Certificates of Title No. 19622, as well as the mortgage, was not complied with.

"All the above circumstances being considered, this court finds and so holds that the Philippine National Bank, and not the true owners of the property described in Transfer Certificates of Title Nos. 10795-P, 18925 and 19622, should suffer the consequence of these fraudulent trans-actions. Under this situation the recourse of the bank as against the doer, Isaias Celestino, inasmuch as Isaias Celestino is now a party defendant in this foreclosure proceedings and against whom evidence was introduced, he shall be held liable for the payment of various loans in the aggregate amount of P2,825.00, together with the interest thereon at the rate 6%, per annum from the date the corresponding promissory notes were issued, plus 10% of said amount as attorney's fees for which he obligated himself under the terms of the various mortgages."

Very little need be added to the above. Suffice it to say that while it is true that a party who deals with registered land is not required to go beyond what appears upon the face of the certificate of title, it is likewise true that "once

a title is registered the owner may rest secure, without the necessity of waiting in the portals of the court, or sitting in the 'mirador de su casa', to avoid the possibility of losing his land." (Legarda et al., vs. Saleeby 31 Phil. 590, 593).

It is obvious to Us, on the basis of the proven facts, that all proper considerations of justice and equity militate in favor of the appellees, for were we to sustain the Bank's contention, said appellees, without fault of any kind on their part, would lose their lands. On the other hand, the evidence of record shows that the Bank is not entirely without blame. It must therefore suffer the loss.

WHEREFORE, the decision appealed from is affirmed, with costs.

Concepcion, C.J., Reyes, J.B.L., Regala, Makalintal, Bengzon, J.P., Zaldivar, Sanchez, and Castro, JJ., concur.

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.