

**JOSE JUAN TONG, ET AL., PETITIONERS, VS. GO TIAT KUN, ET AL., RESPONDENTS.***G.R. No. 196023. April 21, 2014*

Ponente: REYES, J.

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This appeal by petition for review seeks to annul and set aside the Decision[1] dated October 28, 2010 and the Resolution[2] dated March 3, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 03078, which reversed the Decision[3] dated May 21, 2009 of the Regional Trial Court of Iloilo City, Branch 37, in Civil Case No. 05-28626.

**The Facts**

The instant petition stemmed from an action for Nullification of Titles and Deeds of Extra-Judicial Settlement and Sale and Damages instituted by the petitioners against the respondents over a parcel of land known as Lot 998-A of the Cadastral Survey of Iloilo, having an area of 2,525 square meters and now covered by Transfer Certificate of Title (TCT) No. 134082.

The petitioners are nine of the ten children of Spouses Juan Tong (Juan Tong) and Sy Un (Spouses Juan Tong), namely: Jose Juan Tong, Lucio Juan Tong, Simeon Juan Tong, Felisa Juan Tong Cheng, Luisa Juan Tong Tan, Julia Juan Tong Dihiansan, Ana Juan Tong Dy, Elena Juan Tong Yng Choan, and Vicente Juan Tong, who being already deceased, is survived by his widow, Rosita So and their children, Chanto Juan Tong and Alfonso So-Chanto Juan Tong.

Completing the ten children of Spouses Juan Tong is the deceased Luis Juan Tong, Sr. (Luis, Sr.) whose surviving heirs are: his spouse Go Tiat Kun, and their children, Leon, Mary, Lilia, Tomas, Luis, Jr., and Jaime, who being already dead, is survived by his wife, Roma Cokee Juan Tong (respondents).

Sometime in 1957, Juan Tong had a meeting with all his children to inform them of his intention to purchase Lot 998 to be used for the family's lumber business called "Juan Tong Lumber". However, since he was a Chinese citizen and was disqualified from acquiring the said lot, the title to the property will be registered in the name of his eldest son, Luis, Sr., who at that time was already of age and was the only Filipino citizen among his children. On May 11, 1957, Juan Tong bought Lot 998 from the heirs of Jose Ascencio. Accordingly, on May 16, 1957, TCT No. 10346 was issued by the Register of Deeds in the name of Luis, Sr.

On December 8, 1978, the single proprietorship of Juan Tong Lumber was incorporated into a corporation known as the Juan Tong Lumber, Inc.[4] However, Sy Un and Juan Tong both died intestate on October 31, 1984, and November 13, 1990, respectively.

Meanwhile, on May 30, 1981, Luis, Sr. died and the respondents, being his surviving heirs, claimed ownership over Lot 998 by succession, alleging that no trust agreement exists and it was Luis, Sr. who bought Lot 998. On July 2, 1982, the respondents executed a Deed of Extra-Judicial Settlement of Estate of Luis, Sr., adjudicating

unto themselves Lot 998 and claiming that the said lot is the conjugal property of Luis, Sr., and his wife, which the Juvenile and Domestic Relations Court of Iloilo City approved on June 28, 1982. On July 19, 1982, the said deed was registered causing the cancellation of TCT No. 10346 and the issuance of TCT No. T-60231 in the name of the respondents.

Subsequently, the respondents agreed to subdivide Lot 998, thus, on October 12, 1992, two new titles were issued: (1) TCT No. 97068 over Lot 998-A in the name of Go Tiat Kun and her children; and (2) TCT No. T-96216 over Lot 998-B in the name of Luis, Jr.

After Lot 998 was subdivided, Luis, Jr. sold Lot 998-B to Fine Rock Development Corporation (FRDC), which in turn sold the same to Visayas Goodwill Credit Corporation (VGCC). It was only after the petitioners received a letter from VGCC, on August 31, 1995, that they discovered about the breach of the trust agreement committed by the respondents.

To protect their rights, the petitioners filed an action for Annulment of Sales, Titles, Reconveyance and Damages of Lot 998-B docketed as Civil Case No. 22730 against Luis, Jr., FRDC and VGCC. On March 6, 1997, the trial court ruled<sup>[5]</sup> in favor of the petitioners which were later affirmed by the CA<sup>[6]</sup> and this Court<sup>[7]</sup> on appeal. Consequently, Lot 998-B was reconveyed to the petitioners and TCT No. T-14839 was issued under their names including the late Luis, Sr.

Then, on February 24, 2001, Go Tiat Kun executed a Deed of Sale of Undivided Interest over Lot 998-A in favor of her children, Leon, Mary, Lilia, Tomas, and the late Jaime, resulting in the issuance of TCT No. T-134082 over Lot 998-A.

Hence, on August 2, 2005, the petitioners filed the instant case for Nullification of Titles, and Deeds of Extra-judicial Settlement and Sale and Damages claiming as owners of Lot 998-A.<sup>[8]</sup>

After trial, the court a quo rendered its judgment in favor of the petitioners, ruling that there was an implied resulting trust between Juan Tong, Luis, Sr., the petitioners and the respondents, over Lot 998. The trial court found that Luis Sr. was a mere trustee, and not the owner of Lot 998, and the beneficial interest over said property remained in Juan Tong and subsequently in the Juan Tong Lumber, Inc. The trust is further established by the fact that Luis Sr., during his lifetime: (1) did not build a house or any structure thereon or make use of the property in any manner; (2) resided with his family together with his parents, brothers and sisters in Juan Tong building in front of the said lot; (3) have acquired a residential property at Ledesco Village, La Paz, Iloilo City and other places, where his heirs now reside; and (4) did not exercised any other act of ownership over the said lot.

The trial court further claimed that any right that the respondents may have over Lot 998-A would have been merely derived from that of their predecessor-in-interest, Luis Sr. Since the respondents were not the owners of Lot 998-A, they could not appropriate the property unto themselves, much less convey the same unto third persons. Thus, any document executed by them adjudicating unto themselves or conveying in favor of each other Lot 998-A, as well as the titles issued in their favor as a consequence of those documents, are invalid. Since the petitioners were deprived of Lot 998-A through the surreptitious and fraudulent acts of the respondents, the petitioners are entitled to the reconveyance of the properties, and the validity of TCT No. T-134082 which covers Lot 998-A as well as the previous titles and documents of conveyance covering the said lot were null and void. Thus:

WHEREFORE, in view of the foregoing considerations, judgment is hereby rendered in favor of the plaintiffs and against the defendants:

1. Declaring null and void the following:

- Deed of Extrajudicial Settlement of Estate of Deceased Person executed by the Defendants on July 2, 1982 executed by defendants Go Tiat Kun, Leon Juan Tong, Mary Juan Tong, Lilia Juan Tong, and Tomas Juan Tong, and the late Jaime Juan Tong;
- Transfer Certificate of Title No. T-60231 in the name of defendants Go Tiat Kun, Leon Juan Tong, Mary Juan Tong, Lilia Juan Tong, and Tomas Juan Tong and the late Jaime Juan Tong;
- Transfer Certificate of Title No. T-97068 in the name of defendants Go Tiat Kun, Leon Juan Tong, Mary Juan Tong, Lilia Juan Tong, and Tomas Juan Tong and the late Jaime Juan Tong;
- Deed of Sale of Undivided Interest over Real Property executed by defendant Go Tiat Kun on February 24, 2001 in favor of defendants Leon Juan Tong, Mary Juan Tong, Lilia Juan Tong, and Tomas Juan Tong and the late Jaime Juan Tong; [and]
- Transfer Certificate of Title No. T-134082, and all titles issued subsequent thereto, covering Lot 998-A, in the names of defendants Leon Juan Tong, Mary Juan Tong, Lilia Juan Tong, and Tomas Juan Tong and the late Jaime Juan Tong[.]

2. Ordering defendants to jointly and severally pay Jose Juan Tong Moral Damages of Php200,000.00, and the plaintiffs Litigation Expenses of Php100,000.00 and Attorney's Fees of Php200,000.00.
3. Ordering the Register of Deeds of the City of Iloilo to issue a new transfer certificate of title covering Lot 998-A in the name of the plaintiffs and Luis Juan Tong, in equal shares.
4. The Counterclaim is hereby ordered dismissed for lack of merit.

### **SO ORDERED.[9]**

On appeal, the CA rendered the herein assailed decision, which reversed and set aside the trial court's decision, and dismissed the complaint for lack of merit.

The appellate court, more particularly ruled that an express trust was created because there was a direct and positive act from Juan Tong to create a trust. And when an express trust concerns an immovable property or any interest therein, it may not be proved by parol or oral evidence, but must be proven by some writing or deed.[10] The CA also ruled that even granting that an implied resulting trust was created; the petitioners are still barred by prescription because the said resulting trust was terminated upon the death of Luis, Sr. and was then converted into a constructive trust.[11] Since in an action for reconveyance based on a constructive trust prescribes in ten years from the issuance of the Torrens title over the property, counting from the death of Luis, Sr. in 1981, the action has already prescribed.

The CA went on to rule that there is a presumption of donation in this case pursuant to Article 1448 of the Civil Code that if the person to whom the title is conveyed is a child, legitimate or illegitimate, of the one paying the price of the sale, no trust is implied by law, it being disputably presumed that there is a gift in favor of the child. Thus, even though the respondents did not present evidence to prove a donation, the petitioners likewise did not also try to dispute it. The CA also held that the petitioners were already barred by estoppel and laches.

Aggrieved by the foregoing disquisition, the petitioners moved for reconsideration but it was denied by the appellate court,[12] hence, they filed this petition for review.

#### **The Issue**

Briefly stated, the issues to be resolved in this petition are: (1) Was there an implied resulting trust constituted over Lot 998 when Juan Tong purchased the property and registered it in the name of Luis, Sr.? (2) May parol

evidence be used as proof of the establishment of the trust? (3) Were the petitioners' action barred by prescription, estoppel and laches?

#### The Court's Ruling

The petition is impressed with merit.

As a general rule, in petitions for review under Rule 45 of the Rules of Court, the jurisdiction of this Court in cases brought before it from the CA is limited to the review and revision of errors of law allegedly committed by the appellate court. The question of the existence of an implied trust is factual, hence, ordinarily outside the purview of Rule 45. Nevertheless, the Court's review is justified by the need to make a definitive finding on this factual issue in light of the conflicting rulings rendered by the courts below.[13]

At the outset, it is worthy to note that the issues posited in this case are not novel because in Civil Case No. 22730 involving Lot 998-B which forms part of Lot 998, the trial court already found that said lot was held in trust by Luis Sr. in favor of his siblings by virtue of an implied resulting trust. The trial court's decision was then affirmed by the CA in CA-G.R. CV No. 56602, and this Court in G.R. No. 156068. Thus, Lot 998-A, the subject of this instant case, and Lot 998-B, are similarly situated as they comprise the subdivided Lot 998, the property which in its entirety was held in trust by Luis Sr. in favor of his siblings.

A review of the records shows an intention to create a trust between the parties. Although Lot 998 was titled in the name of Luis, Sr., the circumstances surrounding the acquisition of the subject property eloquently speak of the intent that the equitable or beneficial ownership of the property should belong to the Juan Tong family.

First, Juan Tong had the financial means to purchase the property for P55,000.00. On the other hand, respondents failed to present a single witness to corroborate their claim that Luis, Sr. bought the property with his own money since at that time, Luis Sr., was merely working for his father where he received a monthly salary of P200.00 with free board and lodging.

Second, the possession of Lot 998 had always been with the petitioners. The property was physically possessed by Juan Tong and was used as stockyard for their lumber business before it was acquired, and even after it was acquired. In fact, the lot remains to be the stockyard of the family lumber business until this very day.

Third, from the time it was registered in the name of Luis, Sr. in 1957, Lot 998 remained undivided and untouched by the respondents. It was only after the death of Luis, Sr. that the respondents claimed ownership over Lot 998 and subdivided it into two lots, Lot 998-A and Lot 998-B.

Fourth, respondent Leon admitted that up to the time of his father's death, (1) Lot 998 is in the possession of the petitioners, (2) they resided in the tenement in the front part of Juan Tong's compound, (3) Luis Sr. never sent any letter or communication to the petitioners claiming ownership of Lot 998, and (4) he and his mother have a residence at Ledesco Village, La Paz, Iloilo City while his brother and sisters also have their own residences.

Fifth, the real property taxes on Lot 998 were paid not by Luis Sr. but by his father Juan Tong and the Juan Tong Lumber, Inc., from 1966 up to early 2008 as evidenced by the following: a) the letter of assessment sent by the City Treasurer of Iloilo, naming Juan Tong as the owner of Lot 998; and b) the receipts of real property taxes paid by Juan Tong Lumber, and later by Juan Tong Lumber, Inc., from 1997 to 2008. While some of the tax receipts were in the name of Luis Sr., the fact that the petitioners were in possession of the originals thereof established that the petitioners, the Juan Tong Lumber, Inc., or the late Juan Tong paid for the taxes. The respondents did not try to explain the petitioners' possession of the realty property tax receipts in the name of Luis Sr.

The appellate court's conclusion that an express trust was created because there was a direct and positive act by

Juan Tong to create a trust must inevitably yield to the clear and positive evidence on record which showed that what was truly created was an implied resulting trust. As what has been fully established, in view of the mutual trust and confidence existing between said parties who are family members, the only reason why Lot 998 was registered in the name of Luis, Sr. was to facilitate the purchase of the said property to be used in the family's lumber business since Luis, Sr. is the only Filipino Citizen in the Juan Tong family at that time. As the registered owner of Lot 998, it is only natural that tax declarations and the corresponding tax payment receipts be in the name of Luis, Sr. so as to effect payment thereof.

The principle of a resulting trust is based on the equitable doctrine that valuable consideration and not legal title determines the equitable title or interest and are presumed always to have been contemplated by the parties. They arise from the nature or circumstances of the consideration involved in a transaction whereby one person thereby becomes invested with legal title but is obligated in equity to hold his legal title for the benefit of another. On the other hand, a constructive trust, unlike an express trust, does not emanate from, or generate a fiduciary relation. Constructive trusts are created by the construction of equity in order to satisfy the demands of justice and prevent unjust enrichment. They arise contrary to intention against one who, by fraud, duress or abuse of confidence, obtains or holds the legal right to property which he ought not, in equity and good conscience, to hold.[14]

Guided by the foregoing definitions, the Court is in conformity with the finding of the trial court that an implied resulting trust was created as provided under the first sentence of Article 1448[15] which is sometimes referred to as a purchase money resulting trust, the elements of which are: (a) an actual payment of money, property or services, or an equivalent, constituting valuable consideration; and (b) such consideration must be furnished by the alleged beneficiary of a resulting trust.[16] Here, the petitioners have shown that the two elements are present in the instant case. Luis, Sr. was merely a trustee of Juan Tong and the petitioners in relation to the subject property, and it was Juan Tong who provided the money for the purchase of Lot 998 but the corresponding transfer certificate of title was placed in the name of Luis, Sr.

The principle that a trustee who puts a certificate of registration in his name cannot repudiate the trust by relying on the registration is one of the well-known limitations upon a title. A trust, which derives its strength from the confidence one reposes on another especially between families, does not lose that character simply because of what appears in a legal document.[17]

Contrary to the claim of the respondents, it is not error for the trial court to rely on parol evidence, i.e., the oral testimonies of witnesses Simeon Juan Tong and Jose Juan Tong, to arrive at the conclusion that an implied resulting trust exists. What is crucial is the intention to create a trust. "Intention—although only presumed, implied or supposed by law from the nature of the transaction or from the facts and circumstances accompanying the transaction, particularly the source of the consideration—is always an element of a resulting trust and may be inferred from the acts or conduct of the parties rather than from direct expression of conduct. Certainly, intent as an indispensable element is a matter that necessarily lies in the evidence, that is, by evidence, even circumstantial, of statements made by the parties at or before the time title passes. Because an implied trust is neither dependent upon an express agreement nor required to be evidenced by writing, Article 1457 of our Civil Code authorizes the admission of parol evidence to prove their existence. Parol evidence that is required to establish the existence of an implied trust necessarily has to be trustworthy and it cannot rest on loose, equivocal or indefinite declarations." [18]

Lastly, the respondents' assertion that the petitioners' action is barred by prescription, laches and estoppel is erroneous.

As a rule, implied resulting trusts do not prescribe except when the trustee repudiates the trust. Further, the action

to reconvey does not prescribe so long as the property stands in the name of the trustee.[19] To allow prescription would be tantamount to allowing a trustee to acquire title against his principal and true owner. It should be noted that the title of Lot 998 was still registered in the name of Luis Sr. even when he predeceased Juan Tong. Considering that the implied trust has been repudiated through such death, Lot 998 cannot be included in his estate except only insofar as his undivided share thereof is concerned. It is well-settled that title to property does not vest ownership but it is a mere proof that such property has been registered. And, the fact that the petitioners are in possession of all the tax receipts and tax declarations of Lot 998 all the more amplify their claim of ownership over Lot 998-A. Although these tax declarations or realty tax payments of property are not conclusive evidence of ownership, nevertheless, they are good indicia of possession in the concept of owner, for no one in his right mind would be paying taxes for a property that is not in his actual or at least constructive possession. Such realty tax payments constitute proof that the holder has a claim of title over the property.[20] Therefore, the action for reconveyance of Lot 998-A, which forms part of Lot 998, is imprescriptible and the petitioners are not estopped from claiming ownership thereof.

Moreso, when the petitioners received a letter from VGCC, and discovered about the breach of the trust agreement committed by the heirs of Luis, Sr., they immediately instituted an action to protect their rights, as well as upon learning that respondent Go Tiat Kun executed a Deed of Sale of Undivided Interest over Lot 998-A in favor of her children. Clearly, no delay may be attributed to them. The doctrine of laches is not strictly applied between near relatives, and the fact that the parties are connected by ties of blood or marriage tends to excuse an otherwise unreasonable delay.

On the question of whether or not Juan Tong intended a donation to Luis, Sr., this is merely a disputable presumption which in this case was clearly disputed by the petitioners and supported by the pieces of evidence on record.

Thus, contrary to the CA's finding that there was no evidence on record showing that an implied resulting trust relation arose between Juan Tong and Luis, Sr., the Court finds that the petitioners before the trial court, had actually adduced sufficient evidence to prove the intention of Juan Tong to transfer to Luis, Sr. only the legal title of Lot 998, with attendant expectation that Luis, Sr. would hold the property in trust for the family. The evidence of course is not documentary, but rather testimonial. Furthermore, the respondents never proffered any proof that could tend to establish that they were the ones who have been paying taxes from the time of its purchase up to the present, that they have been in possession of the subject property or that they had it surveyed and subdivided openly with notice to all concerned.

WHEREFORE, in consideration of the foregoing premises, the instant petition is hereby GRANTED. The Decision dated October 28, 2010 and Resolution dated March 3, 2011 of the Court of Appeals in CA-G.R. CV No. 03078 are REVERSED and SET ASIDE. The Decision dated May 21, 2009 of the Regional Trial Court of Iloilo City, Branch 37 in Civil Case No. 05-28626 is REINSTATED.

**SO ORDERED.**

Sereno, C.J., (Chairperson), Leonardo-De Castro, Bersamin, and Villarama, Jr., JJ., concur.

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[1] Penned by Associate Justice Socorro B. Inting, with Executive Justice Portia A. Hormachuelos and Associate Justice Edwin D. Sorongon, concurring; rollo, pp. 58-70.

[2] Id. at 71-73.

[3] Issued by Judge Jose D. Azarraga; id. at 148-159.

[4] Id. at 248.

[5] Id. at 87-104.

[6] Decision dated July 23, 2002; id. at 247-256.

[7] Court Resolution dated January 13, 2003; id. at 258.

[8] Id. at 74-85.

[9] Id. at 158-159.

[10] Id. at 64.

[11] Id. at 66.

[12] Id. at 71-73.

[13] Juan v. Yap, Sr., G.R. No. 182177, March 30, 2011, 646 SCRA 753, 758.

[14] Tigno v. CA, 345 Phil. 486, 498 (1997).

[15] Art. 1448. There is an implied trust when property is sold, and the legal estate is granted to one party but the price is paid by another for the purpose of having the beneficial interest of the property. The former is the trustee, while the latter is the beneficiary. However, if the person to whom the title is conveyed is a child, legitimate or illegitimate, of the one paying the price of the sale, no trust is implied by law, it being disputably presumed that there is a gift in favor of the child.

[16] Comilang v. Burcena, 517 Phil. 538, 546 (2006).

[17] Supra note 14, at 500.

[18] Estate of Margarita D. Cabacungan v. Laigo, G.R. No. 175073, August 15, 2011, 655 SCRA 366, 380.

[19] Ringor v. Ringor, 480 Phil. 141, 160-161 (2004).

[20] Tating v. Marcella, 548 Phil. 19, 29 (2007).

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