

RAUL F. SABERON, JR., JOAN F. SABERON AND JACQUELINE SABERON, PETITIONERS, VS. OSCAR VENTANILLA, JR., AND CARMEN GLORIA D. VENTANILLA, RESPONDENTS.

G.R. No. 192669. April 21, 2014

Ponente: MENDOZA, J.

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MENDOZA, J.:

For resolution of the Court is a motion for reconsideration of the Court's January 19, 2011 Resolution[1] which denied the petition of Raul F. Saberon, Jr., Joan F. Saberon and Jacqueline F. Saberon (Saberons). In effect, it affirmed the March 12, 2010 Decision[2] and the June 18, 2010 Resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 85520, holding that the June 21, 2005 Decision of the Regional Trial Court, Branch 80, Quezon City (RTC) in Civil Case No. 96-26486, was correct in, among others, ordering the cancellation of Transfer Certificate of Title (TCT) Nos. 55396 and 55397 in the name of the Saberons and Samuel Marquez (Marquez).

This case is an offshoot of two (2) cases involving the same property, docketed as G.R. No. 82978 and G.R. No. 107282, which had been decided by the Court with finality on November 22, 1990 and March 16, 1994, respectively.

Antecedent Facts

In the earlier cases, Manila Remnant Co., Inc. (MRCI) was the petitioner, being the owner of several parcels of land situated in Quezon City, constituting the subdivision known as Capitol Homes Subdivision Nos. I and II. On July 25, 1972, MRCI entered into a contract with A.U. Valencia & Co. Inc. (AUV) entitled "Confirmation of Land Development and Sales Contract," whereby for a consideration, including sales commission and management fee, the latter was to develop the aforesaid subdivision with authority to manage the sales thereof; execute contracts to sell to lot buyers; and issue official receipts. At that time, the president of AUV, was Artemio U. Valencia (Valencia).

On March 3, 1970, MRCI and AUV executed two (2) contracts to sell covering Lots 1 and 2 of Block 17, in favor of Oscar C. Ventanilla, Jr. and Carmen Gloria D. Ventanilla (Ventanillas), for the combined contract price of P66,571.00 payable monthly for ten (10) years. The Ventanillas paid the down payment as stipulated in the two (2) contracts.

On March 13, 1970, Valencia, holding out himself as president of MRCI, and without the knowledge of the Ventanillas, resold the same property to Carlos Crisostomo (Crisostomo), without any consideration. Valencia transmitted the fictitious contract with Crisostomo to MRCI while he kept the contracts to sell with the Ventanillas in his private office files. All the amounts paid by the latter were deposited in Valencia's bank account and remitted to MRCI as payments of Crisostomo. The Ventanillas continued to pay the monthly installment.

Thereafter, MRCI terminated its business relationship with AUV on account of irregularities discovered in its

collection and remittances. Consequently, Valencia was removed as president by the Board of Directors of MRCI. He then stopped transmitting the Ventanillas' monthly installments which at that time, already amounted to P17,925.40 for Lot 1 and P18,141.95 for Lot 2 (appearing in MRCI's records as credited under the name of Crisostomo).

On June 8, 1973, AUVIC sued MRCI to impugn the abrogation of their agency agreement before the Court of First Instance, Branch 19, Manila (CFI Manila), which eventually ordered all lot buyers to deposit their monthly amortizations with the court. On July 17, 1973, AUVIC informed the Ventanillas that it was still authorized by the trial court to collect the monthly amortizations and requested them to continue remitting their payment, with the assurance that said payments would be deposited later in court.

For AUVIC's failure to forward its collections to the trial court as ordered, MRCI caused the publication of a notice cancelling the contracts to sell of some lot buyers including those of Crisostomo in whose name the payments of the Ventanillas had been credited.

It was not until March 1978 when the Ventanillas discovered Valencia's deception. Believing that they had already remitted the total amount of P73,122.35 for the two lots, the Ventanillas offered to pay the balance to MRCI. To their shock, their names as lot buyers did not appear in MRCI's records. Instead, MRCI showed them a copy of the contract to sell signed by Valencia, in favor of Crisostomo. MRCI refused the Ventanillas' offer to pay for the remainder of the contract price.

Aggrieved, the Ventanillas commenced an action for specific performance, annulment of deeds and damages against MRCI, AUVIC, and Crisostomo with the Court of First Instance, Branch 17-B, Quezon City (CFI Quezon City) docketed as Civil Case No. 26411, where Crisostomo was declared in default for his failure to file an answer.

On November 17, 1980, the CFI Quezon City rendered a decision declaring the contracts to sell in favor of the Ventanillas as valid and subsisting, and annulling the contract to sell in favor of Crisostomo. It ordered the MRCI to execute an absolute deed of sale in favor of the Ventanillas, free from all liens and encumbrances. Damages and attorney's fees in the total amount of P210,000.00 were also awarded to the Ventanillas for which the MRCI, AUVIC, and Crisostomo were held solidarily liable. The CFI Quezon City ruled further that if for any reason the transfer of the lots could not be effected, MRCI, AUVIC and Crisostomo would be solidarily liable to the Ventanillas for the reimbursement of the sum of P73,122.35, representing the amount they paid for the two (2) lots, and the legal interest thereon from March 1970, plus the decreed damages and attorney's fees. Valencia was also held liable to MRCI for moral and exemplary damages and attorney's fees.

On separate appeals filed by AUVIC and MRCI, the CA sustained the CFI Quezon City's decision in toto.

The 1990 Case

MRCI then filed before this Court a petition for certiorari docketed as G.R. No. 82978, to review the decision of the CA upholding the solidary liability of MRCI, AUVIC and Crisostomo for the payment of moral and exemplary damages and attorney's fees to the Ventanillas.

On November 22, 1990, this Court affirmed the decision of the CA and declared the judgment of the CFI Quezon City immediately executory.

Encouraged by the seeming triumph of their cause, the Ventanillas moved for the issuance of a writ of execution in Civil Case No. 26411. The writ was issued on May 3, 1991, and served upon MRCI on May 9, 1991. A notice of levy was annotated in the titles of MRCI on May 31, 1991.

In a manifestation and motion, however, MRCI alleged that the subject properties could not longer be delivered to the Ventanillas because they had already been sold to Samuel Marquez (Marquez) on February 7, 1990, while its petition was pending before this Court. Nevertheless, MRCI offered to reimburse the amount paid by the Ventanillas, including legal interest plus damages. MRCI also prayed that its tender of payment be accepted and that all garnishments on their accounts lifted.

The Ventanillas accepted the amount of P210,000.00 as damages and attorney's fees but rejected the reimbursement offered by MRCI in lieu of the execution of the absolute deed of sale. They contended that the alleged sale to Marquez was void, fraudulent, and in contempt of court and that no claim of ownership over the properties in question had ever been made by Marquez.

On July 19, 1991, the CFI Quezon City ordered that the garnishment made by the Sheriff upon the bank account of MRCI could be lifted only upon the deposit to the Court of the amount of P500,000.00 in cash.

MRCI then moved for reconsideration praying that it be ordered to reimburse the Ventanillas in the amount of P263,074.10 and that the garnishment of its bank deposit be lifted. This plea was denied twice by the trial court prompting MRCI to file another petition for certiorari with the CA, which ruled that the contract to sell in favor of Marquez did not constitute a legal impediment to the immediate execution of the judgment. Furthermore, it held that the cash bond fixed by the trial court for the lifting of the garnishment was fair and reasonable because the value of the lot in question had considerably increased.

The 1994 Case

From the CA, the case was elevated to this Court as G.R. No. 107282 where MRCI argued that the sale of the properties to Marquez was valid because at the time of the sale, the issue of the validity of the sale to the Ventanillas had not yet been resolved. Further, there was no specific injunction against it re-selling the property. As a buyer in good faith, Marquez had a right to rely on the recitals in the certificate of title. The subject matter of the controversy having been passed to an innocent purchaser for value, the execution of the absolute deed of sale in favor of the Ventanillas could not be ordered by the trial court.

The Ventanillas countered that the validity of the sale to them had already been established even while the previous petition was still awaiting resolution. The petition only questioned the solidary liability of MRCI to the Ventanillas. Hence, the portion of the decision ordering MRCI to execute an absolute deed of sale in their favor had already become final and executory when MRCI failed to appeal it to the Court. Thus, an order enjoining MRCI from reselling the property in litigation was unnecessary. Besides, the unusual lack of interest, on the part of Marquez, to protect and assert his right over the disputed property was, to the Ventanillas, a clear indication that the alleged sale to him was merely a ploy of MRCI to evade the execution of the absolute deed of sale in their favor.

On March 16, 1994, the Court settled the controversy in this wise:

The validity of the contract to sell in favor of the Ventanilla spouses is not disputed by the parties. Even in the previous petition, the recognition of that contract was not assigned as error of either the trial court or appellate court. The fact that the MRCI did not question the legality of the award for damages to the Ventanillas also shows that it even then already acknowledged the validity of the contract to sell in favor of the private respondents.

On top of all this, there are other circumstances that cast suspicion on the validity, not to say the very existence, of the contract with Marquez.

First, the contract to sell in favor of Marquez was entered into after the lapse of almost ten years from the

rendition of the judgment of the trial court upholding the sale to the Ventanillas.

Second, the petitioner did not invoke the contract with Marquez during the hearing on the motion for the issuance of the writ of execution filed by the private respondents. It disclosed the contract only after the writ of execution had been served upon it.

Third, in its manifestation and motion dated December 21, 1990, the petitioner said it was ready to deliver the titles to the Ventanillas provided that their counterclaims against private respondents were paid or offset first. There was no mention of the contract to sell with Marquez on February 7, 1990.

Fourth, Marquez has not intervened in any of these proceedings to assert and protect his rights to the subject property as an alleged purchaser in good faith.

At any rate, even if it be assumed that the contract to sell in favor of Marquez is valid, it cannot prevail over the final and executory judgment ordering MRCI to execute an absolute deed of sale in favor of the Ventanillas. No less importantly, the records do not show that Marquez has already paid the supposed balance amounting to P616,000.00 of the original price of over P800,000.00. (Emphasis supplied)

As it turned out, the execution of the judgment in favor of the Ventanillas was yet far from fruition. Samuel Cleofe, Register of Deeds for Quezon City (ROD Cleofe) revealed to them, that on March 11, 1992, MRCI registered a deed of absolute sale to Marquez who eventually sold the same property to the Saberons, which conveyance was registered in July 1992. ROD Cleofe opined that a judicial order for the cancellation of the titles in the name of the Saberons was essential before he complied with the writ of execution in Civil Case No. 26411. Apparently, the notice of levy, through inadvertence, was not carried over to the title issued to Marquez, the same being a junior encumbrance which was entered after the contract to sell to Marquez had already been annotated.

Civil Case No. Q-96-26486

Once again, the Ventanillas were constrained to go to court to seek the annulment of the deed of sale executed between MRCI and Marquez as well as the deed of sale between Marquez and the Saberons, as the fruits of void conveyances. The case was docketed as Civil Case No. Q-96-26486 with the Regional Trial Court, Branch 80, Quezon City (RTC).

During the trial, all the defendants, including Edgar Krohn Jr. (Krohn) as President of MRCI, and Bede Tabalingcos (Tabalingcos) as its legal counsel, filed their respective answers, except Marquez who was declared in default.

On June 21, 2005, the RTC rendered its decision, the dispositive portion of which reads:

Wherefore, premises considered, judgment is hereby rendered in favour of plaintiffs, the spouses Oscar and Carmen Ventanilla, and against defendants MRCI, Krohn, Tabalingcos, Marquez and Saberon, as follows:

(1) Declaring the Transfer Certificated of Title Nos. 55396 and 55397 in the name of Samuel Marquez, and Transfer Certificates of Title Nos. 63140 and 63141 in the names of Raul, Jr., Joan and Jacqueline Saberon as null and void;

(2) Ordering defendant MRCI to receive payment of the balance of the purchase price to be paid by the plaintiffs and to execute a Deed of Absolute Sale in favour of the plaintiffs, and in case of failure thereof, ordering plaintiffs to consign the amount with this Court;

(3) Ordering the Register of Deeds to cancel the titles in the name of Marquez and the Saberons, and to issue new certificates of title in the name of the spouses Ventanillas upon registration of the Deed of Absolute Sale in favour of the plaintiffs or proof of their consignment;

(4) Ordering defendant MRCI, Krohn, Tabalingcos and Marquez to pay plaintiffs, jointly and severally, the sums of:

- P100,000.00, as moral damages; and

- P50,000.00, as attorney's fees.

(5) Ordering defendant MRCI, Krohn, Tabalingcos and Marquez to pay defendants Saberon, jointly and severally, the sum of P7,118,155.88 representing the value of the properties in dispute and the value of the improvements introduced by defendants Saberon; and

(6) Ordering the defendants to pay the costs of the suit.

Defendants' counterclaims are hereby dismissed for lack of merit.

Separate appeals were instituted by MRCI and Tabalingcos, on one hand, and the Sabérons, on the other. The former contended that no fraudulent act could be attributed to them for the sale of the property to the title of Marquez, considering that ROD Cleofe was the one who inadvertently omitted the carrying over of the notice of levy to Marquez who consequently secured a clean title to the lot. MRCI Tabalingcos further claimed that the sale to Marquez was effected while the previous case was still pending, at a time when they had every liberty to believe in the legality of their position.

Meanwhile, the Sabérons relied on one central argument—that they were purchasers in good faith, having relied on the correctness of the certificates of title covering the lots in question; and therefore, holders of a valid and indefeasible title.

In the assailed decision, the CA made its conclusion hinged on the following findings:

When MRCI executed a Contract to Sell in favor of Marquez in February 1990, it was in the throes of an appeal from the Decision in Civil Case No. 26411 where its very first Contracts to Sell to the Ventanillas were upheld over those of Crisostomo. The Marquez Contract to Sell was in fact the third in a row, and registered a year later, on May 21, 1991, appears as the first recorded entry in MRCI's titles. The notice of levy in Civil Case No. 26411 came ten days later, on May 31, 1991. Then, in February 1992, MRCI executed a deed of absolute sale to Marquez and when the new titles were issued in Marquez' name, the notice of levy was not carried over. A few months later, these titles were cancelled by virtue of a deed of sale to the Sabérons and, on the same day, TCT 63140 and 63141 were issued clean to them.

According to the CA, the arguments espoused by MRCI and Tabalingcos were untenable. The said parties were found guilty of bad faith for selling the lots to Marquez at a time when litigation as to the validity of the first sale to the Ventanillas was still pending. In other words, MRCI was sufficiently aware of the Court decision confirming its failure to supervise and control the affairs of its authorized agent, AUVIC, which led to the explicit pronouncement that the first sale to the Ventanillas was valid. This should have served as a warning to MRCI that it could no longer deal with the property in deference to the Court's ruling and affirmation of the trial court's order to execute the deed of sale in favor of the Ventanillas. Obviously, MRCI took no heed of this caveat. The titles had been transferred yet again to the Sabérons, who claimed to be purchasers in good faith. Unfortunately, there was an exception to the general rule. The CA cited *AFP Mutual Benefit Association Inc. v. Santiago*,^[4] where the Court ruled that with respect to involuntary liens, an entry of a notice of levy and attachment in the primary entry or day book of the Registry of Deeds was considered as sufficient notice to all persons that the land was already subject to attachment. Resultantly, attachment was duly perfected and bound the land.

The Present Petition

Aggrieved by this CA ruling, the Sabérons filed the present petition. They claimed that in 1992, a certain Tiks

Bautista offered the lots to Raul Saberon, who, after being given photocopies of the titles to the land, inquired with the Registry of Deeds for Quezon City (ROD-QC) to verify the authenticity of the same. He found no encumbrances or annotations on the said titles, other than restrictions for construction and negotiation. As agreed upon, he paid Marquez the amount of Two Million One Hundred Thousand Pesos (P2,100,000.00) as purchase price for the lots. Upon payment of the real property taxes, a certification was issued by the Office of the City Treasurer for the purpose of transferring the title over the property.

Thereafter, Marquez executed the Deed of Absolute Sale in favor of the Saberons. The ROD-QC then issued TCT Nos. 63140 and 63141 in their names.

Unknown to the Saberons, the former owner of the properties had entered into contracts to sell with the Ventanillas, way back in 1970. It was only upon receipt of the summons in the case filed by the Ventanillas with the RTC that they learned of the present controversy.

With the RTC and the CA rulings against their title over the properties, the Saberons now come to the Court with their vehement insistence that they were purchasers in good faith and for value. Before purchasing the lots, they exercised due diligence and found no encumbrance or annotations on the titles. At the same time, the Ventanillas also failed to rebut the presumption of their good faith as there was no showing that they confederated with MRCI and its officers to deprive the Ventanillas of their right over the subject properties.

According to the Saberons, the CA likewise erred in ruling that there was no constructive notice of the levy made upon the subject lands. They claimed that the appellate court could not solely rely on *AFP Mutual Benefit Association Inc. v. Santiago*.^[5] Instead, they urged the Court to interpret Sections 52 and 42 of Presidential Decree (P.D.) No. 1529 which cover the effects of registration and the manner thereof; and to examine Section 54 which shows that, in addition to the filing of the instrument creating, transferring or claiming interest in registered land less than ownership, a brief memorandum of such shall be made by the Register of Deeds on the certificate of title and signed by him. Hence, the ruling in *AFP*, that an entry of a notice of levy and attachment in the primary entry or day book of the Registry of Deeds was sufficient notice to all persons that the land was already subject to such attachment, would be rendered as a superfluity in light of the mandatory character of the said provision.

The Saberons further pointed that the claim of the Ventanillas over the subject properties never ripened into ownership as they failed to consign the balance on the purchase price stipulated on the contracts to sell, thus preventing the obligatory force of the contract from taking effect.

On October 4, 2010, the Court required the Ventanillas to file their comment to the petition.^[6] On January 19, 2011, the Court resolved to deny the Saberons' petition for failure to sufficiently show any reversible error in the assailed judgment by the CA.^[7] In its June 15, 2011 Resolution,^[8] the Court required the Ventanillas to comment on the motion for reconsideration filed by the Saberons.

Resolution of the Court

At first glance, it would seem that the case involves convoluted issues brought about by the number of times the Ventanillas were impelled by circumstances to seek judicial action. Nonetheless, the antecedents would readily reveal that the essential facts are not disputed: 1) that the subject properties have indeed been the objects of various transfers effected by MRCI leading to the current controversy between the Saberons and the Ventanillas; and 2) that prior to the sale to the Saberons, a notice of levy as an encumbrance was already in existence.

Sections 51 and 52 of P.D. No. 1529 explain the purpose and effects of registering both voluntary and involuntary instruments, to wit:

Section 51. Conveyance and other dealings by registered owner. An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

Section 52. Constructive notice upon registration. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

These provisions encapsulate the rule that documents, like the certificates of title do not effect a conveyance of or encumbrances on a parcel of land. Registration is the operative act that conveys ownership or affects the land insofar as third persons are concerned. By virtue of registration, a constructive notice to the whole world of such voluntary or involuntary instrument or court writ or processes, is thereby created.

The question of utmost relevance to this case, then, is this: whether or not the registration of the notice of levy had produced constructive notice that would bind third persons despite the failure of the ROD-QC to annotate the same in the certificates of title?

In answering these questions, the Court is beckoned to rule on two conflicting rights over the subject properties: the right of the Ventanillas to acquire the title to the registered land from the moment of inscription of the notice of levy on the day book (or entry book), on one hand; and the right of the Saberons to rely on what appears on the certificate of title for purposes of voluntary dealings with the same parcel of land, on the other.

The Saberons maintain that they had no notice of any defect, irregularity or encumbrance in the titles of the property they purchased. In its decision, however, the RTC pointed out that their suspicion should have been aroused by the circumstance that Marquez, who was not engaged in the buy-and-sell business and had the property for only a few months, would offer the same for sale. Although the RTC found that the Saberons may not be considered as innocent purchasers for value because of this circumstance, it, nonetheless, ruled that they, who might well be unwilling victims of the fraudulent scheme employed by MRCI and Marquez, were entitled to actual and compensatory damages.

To this latter finding, the Court agrees. The Saberons could not be said to have authored the entanglement they found themselves in. No fault can be attributed to them for relying on the face of the title presented by Marquez. This is bolstered by the fact that the RTC decision shows no categorical finding that the Saberons' purchase of the lots from Marquez was tainted with bad faith. That the Saberons should have harbored doubts against Marquez is too high a standard to impose on a buyer of titled land. This is in consonance to the rule that the one who deals with property registered under the Torrens system is charged with notice only of such burdens and claims as are annotated on the title.^[9] "All persons dealing with property covered by Torrens certificate of title are not required to explore further than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto."^[10] These rules remain as essential features of the Torrens system. The present case does not entail a modification or overturning of these principles.

Be that as it may, no fault can likewise be imputed to the Ventanillas.

In ultimately ruling for the Ventanillas, the courts a quo focused on the superiority of their notice of levy and the constructive notice against the whole world which it had produced and which effectively bound third persons including the Saberons.

It has already been established in the two previous cases decided by the Court that the contracts to sell executed in favor of the Ventanillas are valid and subsisting. Clearly, it has been acknowledged, even by MRCI, as can be seen in the latter's own choice to only question their solidary liability in the 1990 case and its failure to assign the same as an error in the 1994 case. In the same vein, the issue on Marquez's title had already been passed upon and settled in the 1994 case. That he purchased the lots prior to the annotation of the notice of levy in MRCI's title was of no moment. In fact, the Court explicitly declared that MRCI's transaction with Marquez "cannot prevail over the final and executory judgment ordering MRCI to execute an absolute deed of sale in favor of the Ventanillas."

These favorable findings prompted the Ventanillas to register the notice of levy on the properties. The records show that on the strength of a final and executory decision by the Court, they successfully obtained a writ of execution from the RTC and a notice of levy was then entered, albeit on the primary entry book only. The contract to sell to Marquez was registered on May 21, 1991, while the notice of levy was issued ten (10) days later, or on May 31, 1991. In February 1992, MRCI executed the Deed of Sale with Marquez, under whose name the clean titles, sans the notice of levy, were issued. A year later, or on March 11, 1992, MRCI registered the deed of sale to Marquez who later sold the same property to the Saberons.

This complex situation could have been avoided if it were not for the failure of ROD Cleofe to carry over the notice of levy to Marquez's title, serving as a senior encumbrance that might have dissuaded the Saberons from purchasing the properties.

The Court agrees with the position of the RTC in rejecting ROD Cleofe's theory.

Distinctions between a contract to sell and a contract of sale are well-established in jurisprudence. In a contract of sale, the title to the property passes to the vendee upon the delivery of the thing sold; in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price. Otherwise stated, in a contract of sale, the vendor loses ownership over the property and cannot recover it until and unless the contract is resolved or rescinded; whereas, in a contract to sell, title is retained by the vendor until full payment of the price. In the latter contract, payment of the price is a positive suspensive condition, failure of which is not a breach but an event that prevents the obligation of the vendor to convey title from becoming effective.[11]

It is undeniable, therefore, that no title was transferred to Marquez upon the annotation of the contract to sell on MRCI's title. As correctly found by the trial court, the contract to sell cannot be substituted by the Deed of Absolute Sale as a "mere conclusion" of the previous contract since the owners of the properties under the two instruments are different.[12] Considering that the deed of sale in favor of Marquez was of later registration, the notice of levy should have been carried over to the title as a senior encumbrance.

Corollary to this is the rule that a levy of a judgment debtor creates a lien, which nothing can subsequently destroy except the very dissolution of the attachment of the levy itself.[13] Prior registration of the lien creates a preference, since the act of registration is the operative act to convey and affect the land.[14] Jurisprudence dictates that the said lien continues until the debt is paid, or the sale is had under an execution issued on the judgment or until the judgment is satisfied, or the attachment is discharged or vacated in the same manner provided by law. Under no law, not even P.D. No. 1529, is it stated that an attachment shall be discharged upon sale of the property other than under execution.[15]

Additionally, Section 59 of P.D. No. 1529 provides that, “[i]f, at the time of the transfer, subsisting encumbrances or annotations appear in the registration book, they shall be carried over and stated in the new certificate or certificates, except so far as they may be simultaneously released or discharged.” This provision undoubtedly speaks of the ministerial duty on the part of the Register of Deeds to carry over existing encumbrances to the certificates of title.

From the foregoing, ROD Cleofe’s theory that a deed of sale, as a mere conclusion of a contract to sell, turns into a senior encumbrance which may surpass a notice of levy, has no leg to stand on. It was, in fact, properly rejected by the courts a quo. Verily, the controversy at hand arose not from the Ventanillas’ fault, but from ROD Cleofe’s misplaced understanding of his duty under the law.

Surely, the Ventanillas had every right to presume that the Register of Deeds would carry over the notice of levy to subsequent titles covering the subject properties. The notice was registered precisely to bind the properties and to serve as caution to third persons who might potentially deal with the property under the custody of the law. In *DBP v. Acting Register of Deeds of Nueva Ecija*,^[16] the Court ruled that entry alone produced the effect of registration, whether the transaction entered was a voluntary or involuntary one, so long as the registrant had complied with all that was required of him for purposes of entry and annotation, and nothing more remained to be done but a duty incumbent solely on the Register of Deeds.

While the Court is not unmindful that a buyer is charged with notice only of such burdens and claims as are annotated on the title, the RTC and the CA are both correct in applying the rule as to the effects of involuntary registration. In cases of voluntary registration of documents, an innocent purchaser for value of registered land becomes the registered owner, and, in contemplation of law the holder of a certificate of title, the moment he presents and files a duly notarized and valid deed of sale and the same is entered in the day book and at the same time he surrenders or presents the owner's duplicate certificate of title covering the land sold and pays the registration fees, because what remains to be done lies not within his power to perform. The Register of Deeds is duty bound to perform it.^[17] In cases of involuntary registration, an entry thereof in the day book is a sufficient notice to all persons even if the owner's duplicate certificate of title is not presented to the register of deeds. Therefore, in the registration of an attachment, levy upon execution, notice of lis pendens, and the like, the entry thereof in the day book is a sufficient notice to all persons of such adverse claim.^[18]

This rule was reiterated in the more recent case of *Armed Forces and Police Mutual Benefit Association, Inc., v. Santiago*,^[19] as relied upon by the CA. In *AFP*, the Notice of Levy was presented for registration in the Registry of Deeds of Pasig City. The Notice was entered in the Primary Entry Book, but was not annotated on the TCT because the original copy of the said title on file in the Registry of Deeds was not available at that time. Six (6) days after the presentation of the Notice of Levy, the Deed of Absolute Sale involving the same parcel of land was presented for registration and likewise entered. The deed of sale was examined by the same employee who examined the notice of levy, but she failed to notice that the title subject of the sale was the same title which was the subject of the notice of levy earlier presented. Unaware of the previous presentation of the notice of levy, the Register of Deeds issued a certificate of title in the name of the vendee on the basis of the deed of sale. The Register of Deeds in *AFP* immediately requested the vendee to surrender the documents in light of the mistake discovered so that he could take appropriate rectification or correction. Settling the issue on whether the notice of levy could be annotated in the certificate of title, the Court ruled in the affirmative on the ground that the preference created by the levy on attachment was not diminished by the subsequent registration of the prior sale. Superiority and preference in rights were given to the registration of the levy on attachment; although the notice of attachment had not been noted on the certificate of title, its notation in the book of entry of the Register of Deeds produced all the effects which the law gave to its registration or inscription, to wit:

...Under the rule of notice, it is presumed that the purchaser has examined every instrument of record affecting the title. Such presumption is irrebuttable. He is charged with notice of every fact shown by the record and is presumed to know every fact shown by the record and to know every fact which an examination of the record would have disclosed. This presumption cannot be overcome by proof of innocence or good faith. Otherwise, the very purpose and object of the law requiring a record would be destroyed. Such presumption cannot be defeated by proof of want of knowledge of what the record contains any more than one may be permitted to show that he was ignorant of the provisions of the law. The rule that all persons must take notice of the facts which the public record contains is a rule of law. The rule must be absolute; any variation would lead to endless confusion and useless litigation. For these reasons, a declaration from the court that respondent was in bad faith is not necessary in order that the notice of levy on attachment may be annotated on TCT No. PT-94912.

The fact that the notice of levy on attachment was not annotated on the original title on file in the Registry of Deeds, which resulted in its non-annotation on the title TCT No. PT-94912, should not prejudice petitioner. As long as the requisites required by law in order to effect attachment are complied with and the appropriate fees duly paid, attachment is duly perfected. The attachment already binds the land. This is because what remains to be done lies not within the petitioner's power to perform but is a duty incumbent solely on the Register of Deeds. (Emphasis supplied)

In the case at bench, the notice of levy covering the subject property was annotated in the entry book of the ROD QC prior to the issuance of a TCT in the name of the Saberons. Clearly, the Ventanillas' levy was placed on record prior to the sale. This shows the superiority and preference in rights of the Ventanillas over the property as against the Saberons. In AFP, the Court upheld the registration of the levy on attachment in the primary entry book as a senior encumbrance despite the mistake of the ROD, the Court must, a fortiori, sustain the notice of levy registered by the Ventanillas notwithstanding the nonfeasance of ROD Cleofe. Again, the prevailing rule is that there is effective registration once the registrant has fulfilled all that is needed of him for purposes of entry and annotation, so that what is left to be accomplished lies solely on the Register of Deeds.[20]

Suffice it to say, no bad faith can be ascribed to the parties alike. Nevertheless, the equal footing of the parties necessarily tilts in favor of the superiority of the Ventanillas' notice of levy, as discussed.

The Court also sees no reason to dwell in the contention that the rights or interests of the Ventanillas in the subject properties never ripened into ownership. It bears stressing that the previous decisions discussed herein already sealed the validity of the contract to sell issued to the Ventanillas decades ago. As found by the RTC, it was MRCI's obstinate refusal to accept their tender of payment, not to mention the devious transfer of the property, which caused the decade-long delay of the execution of the deed of sale in their favor. This is a finding that the Court, which is not a trier of facts, will have to respect.

In the same vein, the attribution of laches against the Ventanillas is flawed. Their failure to learn about the structures being built on the subject lands and the payment of real property taxes by the Saberons is not sufficient justification to withhold the declaration of their ownership over it. Against a different factual milieu, laches may be said to have set it but not so in this case. While the Ventanillas may have been unaware that improvements were being erected over the lots, this obliviousness can, by no means, be treated as a lack of vigilance on their part. It bears stressing that the Ventanillas are now of advanced age and retired as university professors. Considering the length of litigation which they had to endure in order to assert their right over the property which they have painstakingly paid for decades ago, to hold now that they have been remiss in the protection of their rights would be the height of impropriety, if not injustice. To exact from them an obligation to visit the land in litigation every so often, lest they be held to have slept on their rights, is iniquitous and unreasonable. All told, the Ventanillas remain as innocent victims of deception.

The Court deems it significant to note that the amount of P7,118,115.88 awarded to the Saberons by the RTC is to be satisfied by MRCI, Krohn, Tabalingcos, and Marquez, who have not been impleaded as parties to the present petition, thus, rendering the said award final and executory. The said amount, however, is separate and distinct from those provided under Article 448[21] in relation to Article 546[22] of the Civil Code. In the petition, the Saberons invoked the said provisions, claiming that they are entitled to reimbursement of all the expenses incurred in the introduction of improvements on the subject lands amounting to P23,058,822.79.

The Court finds the Saberons to be builders in good faith.

No less than the court a quo observed that “no actual evidence that the Saberons connived with the MRCI and Marquez to have the titles registered in their names to the prejudice of the (Ventanillas)” and that what was obvious was that “the Saberons dealt with clean certificates of titles.” Also quite telling on this point is the finding that MRCI, Krohn, Tabalingcos, and Marquez are liable to the Saberons. The RTC reasoned out in the following wise:

This Court is not convinced, however that defendants Saberon took part in the fraudulent scheme employed by the other defendants against the plaintiffs. Although they may not be considered as innocent purchasers for value shown in the discussion above, this Court is not ready to conclude that the Saberons joined the other defendants in their efforts to frustrate plaintiffs’ rights over the disputed properties. On the contrary, they may be considered victims of the same fraudulent employed by defendants MRCI and Marquez, and thus can rightfully claim damages from the same.[23]

Consequently, Article 448 in relation to Article 546 of the Civil Code will apply. The provisions respectively read:

Article 448. The owner of the land on which anything has been built, sow or planted in good faith, shall have the right to appropriate, as his own the works, sowing, or planting, after payment of the indemnity provided for in Article 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land and if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the building or trees after proper indemnity. The parties shall agree upon the terms of the lease and in case disagreement, the court shall fix the terms thereof.

Article 546. Necessary expenses shall be refunded to every possessor; but only the possessor in good faith may retain the thing until he has been reimbursed therefore.

Useful expenses shall be refunded only to the possessor in good faith with the same right of retention, the person who has defeated him in the possession having the option of refunding the amount of the expenses or of paying the increase in value which the thing may have acquired by reason thereof.

Thus, the two options available to the Ventanillas: 1) they may exercise the right to appropriate after payment of indemnity representing the value of the improvements introduced and the necessary and useful expenses defrayed on the subject lots; or 2) they may forego payment of the said indemnity and instead, oblige the Saberons to pay the price of the land.

Should the Ventanillas elect to appropriate the improvements, the trial court is ordered to determine the value of the improvements and the necessary and useful expenses after hearing and reception of evidence. Should the Ventanillas, however, pursue the option to oblige the Saberons to pay the “price of the land,” the trial court is ordered to determine said price to be paid to the Ventanillas.

WHEREFORE, the Motion for Reconsideration is **PARTIALLY GRANTED**. The appealed March 12, 2010 Decision and the June 18, 2010 Resolution of the Court of Appeals in CA-G.R. CV No. 85520 are **AFFIRMED**

with modification in that the Ventanillas are given a period of sixty (60) days from finality of this Resolution to decide whether to pay the Saberons the value of the improvements and the necessary and useful expenses defrayed on the 2 lots or to oblige the Saberons to pay them the “price” of said lots. Depending on the option exercised by the Ventanillas, the case is hereby remanded to the court of origin for further proceedings as to the determination of reimbursement due to the petitioners or of the “price” of the subject lots due to the Ventanillas.

SO ORDERED.

Peralta, Abad, and Leonen, JJ., concur.

Velasco, Jr., (Chairperson), J., I concur in the result, please see seaprate opinion.

May 2, 2014

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on ___April 21, 2014___ a Decision, copy attached herewith, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on May 2, 2014 at 3:15 p.m.

Very truly yours,

(SGD)

LUCITA ABJELINA SORIANO

Division Clerk of Court

[1] Rollo, p. 191.

[2] Id. at 50-59.

[3] Id. at 60-61.

[4] 578 Phil. 609 (2008).

[5] Id.

[6] Rollo, p. 140.

[7] Id. at 191.

[8] Id. at 249.

[9] Caviles, Jr. v. Bautista, 377 Phil. 25 (1999).

[10] Centeno v. Court of Appeals, 224 Phil. 91 (1985).

[11] Spouses Torrecampo v. Alindogan, 545 Phil. 686 (2007), citing Salazar v. Court of Appeals, 327 Phil. 944 (1996).

[12] Rollo, p. 131.

[13] Spouses Chua v. Hon. Pedro Gutierrez, G.R. No. 172316, December 8, 2010, 637 SCRA 552, citing Valdevieso v. Damalerio, 492 Phil. 51 (2005).

[14] *Lavides v. Pre and CA*, 419 Phil. 665 (2001).

[15] *Padcom Condominium Corporation v. Ortigas Center Association, Inc.*, 431 Phil. 830 (2002).

[16] 245 Phil. 492 (1988).

[17] *Garcia v. Gozon*, 184 Phil. 358 (1980). citing *Levin v. Bass*, 91 Phil. 420 (1952).

[18] *Caviles, Jr. v. Evelyn T. Bautista*, supra note 9 (1999), citing *Levin v. Bass*, 91 Phil. 419, 437 (1952).

[19] Supra note 4.

[20] *National Housing Authority v. Augusto Basa, Jr.*, G.R. No. 149121, April 20, 2010, 618 SCRA 461

[21] The owner of the land on which anything has been built, sown or planted in good faith, shall have the right to appropriate, as his own the works, sowing, or planting, after payment of the indemnity provided for in Articles 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land and if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the building or trees after proper indemnity. The parties shall agree upon the terms of the lease and in case of disagreement, the court shall fix the terms thereof

[22] Necessary expenses shall be refunded to every possessor; but only the possessor in good faith may retain the thing until he has been reimbursed therefore.

Useful expenses shall be refunded only to the possessor in good faith with the same right of retention, the person who has defeated him in the possession having the option of refunding the amount of the expenses or of paying the increase in value which the thing may have acquired by reason thereof.

[23] *Rollo*, p. 136.

SEPARATE OPINION

VELASCO, JR., J.:

The facts are undisputed. On May 31, 1991, after the Decision of this Court in *Manila Remnant Co., Inc. v. Court of Appeals*[1] had become final and executory and after a writ of execution had been issued by the trial court relative thereto, the respondent Ventanillas caused the entry of a notice of levy covering the subject properties in Civil Case No. Q-96-26486 on the primary entrybook of the Registry of Deeds in Quezon City. However, due to inadvertence on the part of the registry, the said entries were never carried over and as a result, the necessary annotations pertaining to the notice do not appear on the face of Transfer Certificate Title Nos. 55396 and 55397 in the name of Samuel Marquez.

When Marquez sold the property to the Saberons, the latter verified the authenticity of the aforementioned titles with the Register of Deeds in Quezon City. Finding no encumbrance or annotations on the said titles, the Saberons purchased the lots from Marquez for value and in good faith. Thus, TCT Nos. 63140 and 63141 were issued to the Saberons on July 8, 1992 devoid of any notice of levy in connection with Civil Case No. Q-96-26486.

The construction of two houses was finished on the disputed lots without any protest or objection from the Ventanillas. It was only in early 1996 that the Ventanillas filed a complaint with the trial court asserting ownership over said properties. More than three years had passed before the titles of the Saberons were

challenged by the Ventanillas and only after a substantial amount of money had been spent on the construction of the two houses.

The majority opinion is anchored on the Court's ruling in *Armed Forces and Police Mutual Benefit Association, Inc. v. Santiago*[2] (Armed Forces case) wherein it was held that the mere entry of the notice of levy in the primary entry book of the Registry of Deeds constitutes sufficient notice to all persons, including the petitioners, that the land is already encumbered.

Case law reveals that entry alone in the daybook of the Registry of Deeds is sufficient to constitute registration of a voluntary or an involuntary transaction, so long as the registrant has complied with all that is required of him for purposes of entry and annotation and nothing more remains to be done but a duty incumbent solely on the Register of Deeds.[3] This finds basis in Section 56 of PD 1529 or the Property Registration Decree, which reads:

Section 56. Primary Entry Book; fees; certified copies. Each Register of Deeds shall keep a primary entry book in which, upon payment of the entry fee, he shall enter, in the order of their reception, all instruments including copies of writs and processes filed with him relating to registered land. He shall, as a preliminary process in registration, note in such book the date, hour and minute of reception of all instruments, in the order in which they were received. They shall be regarded as registered from the time so noted, and the memorandum of each instrument, when made on the certificate of title to which it refers, shall bear the same date: Provided, that the national government as well as the provincial and city governments shall be exempt from the payment of such fees in advance in order to be entitled to entry and registration.

Every deed or other instrument, whether voluntary or involuntary, so filed with the Register of Deeds shall be numbered and indexed and endorsed with a reference to the proper certificate of title. All records and papers relative to registered land in the office of the Register of Deeds shall be open to the public in the same manner as court records, subject to such reasonable regulations as the Register of Deeds, under the direction of the Commissioner of Land Registration, may prescribe.

All deeds and voluntary instruments shall be presented with their respective copies and shall be attested and sealed by the Register of Deeds, endorsed with the file number, and copies may be delivered to the person presenting them.

Certified copies of all instruments filed and registered may also be obtained from the Register of Deeds upon payment of the prescribed fees." (Emphasis supplied.)

Verily, the date of entry is to be regarded as the date of registration of a transaction or lien covering real property. Registration has the effect of putting the whole world on constructive notice of the existence of the instrument entered.[4]

On the other hand, the Sabérons rely on the long line of jurisprudence protecting the right of buyers in good faith and for value who relied on the four corners of the title, thus:

[A] person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further except 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. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith and, hence, does not merit the protection of the law."[5] (Emphasis supplied.)

Indeed the established rule is every person dealing with registered land may safely rely on the correctness of the

certificate of title and is no longer required to look behind the certificate in order to determine the rights of the registered owner. Otherwise it would deviate from the evident purpose of Section 44 of PD No. 1529 which provides:

“Sec. 44. Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser for value and in good faith, shall hold the same free from all encumbrances except those noted in said certificate and any of the following encumbrances which may be subsisting, namely: x x x”

Thus the prospective buyer is not required to explore deeper and further than what the title indicates for hidden defects.

Ergo, there is a clash between the principles of purchaser for value and in good faith and that of constructive notice under Sec. 56 of PD No. 1529.

While the doctrine in the Armed Forces case is the prevailing jurisprudence, I submit that said doctrine must be revisited in order to give meaning to the mantle of protection accorded to buyers in good faith. The pertinent ruling in the Armed Forces case reads:

Respondent cannot be considered an innocent purchaser for value. Under the rule of notice, it is presumed that the purchaser has examined every instrument of record affecting the title. Such presumption is irrebuttable. He is charged with notice of every fact shown by the record and is presumed to know every fact shown by the record and to know every fact which an examination of the record would have disclosed. This presumption cannot be overcome by proof of innocence or good faith. Otherwise, the very purpose and object of the law requiring a record would be destroyed. Such presumption cannot be defeated by proof of want of knowledge of what the record contains any more than one may be permitted to show that he was ignorant of the provisions of the law. The rule that all persons must take notice of the facts which the public record contains is a rule of law. The rule must be absolute; any variation would lead to endless confusion and useless litigation. For these reasons, a declaration from the court that respondent was in bad faith is not necessary in order that the notice of levy on attachment may be annotated on TCT No. PT-94912.[6] (Emphasis supplied.)

A strict application of the principle in the Armed Forces case would render inutile the doctrine that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the four corners of the certificate to determine the condition of the property. Said doctrine must be harmonized with the principle of innocent purchaser for value and good faith who relies on a clean title. Otherwise, all persons dealing with real property are now required to check with the Registry of Deeds for any registered voluntary deed or instrument or involuntary lien that may not have been carried over from the entry book to the titles through inadvertence even though there are no apparent indications of its existence. The practical considerations for this rather tedious requirement would include the physical accessibility of all the entry books to the prospective buyers. Moreover, all the pertinent entry books may no longer be available as it is not unheard of for such records to have been lost or ruined by some unfortunate circumstance. In addition, even if so available, there is currently no standard on how far back in terms of prior ownerships of the land should the buyer trace when examining the records. If the title of the prospective seller was issued 30 years ago, the interested buyer is required to verify from all the entry books for three decades whether a transaction or lien was registered therein affecting said title. This is definitely absurd. Last but not most important, the prospective buyer will spend much time and money just to comply with this ridiculous requirement.

This unreasonable requirement of checking with the entry book would erode the public's confidence in the Torrens system and render illusory the safeguard provided to prospective buyers who have no actual knowledge and have no reason to believe that the properties they are acquiring are in fact encumbered. Trust in the Torrens system has been founded on the plethora of jurisprudence protecting not only the prior registrant but also the

buyer in good faith. Failure to properly balance their rights would turn every real estate purchase into a virtual gamble since there is never a guarantee that another person has already secured a superior right despite being presented with a clean title. What reliance can then be made on the certificate of titles regarding the condition of real properties if confirmation with the entry book is more controlling? A strict application of the doctrine in the Armed Forces case will have far-reaching implications that could substantially alter the terrain of the real estate market, prejudice businesses and even pull down the economy of the country.

This absurd situation can be remedied by harmonizing the doctrine of constructive notice in Armed Forces with the principle of the buyer in good faith and for value. After all, the rationale in the case—that what remained to be done is out of the control of the registrant and rests solely on the Registry of Deeds—is equally applicable to the buyer in good faith since nothing more could have been expected to be done on his part after seeing that there are no annotations on the title shown to them relative to any encumbrance on the property.

To harmonize the seeming clash between the two principles, I submit that while the buyer is charged with constructive notice, a person who registered the voluntary instrument or the involuntary lien has the duty and responsibility to ensure that the Office of the Register of Deeds annotate the transaction or lien on the title on file with said office within a reasonable period of time from registration in the primary entry book, say six (6) months from date of registration. If the registrant fails or refuses to do so and the title is transferred to a person without said deed or lien carried over on the title, then said registrant can be declared in laches and the transferor who buys the lot subject of said title in good faith and for value will have a superior and better right than the registrant.

The fact of the matter is that the Armed Forces case is not a precedent to the instant case. In the Armed Forces case, the Notice of Levy was recorded in the entry book of the registry on September 14, 1994. On September 20, 1994, a Deed of Absolute Sale in favor of Ines Santiago covering the contested property was registered with the Registry of Deeds and the corresponding title was issued in her favor. A little more than a month later, or on October 24, 1994, the inconsistency in the records of the Registry of Deeds was already detected and demand letters were immediately sent to Santiago asking her to surrender the title over the contested property. In the instant case, however, the facts are dissimilar to that of the Armed Forces case. Because of laches attributable to the Ventanillas by not seeing to it that the notice of levy is annotated on the titles of Manila Remnant Co., Inc., said lien was not in turn annotated on the titles of Marquez, the latter was able to transfer the lots subject of the clean titles to the Saberons. Unlike in Armed Forces, because of the non-annotation of the notice of levy, Marquez was able to transfer a clean title to the Saberons. There lies the difference. The Saberons, as transferees in good faith and for value were issued clean titles untainted by the un-annotated notice of levy. That is why they assert that they have better rights than the Ventanillas.

Moreover, the Ventanillas, by sleeping on their rights, allowed laches to set in and was raised as a ground to bar their claim against the Saberons. In general, laches is the failure or neglect, for an unreasonable and unexplained length of time, to do that which—by the exercise of due diligence—could or should have been done earlier.[7] It is the negligence or omission to assert a right within a reasonable period, warranting the presumption that the party entitled to assert it has either abandoned or declined to assert it.[8] Under this time-honored doctrine, relief has been denied to litigants who, by sleeping on their rights for an unreasonable length of time—either by negligence, folly or inattention—have allowed their claims to be stale.[9] *Vigilantibus, sed non dormientibus, jura subveniunt*. The law aids the vigilant, not those who slumber on their rights.[10]

The following are the essential elements of laches:

1)

Conduct on the part of the defendant that gave rise to the situation complained of; or the conduct of another which

the defendant claims gave rise to the same;

2)

Delay by the complainant in asserting his right after he has had knowledge of the defendant's conduct and after he has had the opportunity to sue;

3)

Lack of knowledge by or notice to the defendant that the complainant will assert the right on which he bases his suit; and

4)

Injury or prejudice to the defendant in the event relief is accorded to the complainant.[11]

In sum, while the registration of the voluntary deed or involuntary lien in the primary entry book is considered constructive notice to the whole world, more particularly to any prospective buyer of the lot subject thereof, the registrant of such voluntary instrument or involuntary lien shall not have a superior right over the lot as against a subsequent transferee of the lot to whom a clean title is issued if said registrant fails to have said registered deed or lien annotated at the back of the title within six (6) months from date of registration in the entry book. Laches shall be a bar to the right of the registrant.

In a future case, the rigid ruling in *Armed Forces* has to be modified accordingly and relaxed.

On another note, it is my view that the *Ventanillas* may also be guilty of laches in not preventing the *Saberons* from constructing the two houses on the disputed lots. While one should commiserate with the *Ventanillas* in the deprivation of the ownership of their lots, the facts of the case reveal that the *Ventanillas* did not assert their rights of ownership over the lots within a reasonable period of time. They failed to take possession of, use, and regularly inspect the lots or maintain a caretaker or undertake measures to prevent trespassers from occupying the land for a period of more than three (3) years until they filed the complaint in early 1996. As a result of the inaction of the *Ventanillas*, the *Saberons* were able to construct a house on each of the two lots. Clearly, the *Ventanillas* slept on their rights and allowed laches to set in. Had the *Ventanillas* prevented the construction of the two houses, then the issue on the value of the improvements would not have ripened into a dispute and the *Saberons* would not have suffered damages.

It is beyond doubt that the *Saberons* are builders in good faith for which they should, under the law, be compensated with the replacement value of the houses at the present fair market value.

I concur in the result.

[1] G.R. No. 82978, November 22, 1990, 191 SCRA 622.

[2] G.R. No. 147559, June 27, 2008, 556 SCRA 46.

[3] *Armed Forces and Police Mutual Benefit Association, Inc. v. Santiago*, G.R. No. 147559, June 27, 2008, 556 SCRA 46, 57.

[4] PD 1529, Sec. 52.

[5] *Sandoval v. Court of Appeals*, G.R. No. 106657, August 1, 1996, 260 SCRA 283, 295.

[6] *Id.*, Secs. 56-57.

- [7] Ramos v. Heirs of Ramos Sr., G.R. No. 140808, April 25, 2002, 381 SCRA 594.
- [8] Catholic Bishop of Balaga v. Court of Appeals, G.R. No. 112519, November 14, 1996.
- [9] Josefa Mendoza v. Teodora Cayas, Nos. L-8562-8563, December 17, 1955.
- [10] Marcelino v. Court of Appeals, G.R. No. 94422, June 26, 1992, 210 SCRA 444, 447.
- [11] Jison v. Court of Appeals, 350 Phil 138, 183 (1998).

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