

THE HEIRS OF VICTORINO SARILI, NAMELY: ISABEL A. SARILI, MELENCIA S. MAXIMO, ALBERTO A. SARILI, IMELDA S. HIDALGO, ALL HEREIN REPRESENTED BY CELSO A. SARILI, PETITIONERS, VS. PE...

G.R. No. 193517. January 15, 2014

Ponente: PERLAS-BERNABE, J.

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PERLAS-BERNABE, J.:

Assailed in this petition for review on certiorari[1] are the Decision[2] dated May 20, 2010 and Resolution[3] dated August 26, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 76258 which: (a) set aside the Decision[4] dated May 27, 2002 of the Regional Trial Court of Caloocan City, Branch 131 (RTC) in Civil Case No. C-19152; (b) cancelled Transfer Certificate of Title (TCT) No. 262218[5] in the name of Victorino Sarili (Victorino) married to Isabel Amparo (Sps. Sarili); (c) reinstated TCT No. 55979[6] in the name of respondent Pedro F. Lagrosa (respondent); and (d) awarded respondent moral damages, attorney's fees and litigation expenses.

The Facts

On February 17, 2000, respondent, represented by his attorney-in-fact Lourdes Labios Mojica (Lourdes) via a special power of attorney dated November 25, 1999[7] (November 25, 1999 SPA), filed a complaint[8] against Sps. Sarili and the Register of Deeds of Caloocan City (RD) before the RTC, alleging, among others, that he is the owner of a certain parcel of land situated in Caloocan City covered by TCT No. 55979 (subject property) and has been religiously paying the real estate taxes therefor since its acquisition on November 29, 1974. Respondent claimed that he is a resident of California, USA, and that during his vacation in the Philippines, he discovered that a new certificate of title to the subject property was issued by the RD in the name of Victorino married to Isabel Amparo (Isabel), i.e., TCT No. 262218, by virtue of a falsified Deed of Absolute Sale[9] dated February 16, 1978 (February 16, 1978 deed of sale) purportedly executed by him and his wife, Amelia U. Lagrosa (Amelia). He averred that the falsification of the said deed of sale was a result of the fraudulent, illegal, and malicious acts committed by Sps. Sarili and the RD in order to acquire the subject property and, as such, prayed for the annulment of TCT No. 262218, and that Sps. Sarili deliver to him the possession of the subject property, or, in the alternative, that Sps. Sarili and the RD jointly and severally pay him the amount of P1,000,000.00, including moral damages as well as attorney's fees.[10]

In their answer,[11] Sps. Sarili maintained that they are innocent purchasers for value, having purchased the subject property from Ramon B. Rodriguez (Ramon), who possessed and presented a Special Power of Attorney[12] (subject SPA) to sell/dispose of the same, and, in such capacity, executed a Deed of Absolute Sale[13] dated November 20, 1992 (November 20, 1992 deed of sale) conveying the said property in their favor. In this relation, they denied any participation in the preparation of the February 16, 1978 deed of sale, which may have been merely devised by the "fixer" they hired to facilitate the issuance of the title in their names.[14]

Further, they interposed a counterclaim for moral and exemplary damages, as well as attorney's fees, for the filing of the baseless suit.[15]

During the pendency of the proceedings, Victorino passed away[16] and was substituted by his heirs, herein petitioners.[17]

The RTC Ruling

On May 27, 2002, the RTC rendered a Decision[18] finding respondent's signature on the subject SPA as "the same and exact replica"[19][] of his signature in the November 25, 1999 SPA in favor of Lourdes.[20] Thus, with Ramon's authority having been established, it declared the November 20, 1992 deed of sale[21] executed by the latter as "valid, genuine, lawful and binding"[22] and, as such, had validly conveyed the subject property in favor of Sps. Sarili. It further found that respondent "acted with evident bad faith and malice" and was, therefore, held liable for moral and exemplary damages.[23] Aggrieved, respondent appealed to the CA.

The CA Ruling

In a Decision[24] dated May 20, 2010, the CA granted respondent's appeal and held that the RTC erred in its ruling since the November 20, 1992 deed of sale, which the RTC found "as valid and genuine," was not the source document for the transfer of the subject property and the issuance of TCT No. 262218 in the name of Sps. Sarili[25] but rather the February 16, 1978 deed of sale, the fact of which may be gleaned from the Affidavit of Late Registration[26] executed by Isabel (affidavit of Isabel). Further, it found that respondent was "not only able to preponderate his claim over the subject property, but [has] likewise proved that his and his wife's signatures in the [February 16, 1978 deed of sale] x x x were forged." [27] "[A] comparison by the naked eye of the genuine signature of [respondent] found in his [November 25, 1999 SPA] in favor of [Lourdes], and those of his falsified signatures in [the February 16, 1978 deed of sale] and [the subject SPA] shows that they are not similar." [28] It also observed that "[t]he testimony of [respondent] denying the authenticity of his purported signature with respect to the [February 16, 1978 deed of sale] was not rebutted x x x." [29] In fine, the CA declared the deeds of sale dated February 16, 1978 and November 20, 1992, as well as the subject SPA as void, and consequently ordered the RD to cancel TCT No. 262218 in the name of Victorino married to Isabel, and consequently reinstate TCT No. 55979 in respondent's name. Respondent's claims for moral damages and attorney's fees/litigation expenses were also granted by the CA.[30]

Dissatisfied, petitioners moved for reconsideration which was, however, denied in a Resolution[31] dated August 26, 2010, hence, the instant petition.

The Issues Before the Court

The main issue in this case is whether or not there was a valid conveyance of the subject property to Sps. Sarili. The resolution of said issue would then determine, among others, whether or not: (a) TCT No. 262218 in the name of Victorino married to Isabel should be annulled; and (b) TCT No. 55979 in respondent's name should be reinstated.

The Court's Ruling

The petition lacks merit.

Petitioners essentially argue that regardless of the fictitious February 16, 1978 deed of sale, there was still a valid conveyance of the subject property to Sps. Sarili who relied on the authority of Ramos (as per the subject SPA) to sell the same. They posit that the due execution of the subject SPA between respondent and Ramon and, subsequently, the November 20, 1992 deed of sale between Victorino and Ramon were duly established facts and

that from the authenticity and genuineness of these documents, a valid conveyance of the subject land from respondent to Victorino had leaned upon.[32]

The Court is not persuaded.

It is well-settled that even if the procurement of a certificate of title was tainted with fraud and misrepresentation, such defective title may be the source of a completely legal and valid title in the hands of an innocent purchaser for value. Where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights and order the total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing with property registered under the Torrens system would have to inquire in every instance whether the title has been regularly or irregularly issued. This is contrary to the evident purpose of the law.[33]

The general rule is that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property. Where there is nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore further than what the Torrens Title upon its face indicates in quest for any hidden defects or inchoate right that may subsequently defeat his right thereto.[34]

However, a higher degree of prudence is required from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. In such a case, the buyer is expected to examine not only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor.[35] The buyer also has the duty to ascertain the identity of the person with whom he is dealing with and the latter's legal authority to convey the property.[36]

The strength of the buyer's inquiry on the seller's capacity or legal authority to sell depends on the proof of capacity of the seller. If the proof of capacity consists of a special power of attorney duly notarized, mere inspection of the face of such public document already constitutes sufficient inquiry. If no such special power of attorney is provided or there is one but there appears to be flaws in its notarial acknowledgment, mere inspection of the document will not do; the buyer must show that his investigation went beyond the document and into the circumstances of its execution.[37]

In the present case, it is undisputed that Sps. Sarili purchased the subject property from Ramos on the strength of the latter's ostensible authority to sell under the subject SPA. The said document, however, readily indicates flaws in its notarial acknowledgment since the respondent's community tax certificate (CTC) number was not indicated thereon. Under the governing rule on notarial acknowledgments at that time,[38] i.e., Section 163(a) of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991," when an individual subject to the community tax acknowledges any document before a notary public, it shall be the duty of the administering officer to require such individual to exhibit the community tax certificate.[39] Despite this irregularity, however, Sps. Sarili failed to show that they conducted an investigation beyond the subject SPA and into the circumstances of its execution as required by prevailing jurisprudence. Hence, Sps. Sarili cannot be considered as innocent purchasers for value.

The defective notarization of the subject SPA also means that the said document should be treated as a private document and thus examined under the parameters of Section 20, Rule 132 of the Rules of Court which provides that "[b]efore any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either: (a) by anyone who saw the document executed or written; or (b) by evidence of the genuineness of the signature or handwriting of the maker x x x." Settled is the rule that a defective

notarization will strip the document of its public character and reduce it to a private instrument, and the evidentiary standard of its validity shall be based on preponderance of evidence.[40]

The due execution and authenticity of the subject SPA are of great significance in determining the validity of the sale entered into by Victorino and Ramon since the latter only claims to be the agent of the purported seller (i.e., respondent). Article 1874 of the Civil Code provides that “[w]hen a sale of a piece of land or any interest therein is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void.” In other words, if the subject SPA was not proven to be duly executed and authentic, then it cannot be said that the foregoing requirement had been complied with; hence, the sale would be void.

After a judicious review of the case, taking into consideration the divergent findings of the RTC and the CA on the matter,[41] the Court holds that the due execution and authenticity of the subject SPA were not sufficiently established under Section 20, Rule 132 of the Rules of Court as above-cited.

While Ramon identified the signature of respondent on the subject SPA based on his alleged familiarity with the latter’s signature,[42] he, however, stated no basis for his identification of the signatures of respondent’s wife Amelia and the witness, Evangeline F. Mural,[43] and even failed to identify the other witness,[44] who were also signatories to the said document. In other words, no evidence was presented to authenticate the signatures of the other signatories of the subject SPA outside from respondent.[45]

Besides, as the CA correctly observed, respondent’s signature appearing on the subject SPA is not similar[46] to his genuine signature appearing in the November 25, 1999 SPA in favor of Lourdes,[47] especially the signature appearing on the left margin of the first page.[48]

Unrebutted too is the testimony of respondent who, during trial, attested to the fact that he and his wife, Amelia, had immigrated to the USA since 1968 and therefore could not have signed the subject SPA due to their absence.[49] Further, records show that the notary public, Atty. Ramon S. Untalan, failed to justify why he did not require the presentation of respondent’s CTC or any other competent proof of the identity of the person who appeared before him to acknowledge the subject SPA as respondent’s free and voluntary act and deed despite the fact that he did not personally know the latter and that he met him for the first time during the notarization.[50] He merely relied on the representations of the person before him[51] and the bank officer who accompanied the latter to his office,[52] and further explained that the reason for the omission of the CTC was “because in [a] prior document, [respondent] has probably given us already his residence certificate.”[53] This “prior document,” was not, however, presented during the proceedings below, nor the CTC number ever identified.

Thus, in light of the totality of evidence at hand, the Court agrees with the CA’s conclusion that respondent was able to preponderate his claims of forgery against the subject SPA.[54] In view of its invalidity, the November 20, 1992 sale relied on by Sps. Sarili to prove their title to the subject property is therefore void.

At this juncture, it is well to note that it was, in fact, the February 16, 1978 deed of sale which – as the CA found – was actually the source of the issuance of TCT No. 262218. Nonetheless, this document was admitted to be also a forgery.[55] Since Sps. Sarili’s claim over the subject property is based on forged documents, no valid title had been transferred to them (and, in turn, to petitioners). Verily, when the instrument presented is forged, even if accompanied by the owner’s duplicate certificate of title, the registered owner does not thereby lose his title, and neither does the assignee in the forged deed acquire any right or title to the property.[56] Accordingly, TCT No. 262218 in the name of Victorino married to Isabel should be annulled, while TCT No. 55979 in the name of respondent should be reinstated.

Anent the award of moral damages, suffice it to say that the dispute over the subject property had caused

respondent serious anxiety, mental anguish and sleepless nights, thereby justifying the aforesaid award.[57] Likewise, since respondent was constrained to engage the services of counsel to file this suit and defend his interests, the awards of attorney's fees and litigation expenses are also sustained.[58]

The Court, however, finds a need to remand the case to the court a quo in order to determine the rights and obligations of the parties with respect to the house Sps. Sarili had built[59] on the subject property in bad faith in accordance with Article 449 in relation to Articles 450, 451, 452, and the first paragraph of Article 546 of the Civil Code which respectively read as follows:

ART. 449. He who builds, plants or sows in bad faith on the land of another, loses what is built, planted or sown without right to indemnity.

ART. 450. The owner of the land on which anything has been built, planted or sown in bad faith may demand the demolition of the work, or that the planting or sowing be removed, in order to replace things in their former condition at the expense of the person who built, planted or sowed; or he may compel the builder or planter to pay the price of the land, and the sower the proper rent.

ART. 451. In the cases of the two preceding articles, the landowner is entitled to damages from the builder, planter or sower.

ART. 452. The builder, planter or sower in bad faith is entitled to reimbursement for the necessary expenses of preservation of the land.

x x x x

ART. 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 therefor. (Emphases and underscoring supplied)

x x x x

To be deemed a builder in good faith, it is essential that a person asserts title to the land on which he builds, i.e., that he be a possessor in concept of owner, and that he be unaware that there exists in his title or mode of acquisition any flaw which invalidates it.[60] Good faith is an intangible and abstract quality with no technical meaning or statutory definition, and it encompasses, among other things, an honest belief, the absence of malice and the absence of design to defraud or to seek an unconscionable advantage. It implies honesty of intention, and freedom from knowledge of circumstances which ought to put the holder upon inquiry.[61] As for Sps. Sarili, they knew – or at the very least, should have known – from the very beginning that they were dealing with a person who possibly had no authority to sell the subject property considering the palpable irregularity in the subject SPA's acknowledgment. Yet, relying solely on said document and without any further investigation on Ramos's capacity to sell, Sps. Sarili still chose to proceed with its purchase and even built a house thereon. Based on the foregoing, it cannot be seriously doubted that Sps. Sarili were actually aware of a flaw or defect in their title or mode of acquisition and have consequently built the house on the subject property in bad faith under legal contemplation. The case is therefore remanded to the court a quo for the proper application of the above-cited Civil Code provisions.

WHEREFORE, the petition is DENIED. The Decision dated May 20, 2010 and Resolution dated August 26, 2010 of the Court of Appeals in CA-G.R. CV No. 76258 are AFFIRMED. However, the case is REMANDED to the court a quo for the proper application of Article 449 in relation to Articles 450, 451, 452 and the first paragraph of Article 546 of the Civil Code with respect to the house Spouses Victorino Sarili and Isabel Amparo had built on the subject property as herein discussed.

SO ORDERED.

Carpio, (Chairperson), Brion, Del Castillo, Perez, and JJ. concur.

[*] "Sarile" in some parts of the records.

[**] Erroneously stated as "Melincia" in the petition, rollo, p. 3; see records, p. 323.

[1] Rollo, pp. 3-11.

[2] Id. at 13-30. Penned by Associate Justice Celia C. Librea-Leagogo, with Associate Justices Remedios A. Salazar-Femando and Michael P. Elbinias, concurring.

[3] Id. at 32-33.

[4] Id. at 73-76. Penned by Judge Antonio J. Fineza.

[5] Records, pp. 110-111.

[6] Id. at 106-107.

[7] Id. at 7.

[8] Id. at 1-5.

[9] Id. at 109.

[10] Rollo, pp. 14-16.

[11] Records, pp. 20-24.

[12] The subject SPA appears to have been executed in December 1988, but the notarial certificate shows that it was notarized on September 4, 1992; see id. at 312-313.

[13] Id. at 314-315.

[14] Rollo, p. 16.

[15] Id.

[16] See Certificate of Death; Records, p. 325.

[17] See Order dated May 20, 2002; id. at 326.

[18] Rollo, pp. 73-76.

[19] Id. at 75.

[20] Id.

[21] Erroneously referred to by the RTC as "the deed of absolute sale dated January 26, 1993" (see id.) and "the deed of absolute sale executed by Ramon Rodriguez on January 26, 1992" (see id. at 76); see also CA decision, id. at 26.

[22] Id. at 76.

[23] Id.

[24] Id. at 13-30.

[25] Id. at 25.

[26] Records, p. 112.

[27] Id. at 25.

[28] Id. at 23.

[29] Id. at 24.

[30] Id. at 27.

[31] Id. at 32-33.

[32] See id. at 7-9.

[33] *Cabuhat v. CA*, 418 Phil. 451, 456 (2001); emphasis supplied.

[34] *Sigaya v. Mayuga*, G.R. No. 143254, August 18, 2005, 467 SCRA 341, 355.

[35] *Bautista v. CA*, G.R. No. 106042, February 28, 1994, 230 SCRA 446, 456; emphasis supplied.

[36] *Abad v. Guimba*, G.R. No. 157002, July 29, 2005, 465 SCRA 356, 368.

[37] *Sps. Bautista v. Silva*, 533 Phil. 627, 631-632 (2006).

[38] The 2004 Rules on Notarial Practice, A.M. No. 02-8-13-SC, was promulgated on July 6, 2004, whereas the subject SPA was notarized on September 4, 1992 (see records, pp. 312-313).

[39] Section 163. Presentation of Community Tax Certificate On Certain Occasions. –

(a) When an individual subject to the community tax acknowledges any document before a notary public, takes the oath of office upon election or appointment to any position in the government service; receives any license, certificate, or permit from any public authority; pays any tax or fee; receives any money from any public fund; transacts other official business; or receives any salary or wage from any person or corporation, it shall be the duty of any person, officer, or corporation with whom such transaction is made or business done or from whom any salary or wage is received to require such individual to exhibit the community tax certificate. (Emphases supplied)

x x x x

[40] *Martires v. Chua*, G.R. No. 174240, March 20, 2013, 694 SCRA 38, 48-49, citing *Meneses v. Venturozo*, G.R. No. 172196, October 19, 2011, 659 SCRA 577, 586.

[41] “As a general rule, only questions of law can be raised in a petition for review on certiorari under Rule 45 of the Rules of Court. Since this Court is not a trier of facts, findings of fact of the appellate court are binding and conclusive upon this Court. There are, however, several recognized exceptions to this rule, namely:

x x x x

(5) When the findings of fact are conflicting;

x x x x

(7) When the findings are contrary to those of the trial court;

x x x x”

(Office of the President v. Cataquiz, G.R. No. 183445, September 14, 2011, 657 SCRA 681, 694.)

[42] Records, p. 212.

[43] Id. at 213.

[44] Id. at 214.

[45] Section 22, Rule 132 of the Rules of Court states that “[t]he handwriting of a person may be proved by any witness who believes it to be the handwriting of such person because he has seen the person write, or has seen writing purporting to be his upon which the witness has acted or been charged, and has thus acquired knowledge of the handwriting of such person. Evidence respecting the handwriting may also be given by a comparison, made by the witness or the court, with writings admitted or treated as genuine by the party against whom the evidence is offered, or proved to be genuine to the satisfaction of the judge.”

[46] Rollo, p. 23.

[47] Records, p. 7. Respondent identified the signature appearing above his name as his (id. at 119).

[48] Id. at 312.

[49] Rollo, pp. 23-24.

[50] Records, pp. 280-281.

[51] Id.

[52] Id. at 281.

[53] Id.

[54] Rollo, p. 25.

[55] See Complaint and Answer; records, pp. 2 and 22, respectively.

[56] Bernales v. Heirs of Julian Sambaan, G.R. No. 163271, January 15, 2010, 610 SCRA 90, 106.

[57] See Article 2217 of the Civil Code.

[58] See Article 2208 (2) of the Civil Code.

[59] See Victorino’s testimony during the June 7, 2001 hearing in Civil Case No. C-19152 which, with respect to such fact (i.e., the construction of the house), remained undisputed; records, p. 182.

[60] Mercado v. CA, G.R. No. L-44001, June 10, 1988, 162 SCRA 75, 85.

[61] Ochoa v. Apeta, 559 Phil. 650, 656 (2007).

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