SPS. ROBERTO ABOITIZ AND MARIA CRISTINA CABARRUS, PETITIONERS, VS. SPS. PETER L. PO AND VICTORIA L. PO, RESPONDENTS.

G.R. No. 208450. June 05, 2017

Ponente: LEONEN, J.

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LEONEN, J.:

This resolves two (2) Petitions for Review on Certiorari[1] assailing the Court of Appeals' October 31, 2012 Decision[2] and its June 17, 2013 Resolution[3] in CA-G.R. CV No. 03803. The assailed decision affirmed the Regional Trial Court's Decision,[4] which declared the spouses Peter Po and Victoria Po (Spouses Po) as the rightful owners of the parcel of land. However, the Court of Appeals ruled that respondents Jose Maria Moraza (Jose), spouses Ernesto Aboitiz (Ernesto), and Isabel Aboitiz (Isabel) were innocent buyers in good faith whose titles were entitled to protection.[5] The assailed resolution denied the Motion for Partial Reconsideration of the spouses Roberto Aboitiz and Maria Cristina Cabarrus (Spouses Aboitiz).[6]

The Spouses Aboitiz filed the Petition[7] docketed as G.R. No. 208450. The Spouses Po filed the Petition[8] docketed as G.R. No. 208497. These cases are consolidated in the case at bar.

This case involves a parcel of land located in Cabancalan, Mandaue City,[9] initially registered as Original Certificate of Title No. 0-887, and titled under the name of Roberto Aboitiz (Roberto).[10] The land is referred to as Lot No. 2835.[11]

This parcel of land originally belonged to the late Mariano Seno (Mariano).[12]

On July 31, 1973, Mariano executed a Deed of Absolute Sale in favor of his son, Ciriaco Seno (Ciriaco), over a 1.0120-hectare land in Cebu covered by Tax Declaration No. 43358.[13] This property included two (2) lots: Lot No. 2807 and the land subject of this case, Lot No. 2835.[14]

On May 5, 1978, Ciriaco sold the two (2) lots to Victoria Po (Victoria).[15] The parties executed a Deed of Absolute Sale.[16]

On July 15, 1982, Mariano died and was survived by his five (5) children (Mariano Heirs): Esperanza Seno Vda. De Kuizon, Ramon Seno,[17] Benita Seno Vda. De Lim, Simeon Seno,[18] and Ciriaco.[19]

In 1990, Peter Po (Peter) discovered that Ciriaco "had executed a [q]uitclaim dated August 7, 1989 renouncing [his] interest over Lot [No.] 2807 in favor of [petitioner] Roberto."[20] In the quitclaim, Ciriaco stated that he was "the declared owner of Lot [Nos.] 2835 and 2807."[21]

The Spouses Po confronted Ciriaco.[22] By way of remedy, Ciriaco and the Spouses Po executed a Memorandum of Agreement dated June 28, 1990 in which Ciriaco agreed to pay Peter the difference between the amount paid by the Spouses Po as consideration for the entire property and the value of the land the Spouses Po were left with after the quitclaim.[23]

However, also in 1990, Lot No. 2835 was also sold to Roberto.[24] The Mariano Heirs, including Ciriaco, executed separate deeds of absolute sale in favor of Roberto.[25] Thereafter, Roberto immediately developed the lot as part of a subdivision called North Town Homes.[26]

In 1991, the Spouses Po declared Lot No. 2835 for taxation purposes and was issued Tax. Declaration No. 0634-A.[27]

In 1992, Roberto also declared Lot No. 2835 for taxation purposes and was issued Tax Declaration No. 1100, annotated with: "This tax declaration is also declared in the name of Mrs. VICTORIA LEE PO married to PETER PO under [T]ax [Declaration] [N]o. 0634-A so that one may be considered a duplicate to the other."[28]

On April 19, 1993, Roberto filed an application for original registration of Lot No. 2835 with the Mandaue City Regional Trial Court, acting as land registration court.[29] The case was raffled to Branch 28 and docketed as LRC Case No. N-208.[30]

In its Decision dated October 28, 1993, the trial court granted the issuance of Original Certificate of Title No. 0-887 in the name of Roberto.[31] The lot was immediately subdivided with portions sold to Ernesto and Jose.[32]

On November 19, 1996, the Spouses Po filed a complaint to recover the land and to declare nullity of title with damages.[33]

The complaint was docketed in Branch 55, Regional Trial Court of Mandaue City.[34]

The trial court ruled in favor of the Spouses Po in its Decision dated November 23, 2009:

> WHEREFORE, premises considered, judgment is rendered in favor of plaintiffs, and against defendants, declaring the plaintiffs as owner of subject land and ordering the defendants reconvey and/or return to plaintiffs Lot No. 2835; declaring as absolute nullity all the documents of sale involving Lot 2835 executed by the Heirs of Mariano Seno in favor of defendant Roberto Aboitiz and such other documents used in the improvident issuance of titles in the name of defendants, and to cancel the said titles.[35]

The Spouses Aboitiz appealed to the Court of Appeals. The Court of Appeals, in its Decision dated October 31, 2012, partially affirmed the trial court decision, declaring the Spouses Po as the rightful owner of the land. However, it ruled that the titles issued to respondents Jose, Ernesto, and Isabel should be respected.[36]

The Court of Appeals discussed the inapplicability of the rules on double sale and the doctrine of buyer in good faith since the land was not yet registered when it was sold to the Spouses Po.[37] However, it ruled in favor of the Spouses Po on the premise that registered property may be reconveyed to the "rightful or legal owner or to the one with a better right if the title [was] wrongfully or erroneously registered in another person's name."[38] The Court of Appeals held that the Mariano Heirs were no longer the owners of the lot at the time they sold it to Roberto in 1990 because Mariano, during his lifetime, already sold this to Ciriaco in 1973.[39]

It found that the Deed of Absolute Sale between Ciriaco and the Spouses Po was duly notarized and was thus presumed regular on its face.[40] Their Memorandum of Agreement did not cancel or rescind the Deed of Absolute Sale but rather strengthened their claim that they "entered into a contract of [s]ale."[41]

It likewise ruled that, contrary to the assertion of the Spouses Aboitiz, there was no showing that Ciriaco merely held the property in trust for the Mariano Heirs.[42]

It held that the action of the Spouses Po had not yet prescribed because their complaint in 1996 was within the 10-year prescriptive period as the title in favor of the Spouses Aboitiz was issued in 1994.[43]

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However, the Court of Appeals ruled that the certificates of title of Jose, Ernesto, and Isabel were valid as they were innocent buyers in good faith.[44]

The Spouses Aboitiz thus filed their Petition for Review, which was docketed as GR. No. 208450.[45] They argue that the Decision of Branch 55, Regional Trial Court of Mandaue City granting the complaint of the Spouses Po is void for lack of jurisdiction over the matter.[46] They claim that a branch of the Regional Trial Court has no jurisdiction to nullify a final and executory decision of a co-equal branch;[47] it is the Court of Appeals that has this jurisdiction.[48]

They likewise assert that the Spouses Po's cause of action has prescribed[49] and allegedly accrued when the Deed of Absolute Sale between the Spouses Po and Ciriaco was executed on May 5, 1978.[50] They maintain that more than 10 years had elapsed when the complaint was filed on November 12, 1996, thus barring the action through prescription.[51]

The Spouses Aboitiz further insist that "estoppel and laches have already set in."[52] They claim that they have been "in open, public, continuous, uninterrupted, peaceful[,] and adverse possession" in the concept of owners over the property for "46 years as of 1993," without the Spouses Po acting on the Deed of Absolute Sale.[53] They attest that the development of North Town Homes Subdivision "was covered by utmost publicity," but the Spouses Po did not immediately question the development or interpose any objection during the registration proceedings.[54]

They posit that the Deed of Absolute Sale between Ciriaco and the Spouses Po is "clearly fake and fraudulent"[55] as evidenced by certifications of its non-existence in the notarial books and the Spouses Po's failure to enforce their rights over the property until 18 years later.[56] They also affirm that the Deed of Absolute Sale between Ciriaco and the Spouses Po's inadmissible as no documentary stamp was paid and affixed.[57]

Lastly, they contend that the Mariano Heirs should have been impleaded in the action as they are indispensable parties.[58]

The Spouses Po filed a Comment[59] where they argued that the Regional Trial Court had jurisdiction when it granted their complaint because the case filed by the Spouses Aboitiz was for the registration of the land, while the case they filed was for reconveyance.[60] They insisted that their action had not prescribed because an action for reconveyance prescribes in 10 years from the "date of issuance of the certificate of title over the property."[61] They argued that "laches ha[d] not set in."[62] They claimed that the notarized Deed of Absolute Sale between them and Ciriaco was not fake or fraudulent and was admissible in evidence[63] whereas the Spouses Aboitiz failed "to overcome [its] presumption of regularity and due execution."[64] They asserted that "the documentary stamps tax ha[d] been paid"[65] and that the Mariano Heirs were not indispensable parties.[66]

Spouses Aboitiz filed a Reply[67] reiterating their arguments in the Petition.

The Spouses Po also filed a Petition for Review, which was docketed as G.R. No. 208497. They claim that respondents Jose, Ernesto, and Isabel are not "innocent purchasers for value."[68] They allegedly knew of the defective title of Roberto because his tax declaration had the following annotation: "This tax declaration is also declared in the name of Mrs. VICTORIA LEE PO, married to PETER PO under tax dec. No. 0634-A so that one may be considered a duplicate to the other. (Section 89 Paragraph H PD 464)."[69]

Spouses Aboitiz filed a Comment.[70] Aside from reiterating their assertions in their Petition for Review in G.R No. 208450, they argued that there was no evidence that they acted in bad faith as "subdivision lot buyers [were] not obliged to go beyond the [T]orrens title."[71]

Spouses Po filed a Reply.[72]

For resolution are the following issues:

First, whether the Regional Trial Court has jurisdiction over the Spouses Peter and Victoria Po's complaint;

Second, whether the action is barred by prescription,

Third, whether the doctrines of estoppel and laches apply;

Fourth, whether the land registration court's finding that Ciriaco Seno only held the property in trust for the Mariano Heirs is binding as res judicata in this case;

Fifth, whether the Deed of Absolute Sale between Ciriaco Seno and the Spouses Peter and Victoria Po should be considered as evidence of their entitlement to the property;

Sixth, whether the Mariano Heirs, as sellers in a deed of conveyance of realty, are indispensable parties; and

Finally, whether the respondents Jose Maria Moraza, Ernesto Aboitiz, and Isabel Aboitiz are innocent purchasers in good faith.

I

The Spouses Aboitiz argue that Branch 55, Regional Trial Court did not have jurisdiction to nullify the final and executory Decision of Branch 28, Regional Trial Court in LRC Case No. N-208.[73] They claim that that it is the Court of Appeals that has jurisdiction to annul judgments of the Regional Trial Court.[74]

However, the instant action is not for the annulment of judgment of a Regional Trial Court. It is a complaint for reconveyance, cancellation of title, and damages.[75]

A complaint for reconveyance is an action which admits the registration of title of another party but claims that such registration was erroneous or wrongful.[76] It seeks the transfer of the title to the rightful and legal owner, or to the party who has a superior right over it, without prejudice to innocent purchasers in good faith.[77] It seeks the transfer of a title issued in a valid proceeding. The relief prayed for may be granted on the basis of intrinsic fraud-fraud committed on the true owner instead of fraud committed on the procedure amounting to lack of jurisdiction.

An action for annulment of title questions the validity of the title because of lack of due process of law. There is an allegation of nullity in the procedure and thus the invalidity of the title that is issued.

The complaint of the Spouses Po asserted that they were the true owners of the parcel of land which was registered in the name of the Spouses Aboitiz.[78] They alleged that they acquired the property from Ciriaco, who acquired it from Mariano.[79] They claimed that the Spouses Aboitiz had the property registered without their knowledge and through fraud.[80] Thus, they sought to recover the property and to cancel the title of the Spouses Aboitiz.[81] Thus the prayer in their Complaint stated:

> WHEREFORE, premises considered, this Honorable Court is respectfully prayed to render judgment in favor of plaintiffs and against defendants, ordering the latter as follows:
>
> 1. To reconvey and/or return to plaintiffs Lot No. 2835 which is the subject matter of this complaint;
>
> 2. To declare as absolute nullity all the documents of sale involving Lot 2835 in favor of defendants and such other documents used in the improvident issuance of the Title in the name of defendants, and to cancel said Title;

> 3. To pay jointly and severally the amount of P1,000,000.00 as moral damages; P500,000.00 as actual damages; P100,000.00 as attorneys fees and P20,000.00 as litigation expenses.
>
> Plaintiffs further pray for such other reliefs and remedies just and equitable in the premises.[82]

Except for actions falling within the jurisdiction of the Municipal Trial Courts, the Regional Trial Courts have exclusive original jurisdiction over actions involving "title to, or possession of, real property."[83] Section 19 of Batas Pambansa Blg. 129 provides:

> Section 19. Jurisdiction in Civil Cases. - Regional Trial Courts shall exercise exclusive original jurisdiction:
>
> . . . .
>
> (2) In all civil actions which involve the title to, or possession of, real property, or any interest therein, except actions for forcible entry into and unlawful detainer of lands or buildings, original jurisdiction over which is conferred upon Metropolitan Trial Courts, Municipal Trial Courts, and Municipal Circuit Trial Courts[.]

An action for reconveyance and annulment of title is an action involving the title to real property.[84]

The complaint of the Spouses Po is clearly an action for reconveyance and annulment of title. Thus, the Regional Trial Court has jurisdiction to hear the case.

The Spouses Aboitiz claim that it is the Court of Appeals that has jurisdiction over the annulment of Regional Trial Court judgments.[85]

The jurisdiction of the Court of Appeals is provided in Section 9 of Batas Pambansa Blg. 129:

> Section 9. Jurisdiction. - The Intermediate Appellate Court shall exercise:
>
> . . . .
>
> (2) Exclusive original jurisdiction over actions for annulment of judgments of Regional Trial Courts[.]

While the Court of Appeals has jurisdiction to annul judgments of the Regional Trial Courts, the case at bar is not for the annulment of a judgment of a Regional Trial Court. It is for reconveyance and the annulment of title.

The difference between these two (2) actions was discussed in Toledo v. Court of Appeals:[86]

> An action for annulment of judgment is a remedy in equity so exceptional in nature that it may be availed of only when other remedies are wanting, and only if the judgment, final order or final resolution sought to be annulled was rendered by a court lacking jurisdiction or through extrinsic fraud. An action for reconveyance, on the other hand, is a legal and equitable remedy granted to the rightful owner of land which has been wrongfully or erroneously registered in the name of another for the purpose of compelling the latter to transfer or reconvey the land to him. The Court of Appeals has exclusive original jurisdiction over actions for annulment of judgments of Regional Trial Courts whereas actions for reconveyance of real property may be filed before the Regional Trial Courts or the Municipal Trial Courts, depending on the assessed value of the property involved.
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> . . . .
>
> Petitioners allege that: first, they are the owners of the land by virtue of a sale between their and respondents' predecessors-in-interest; and second, that respondents Ramoses and ARC Marketing illegally dispossessed them by having the same property registered in respondents' names. Thus, far from establishing a case for annulment of judgment, the foregoing allegations clearly show a case for reconveyance.[87] (Citations omitted)

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As stated, a complaint for reconveyance is a remedy where the plaintiff argues for an order for the defendant to transfer its title issued in a proceeding not otherwise invalid. The relief prayed for may be granted on the basis of intrinsic rather than extrinsic fraud; that is, fraud committed on the real owner rather than fraud committed on the procedure amounting to lack of jurisdiction.

An action for annulment of title, on the other hand, questions the validity of the grant of title on grounds which amount to lack of due process of law. The remedy is premised in the nullity of the procedure and thus the invalidity of the title that is issued. Title that is invalidated as a result of a successful action for annulment against the decision of a Regional Trial Court acting as a land registration court may still however be granted on the merits in another proceeding not infected by lack of jurisdiction or extrinsic fraud if its legal basis on the merits is properly alleged and proven.

Considering the Spouses Aboitiz's fraudulent registration without the Spouses Po's knowledge and the latter's assertion of their ownership of the land, their right to recover the property and to cancel the Spouses Aboitiz's[88] title, the action is for reconveyance and annulment of title and not for annulment of judgment.

Thus, the Regional Trial Court has jurisdiction to hear this case.

II

The Spouses Aboitiz argue that the Spouses Po's cause of action has prescribed.[89] They claim that prescription has set in because the original complaint was filed only on November 12, 1996, after more than 10 years after the Deed of Absolute Sale between Ciriaco and Spouses Po was executed on May 5, 1978.[90]

The Spouses Po's action has not prescribed.

"[A]n action for reconveyance ... prescribes in [10] years from the issuance of the Torrens title over the property."[91] The basis for this is Section 53, Paragraph 3[92] of Presidential Decree No. 1529[93] in relation to Articles 1456[94] and 1144(2)[95] of the Civil Code.[96]

Under Presidential Decree No. 1529 (Property Registration Decree), the owner of a property may avail of legal remedies against a registration procured by fraud:

> SECTION 53. Presentation of Owner's Duplicate Upon Entry of New Certificate. - . . .
>
> In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title...

Article 1456 of the Civil Code provides that a person acquiring a property through fraud becomes an implied trustee of the property's true and lawful owner.[97]

An implied trust is based on equity and is either (i) a constructive trust, or (ii) a resulting trust.[98] A resulting trust is created by implication of law and is presumed as intended by the parties.[99] A constructive trust is created by force of law[100] such as when a title is registered in favor of a person other than the true owner.[101]

The implied trustee only acquires the right "to the beneficial enjoyment of [the] property."[102] The legal title remains with the true owner.[103] In Crisostomo v. Garcia, Jr.:[104]

> Art. 1456 of the Civil Code provides:
> Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

Thus, it was held that when a party uses fraud or concealment to obtain a certificate of title of property, a constructive trust is created in favor of the defrauded party.

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."

When property is registered in another's name, an implied or constructive trust is created by law in favor of the true owner. The action for reconveyance of the title to the rightful owner prescribes in 10 years from the issuance of the title.[105] (Citations omitted)

Thus, the law creates a trust in favor of the property's true owner.

The prescriptive period to enforce this trust is 10 years from the time the right of action accrues. Article 1144 of the Civil Code provides:

> Article 1144. The following actions must be brought within ten years from the time the right of action accrues:
>
> (1) Upon a written contract;
>
> (2) Upon an obligation created by law;
>
> (3) Upon a judgment.

In an action for reconveyance, the right of action accrues from the ti.me the property is registered.[106]

In Crisostomo,[107] the petitioners were able to transfer the property under their names without knowledge of the respondent.[108] The respondent filed an action for reconveyance.[109] In arguing that the action for reconveyance had prescribed, the petitioners claimed that the cause of action of the respondent should be based on the latter's Deed of Sale and thus the respondent's right of action should have accrued from its execution.[110] This Court, however, ruled that the right of action accrued from the time the property was registered because registration is the act that signifies that the adverse party repudiates the implied trust:

> In the case at bar, respondent's action which is for Reconveyance and Cancellation of Title is based on an implied trust under Art. 1456 of the Civil Code since he averred in his complaint that through fraud petitioners were able to obtain a Certificate of Title over the property. He does not seek the annulment of a voidable contract whereby Articles 1390 and 1391 of the Civil Code would find application such that the cause of action would prescribe in four years.
>
> . . . .
>
> An action for reconveyance based on implied or constructive trust prescribes in ten years from the alleged fraudulent registration or date of issuance of the certificate of title over the property.
>
> It is now well-settled that the prescriptive period to recover property obtained by fraud or mistake, giving rise to an implied trust under Art. 1456 of the Civil Code, is 10 years pursuant to Art. 1144. This ten -year prescriptive period begins to run from the date the adverse party repudiates the implied trust, which repudiation takes place when the adverse party registers the land.[111] (Citations omitted, emphasis supplied)

Likewise, in Duque v. Domingo:[112]

> The registration of an instrument in the Office of the Register of Deeds constitutes constructive notice to the whole world, and, therefore , discovery of the fraud is deemed to have taken place at the time of registration. Such registration is deemed to be a constructive notice that the alleged fiduciary or trust relationship has been repudiated. It is now settled that an action on an implied or constructive trust prescribes in ten (10) years from

> the date the right of action accrued. The issuance of Transfer Certificate of Title No. 7501 in 1931 to Mariano Duque commenced the effective assertion of adverse title for the purpose of the statute of limitations.[113] (Citations omitted)

Registration of the property is a "constructive notice to the whole world."[114] Thus, in registering the property, the adverse party repudiates the implied trust.[115] Necessarily, the cause of action accrues upon registration.[116]

An action for reconveyance and annulment of title does not seek to question the contract which allowed the adverse party to obtain the title to the property.[117] What is put on issue in an action for reconveyance and cancellation of title is the ownership of the property and its registration.[118] It does not question any fraudulent contract[119] Should that be the case, the applicable provisions are Articles 1390[120] and 1391[121] of the Civil Code.[122]

Thus, an action for reconveyance and cancellation of title prescribes in 10 years from the time of the issuance of the Torrens title over the property.[123]

Considering that the Spouses Po's complaint was filed on November 19, 1996, less than three (3) years from the issuance of the Torrens title over the property on April 6, 1994, it is well within the 10-year prescriptive period imposed on an action for reconveyance.

III

The Spouses Aboitiz insist that estoppel and laches have already set in.[124] They claim that they have been in "open, continuous, public, peaceful, [and] adverse" possession in the concept of owners over the property for "46 years as of 1993," without the Spouses Po acting on their Deed of Absolute Sale.[125] Moreover, the development of North Town Homes Subdivision "was covered by utmost publicity" but the Spouses Po did not promptly question the development.[126] In fact, they did not interpose any objection during the registration proceedings.[127]

There is laches when a party was negligent or has failed "to assert a right within a reasonable time," thus giving rise to the presumption that he or she has abandoned it.[128] Laches has set in when it is already inequitable or unfair to allow the party to assert the right.[129] The elements of laches were enumerated in Ignacio v. Basilio:

> There is laches when: (1) the conduct of the defendant or one under whom he claims, gave rise to the situation complained of; (2) there was delay in asserting a right after knowledge of the defendant's conduct and after an opportunity to sue; (3) defendant had no knowledge or notice that the complainant would assert his right; (4) there is injury or prejudice to the defendant in the event relief is accorded to the complainant.[130] (Citation omitted)

"Laches is different from prescription."[131] Prescription deals with delay itself and thus is an issue of how much time has passed.[132] The time period when prescription is deemed to have set in is fixed by law.[133] Laches, on the other hand, concerns itself with the effect of delay and not the period of time that has lapsed.[134] It asks the question whether the delay has changed "the condition of the property or the relation of the parties" such that it is no longer equitable to insist on the original right.[135] In Nielson & Co., Inc. v. Lepanto Consolidated Mining Co.:[136]

> Appellee is correct in its contention that the defense of laches applies independently of prescription. Laches is different from the statute of limitations. Prescription is concerned with the fact of delay. Whereas laches is concerned with the effect of delay. Prescription is a matter of time; laches is principally a question of inequity of permitting a claim to be enforced, this inequity being founded on some change in the condition of the

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> property or the relation of the parties. Prescription is statutory; laches is not. Laches applies in equity, whereas prescription applies at law. Prescription is based on fixed time, laches is not.[137]

The defense of laches is based on equity.[138] It is not based on the title of the party invoking it, but on the right holder's "long inaction or inexcusable neglect" to assert his claim.[139]

This Court rules that the Spouses Po is not barred by laches. There is no showing that they abandoned their right to the property. The factual findings reveal that the Spouses Po had their rights over the property registered in the assessor's office.[140] They testified that they introduced improvements by cultivating fruit trees after they purchased the lots.[141] When the Spouses Po discovered that Ciriaco executed a quitclaim renouncing his interest over Lot No. 2807 in favor of Roberto, the Spouses Po executed a Memorandum of Agreement with Ciriaco to protect their interest in Lot No. 2835.[142]

The Spouses Po also had the property declared for taxation purposes in their names and Tax Declaration No. 0634-A was issued.[143] Thus, when the Spouses Aboitiz also had the property declared for taxation purposes, it had the annotation: "This tax declaration is also declared in the name of Mrs. Victoria Lee Po, married to Peter Po under tax dec. no. 0634-A so that one may be considered a duplicate to the other."[144]

The Spouses Aboitiz only acquired their alleged rights over the property in 1990, when the Mariano Heirs executed the Deeds of Sale in their favor.[145] Assuming the Spouses Aboitiz immediately took possession and began construction in 1990, it cannot be said that the Spouses Po were in delay in asserting their right. In the Spouses Po's complaint, they asserted that they made demands upon the Spouses Aboitiz to reconvey to them the property.[146] They also referred the matter to the barangay for conciliation:

> 11) That demands were made upon the defendants to reconvey to plaintiffs Lot 2835 unlawfully and feloniously acquired by defendants, but to no avail, thereby compelling the plaintiffs to elevate the matter for barangay conciliation, and for failure of the parties to effect a settlement, the proper Certification to file action was then issued, a copy of which is hereto attached as Annex "L."[147]

In their Answer with Counterclaim, the Spouses Aboitiz did not deny that demands were made upon them and that the matter was elevated for barangay conciliation:

> 8. Par. 11 is denied as regards the all[e]gation that Lot 2835 was feloniously and un[l]awfully acquired by defendants, for being false. The truth is that defendants were in good faith in acquiring same property. Defendants refused to meet the demands of settlement by plaintiffs because they are strangers to the property in question.[148]

When they discovered that the property was registered in the name of the Spouses Aboitiz in 1993, the Spouses Po then filed the instant complaint to recover the property sold to them by Ciriaco, alleging that it was done without their knowledge, through evident bad faith and fraud.[149] The Spouses Po filed this case in less than three (3) years from the time of registration.

Based on these circumstances, the elements of laches are clearly lacking in this case. There was no delay in asserting their right over the property, and the Spouses Aboitiz had knowledge that the Spouses Po would assert their right.

Thus, it cannot be said that they are barred by laches.

IV

The Spouses Aboitiz insist that there is already a finding by the Regional Trial Court in LRC Case No. N-208 that Ciriaco merely held the property "in trust for the [Mariano Heirs]."[150] Thus, Ciriaco could not have validly sold the property to the Spouses Po.[151] They claim that these findings are binding on the whole world because land registration proceedings are actions in rem.[152]

In the Decision in LRC Case No. N-208, no one opposed the application for registration.[153] Moreover, the Spouses Aboitiz presented only one (1) witness, Gregorio Espina (Espina), an employee of Roberto,[154] who testified:

> That this parcel of land is covered by tax declarations, to wit:
>
> 1) Tax Dec. No. 43174 in the name of Ciriaco Seno for the year 1953 (Exh. "T");
>
> . . . .
>
> 11) Tax Dec. No. 2835 in the name of applicant, Roberto Aboitiz for the year 1991 (Exh. "DD").
>
> That the tax declarations covering Lot No. 2835 are in the name of Ciriaco Seno because the heirs of Mariano Seno have agreed that Lot No. 2835 be held in trust by Ciriaco Seno in favor of the heirs.[155]

This Court rules that this cannot be binding in this action for reconveyance.

Res judicata embraces two (2) concepts: (i) bar by prior judgment and (ii) conclusiveness of judgment, respectively covered under Rule 39, Section 47 of the Rules of Court, paragraphs (b) and (c):[156]

> Section 47. Effect of judgments or final orders. - The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:
>
> . . . .
>
> (b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and
>
> (c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

Res judicata in the concept of bar by prior judgment proscribes the filing of another action based on "the same claim, demand, or cause of action."[157] It applies when the following are present: (a) there is a final judgment or order; (b) it is a judgment or order on the merits; (c) it was "rendered by a court having jurisdiction over the subject matter and parties"; and (d) there is "identity of parties, of subject matter, and of causes of action" between the first and second actions.[158]

Res judicata in the concept of conclusiveness of judgment applies when there is an identity of issues in two (2) cases between the same parties involving different causes of action.[159] Its effect is to bar "the relitigation of particular facts or issues" which have already been adjudicated in the other case.[160] In Calalang v. Register of Deeds of Quezon City:[161]

> The second concept - conclusiveness of judgment - states that a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are

> concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue[s] be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit (Nabus vs. Court of Appeals, 193 SCRA 732 [1991]). Identity of cause of action is not required but merely identity of issues.[162]

However, in Racoma v. Fortich,[163] this Court held that res judicata could not be a defense in an action for reconveyance based on fraud where the complainant had no knowledge of the application for registration:

> The other ground upon which the lower court dismissed the complaint is res judicata. It is stated in the order of dismissal that the plaintiff had admitted that the property in controversy was applied for by defendant Maximina Fortich in a cadastral proceeding and under Act 496; that the proceedings were in rem and, therefore, the whole world, including the plaintiff, were parties thereto and bound by the judgment thereon... [I]t is obvious that the lower court was referring to the legal effect of the conclusiveness against all persons of the in rem decision in the cadastral case rather than the actual fact that the plaintiff was a claimant who appeared in the said case, for he alleged in his complaint that he "has no knowledge whatsoever of the application for registration filed by defendant Maximina Fortich and the order of decree of registration issued in favor of the defendant Maximina Fortich by this Honorable Court until on February 25, 1967..." (Record on Appeal, page 30). Such being the case, then an action for reconveyance is available to the plaintiff, the decree of registration notwithstanding, for...
> "..., it is now a well-settled doctrine in this jurisdiction that the existence of a decree of registration in favor of one party is no bar to an action to compel reconveyance of the property to the true owner, which is an action in personam, even if such action be instituted after the year fixed by Section 38 of the Land Registration Act as a limit to the review of the registration decree, provided it is shown that the registration is wrongful and the property sought to be reconveyed has not passed to an innocent third party holder for value.["][164] (Emphasis supplied)

The reason for this rule is to prevent the unjust deprivation of rights over real property. As discussed in People v. Cainglet:[165]

> It is fundamental and well-settled that a final judgment in a cadastral proceeding - a proceeding in rem - is binding and conclusive upon the whole world. Reason is that public policy and public order demand not only that litigations must terminate at some definite point but also that titles over lands under the Torrens system should be given stability for on it greatly depends the stability of the country's economy. Interest republicae ut sit finis litium. However, this conclusiveness of judgment in the registration of lands is not absolute. It admits of exception. Public policy also dictates that those unjustly deprived of their rights over real property by reason of the operation of our registration laws be afforded remedies. Thus, the aggrieved party may file a suit for reconveyance of property or a personal action for recovery of damages against the party who registered his property through fraud, or in case of insolvency of the party who procured the registration through fraud, an action against the Treasurer of the Philippines for recovery of damages from the Assurance Fund. Through these remedial proceedings, the law, while holding registered titles indefeasible, allows redress calculated to prevent one from enriching himself at the expense of other. Necessarily, without setting aside the decree of title, the issues raised in the previous registration case are relitigated, for purposes of reconveyance of said title or recovery of damages.[166] (Citations omitted, emphasis supplied)

In this case, the Spouses Po allege that the registration was done through fraud. They contend that they were unaware and were thus unable to contest the registration and prove their claim over the property. Aside from

several tax receipts, the Spouses Po formally offered as evidence, among others, the Deed of Sale executed by Mariano in Ciriaco's favor, the Deed of Absolute Sale executed by Ciriaco in their favor, and the Tax Declaration under Victoria's name. Additionally, they also submitted their Memorandum of Agreement with Ciriaco and the Quitclaim executed by Ciriaco in favor of the Spouses Aboitiz.[167] These documents were not considered by the land registration court when it issued the title in favor of the Spouses Aboitiz. The Spouses Po also offered the Application of Original Registration of Title of the Spouses Aboitiz to prove that the Spouses Aboitiz only submitted to the land registration court the cancelled tax declarations of Ciriaco, instead of the tax declaration of the Spouses Po.[168]

Thus, the ruling of the land registration court cannot be so conclusive as to deny the Spouses Po the remedy afforded to them by law. The action for reconveyance allows them to prove their ownership over the property. Hence, they are not precluded from presenting evidence that is contrary to the findings in the land registration case.

The factual findings of the land registration court are not being questioned. An action for reconveyance based on an implied trust seeks to compel the registered owner to transfer the property to its true owner.[169] In Hortizuela v. Tagufa:[170]

> [A]n action for reconveyance is a recognized remedy, an action in personam, available to a person whose property has been wrongfully registered under the Torrens system in another's name. In an action for reconveyance, the decree is not sought to be set aside. It does not seek to set aside the decree but, respecting it as incontrovertible and no longer open to review, seeks to transfer or reconvey the land from the registered owner to the rightful owner. Reconveyance is always available as long as the property has not passed to an innocent third person for value.
>
> There is no quibble that a certificate of title, like in the case at bench, can only be questioned through a direct proceeding. The MCTC and the CA, however, failed to take into account that in a complaint for reconveyance, the decree of registration is respected as incontrovertible and is not being questioned. What is being sought is the transfer of the property wrongfully or erroneously registered in another's name to its rightful owner or to the one with a better right. If the registration of the land is fraudulent, the person in whose name the land is registered holds it as a mere trustee, and the real owner is entitled to file an action for reconveyance of the property.[171] (Citations omitted, emphasis supplied)

Likewise in Naval v. Court of Appeals:[172]

> Ownership is different from a certificate of title. The fact that petitioner was able to secure a title in her name did not operate to vest ownership upon her of the subject land. Registration of a piece of land under the Torrens System does not create or vest title, because it is not a mode of acquiring ownership. A certificate of title is merely an evidence of ownership or title over the particular property described therein. It cannot be used to protect a usurper from the true owner; nor can it be used as a shield for the commission of fraud; neither does it permit one to enrich himself at the expense of others. Its issuance in favor of a particular person does not foreclose the possibility that the real property may be co-owned with persons not named in the certificate, or that it may be held in trust for another person by the registered owner.
>
> As correctly held by the Court of Appeals, notwithstanding the indefeasibility of the Torrens title, the registered owner may still be compelled to reconvey the registered property to its true owners. The rationale for the rule is that reconveyance does not set aside or re-subject to review the findings of fact of the Bureau of Lands. In an action for reconveyance, the decree of registration is respected as incontrovertible. What is sought instead is the transfer of the property or its title which has been wrongfully or erroneously registered in another person's name, to its rightful or legal owner, or to the one with a better right.[173] (Citations omitted, emphasis supplied)

The rationale for allowing reconveyance despite the finality of the registration is that the issuance of a certificate of title does not create or vest ownership to a person over the property.[174] Registration under the Torrens system "is not a mode of acquiring ownership."[175] A certificate is only a proof of ownership.[176] Thus, its issuance does not foreclose the possibility of having a different owner, and it cannot be used against the true owner as a shield for fraud.[177]

In an action for reconveyance, the parties are obliged to prove their ownership over the property. Necessarily, the parties may present evidence to support their claims. The court must weigh these pieces of evidence and decide who between the parties the true owner is. Therefore, it cannot be bound simply by the factual findings of the land registration court alone.

An exception to this rule is if the party claiming ownership has already had the opportunity to prove his or her claim in the land registration case.[178] In such a case, res judicata will then apply.[179] When an issue of ownership has been raised in the land registration proceedings where the adverse party was given full opportunity to present his or her claim, the findings in the land registration case will constitute a bar from any other claim of the adverse party on the property.[180]

However, this is not the circumstance in the case at bar. The Spouses Po were not able to prove their claim in the registration proceedings. Thus, res judicata cannot apply to their action for reconveyance.

V

The Spouses Aboitiz posit that the Deed of Absolute Sale between Ciriaco and the Spouses Po is fake and fraudulent.[181] They argue that this is evidenced by certifications of the document's non-existence in the notarial books and the Spouses Po's failure to enforce their rights over the property until 18 years later.[182] They also claim that the Deed of Absolute Sale is inadmissible as no documentary stamp was paid and affixed.[183]

This Court notes that the Spouses Aboitiz are raising questions of fact which are not within the scope of a review on certiorari under Rule 45 of the Rules of Court.[184] An appeal under Rule 45 must raise only questions of law, unless the factual findings are not supported by evidence or the judgment is based on a misapprehension of facts.[185] Absent these exceptions, the factual findings of the lower courts are accorded respect and are beyond the review of this Court.[186]

The Spouses Aboitiz failed to prove that these exceptions exist in the case at bar. The Regional Trial Court lent credence to documents presented by the Spouses Po, Peter's testimony about Mariano's sale of the property to Ciriaco,[187] Ciriaco's sale of the property to the Spouses Po, and the issuance of a Tax Declaration in the name ofVictoria.[188]

During trial, Peter also testified that after they bought the land, they had a caretaker who cultivated the property by planting fruit trees.[189] He claimed that when they subsequently discovered the quitclaim executed by Ciriaco in favor of the Spouses Aboitiz, they executed a Memorandum of Agreement to protect their interests in the property.[190] He stated that they filed a complaint in the barangay when the Spouses Aboitiz started cutting down their improvements and that they subsequently discovered that Ciriaco was forced by the Mariano Heirs to sell the property to the Spouses Aboitiz.[191]

The Spouses Aboitiz presented as their first witness Armando Avenido, who testified according to the records only.[192] He claimed that he was familiar with the land which was being developed by Aboitiz Land. He testified that Roberto acquired the land through separate Deeds of Sale from the Mariano Heirs, had the tax declaration transferred in his name, paid the taxes on the property, applied for the property's registration, and developed the property into a subdivision.[193] During cross-examination it was revealed that the tax declaration

of the Spouses Po was issued before the tax declaration of the Spouses Aboitiz and that the Spouses Po acquired from Ciriaco the entire land, while the Spouses Aboitiz purchased only one-fifth (1/5) of the property.[194]

The Spouses Aboitiz's second witness, Bienvenido Escoton, testified that he was a mason working in the subdivision on the road lot and that he knew no person claiming ownership of the land since 1989.[195]

The Regional Trial Court thus held:

> Analyzing the adduced and admitted evidence of both parties, Art. 1544 of the Civil Code cannot be aptly applied in the case at bar, for reason that only the sale of Ciriaco Seno (Exh. "A" Exh. A/1" Exh. 2"/ A, A-1 and A-2) has the validating elements of sale, whereas the rest of the Deeds of Sale (Exhs 1 to 5) executed by the Heirs of Mariano Seno in favor of the Defendants are void, for containing untruthful statements as pleaded and proven. They are no longer the owners of the subject property when they executed the several Deeds of Conveyance to defendant Roberto Aboitiz.
>
> On the first issue on the identity and location of the land, the sale of Ciriaco Seno to Plaintiffs (Exh. "A") reflected in the Tax Declarations that the Defendants used in their titling proceeding is the very same lot as certified by the Barangay Captain dated July 28, 1999 under Plaintiff's Request for Admission.
>
> Concerning the second formulated issue, only the Deed of Sale executed by Ciriaco Seno was valid with all the attending requisites of sale. It was sold by the legitimate owner of the land, Ciriaco Seno to the Plaintiffs. The sale (Exh. A, Exhibit "X") enjoyed preferential date of execution, being dated or executed in 1978 by the lawful owner Ciriaco Seno who was first to register the sale in the Registry of Property office, and due to such registration, the Tax Declaration of Ciriaco Seno, was cancelled and a new Tax Declaration was issued in the name of Victoria Po for as shown in Exh. E the said tax declaration succeeded in canceling the Tax Declaration of Mariano Seno (Exh. C) and was issued thereafter a Tax Declaration in the name of C[i]riaco Seno (Exh. D). So, when the latter sold the subject land to plaintiffs in 1978, the same was already owned by C[i]riaco Seno.
>
> When Mariano Seno died in 1982, the subject land owned by C[i]riaco Seno, naturally, is not part of the estate of Mariano Seno, for at that point in time, the subject land is now owned by plaintiffs Sps. Po, and the same was declared in their names (Exh. "D" "E" & "E-1").
>
> As to the issue whether defendant Roberto Aboitiz was a purchaser in good faith and for value, the Court holds that defendant Roberto Aboitiz was not a purchaser in good faith and for value for he was already informed of the ownership of plaintiffs over the subject land during the conciliation proceedings before the barangay official when plaintiffs filed a barangay case against him.
>
> . . . .
>
> In this case, the Court believes that defendant Roberto Aboitiz is aware of the proprietary rights of the plaintiffs considering the land was already declared for taxation purposes in plaintiffs' names after the tax declaration of said land, first in the name of Mariano Seno was cancelled and another one issued in the name of C[i]riaco Seno when the latter bought the said land from his father Mariano Seno, and after the said tax declaration in the name of C[i]riaco Seno was cancelled and another one issued in the name of plaintiffs herein.
>
> So, defendant Roberto Aboitiz purchased the subject land from the Heirs of Mariano Seno who are no longer the owners thereof and the tax declaration of subject land was no longer in the name of Mariano Seno nor in the name of Heirs of Mariano Seno.
>
> The City Assessor of Mandaue City even issued a Certification (Exh. X) to the effect that Tax Declaration No. 0634-A in the name of Mrs. Victoria Lee Po married to Peter Po was issued prior to the issuance of T.D. No. 1100 in the name of Roberto Aboitiz married to Maria Cristina Cabarruz.

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> Buyers of any untitled parcel of land for that matter, to protect their interest, will first verify from the Assessor's Office that status of said land whether it has clean title or not.[196]

With the exception of its ruling regarding respondents Jose, Ernesto, and Isabel being purchasers in good faith, these factual findings were affirmed by the Court of Appeals.

Thus, there is no showing that the factual findings are not supported by evidence or that the judgment seems to be based on a misapprehension of facts. Therefore, the factual findings of the lower courts are binding.

Furthermore, this Court finds that the Spouses Aboitiz failed to prove their claim of fraud. The Spouses Aboitiz attempted to prove that the Deed of Absolute Sale between Ciriaco and the Spouses Po was fake and fraudulent by presenting certifications of its non-existence in the notarial books of the notary public who notarized the document.[197]

However, a review of the certifications does not even state that the document does not exist in the notarial books.

The Certification dated April 1, 1997 of the Records Management and Archives Office of the Department of Education, Culture and Sports states:

> This is to certify that per records of this Office, Deed of Sale executed by and between Ciriaco Seno and Victoria Lee known as Doc. No. 66; Page No. 14; Book No. I; Series of 1978 entered in the Notarial Register of Notary Public Jesus Pono is not among the documents transferred by the Regional Trial Court of Cebu for safekeeping.[198]

Likewise, the Certification dated April 4, 1997 of the Office of the Clerk of Court of the Regional Trial Court of Cebu, 7[th] Judicial Region, Cebu City provides:

> This is to certify that as per notarial records on file with this office, available and found as of this date, Atty. Jesus M. Pono had been issued a Notarial Commission for the term 1978-1979.
>
> It is further certifie[d] that said Notary Public has not submitted his notarial reports for the year 1978-1979 in this office wherein the Deed of Sale as stated on the letter dated March 31, 1997 designated as Doc. no. 66; Page no. 14; Book No. I and Series of 1978 is allegedly included.[199] (Emphasis supplied)

These Certifications do not declare that the Deed of Absolute Sale does not exist. They only state that at the time of their issuance, the Notary Public had not submitted his notarial reports or that the document had not been transferred to the archives for safekeeping. It cannot logically be concluded from these certifications that the document is inexistent, false, or fraudulent.

In any case, the Notary Public's failure to submit his or her notarial report does not affect the act of notarization.[200]

Rule 132, Section 30 of the Rules of Court provides that:

> Section 30. Proof of notarial documents. - Every instrument duly acknowledged or proved and certified as provided by law, may be presented in evidence without further proof, the certificate of acknowledgment being prima facie evidence of the execution of the instrument or document involved.

When a private document is notarized, the document is converted to a public document which is presumed regular, admissible in evidence without need for proof of its authenticity and due execution, and entitled to full faith and credit upon its face.[201]

To overturn the presumption in favor of a notarized document, the party questioning it must present "clear, convincing, and more than merely preponderant evidence."[202]

Thus, parties who appear before a Notary Public should not be prejudiced by the failure of the Notary Public to follow rules imposed by the Notarial Law.[203] They are not obliged to ensure that the Notary Public submits his or her notarial reports.[204]

The Spouses Aboitiz failed to present clear and convincing evidence to overturn the presumption. The notarized Deed of Absolute Sale between Ciriaco and the Spouses Po is, thus, presumed regular and authentic.

Consequently, this Court can affirm the finding that the property was sold to Ciriaco in 1973, and that Ciriaco, as the owner of the property, had the right to sell it to the Spouses Po. Hence, the lot did not form part of the estate of Mariano, and the Mariano Heirs did not have the capacity to sell the property to the Spouses Aboitiz later on.

VI

The Spouses Aboitiz argue that the Mariano Heirs are indispensable parties who should have been impleaded in this case.[205]

The Mariano Heirs are not indispensable parties.

Rule 3, Section 7 of the Revised Rules of Court provides:

> Section 7. Compulsory Joinder of Indispensable Parties. - Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

An indispensable party is the party whose legal presence in the proceeding is so necessary that "the action cannot be finally determined" without him or her because his or her interests in the matter and in the relief "are so bound up with that of the other parties."[206]

The property owners against whom the action for reconveyance is filed are indispensable parties.[207] No relief can be had, and the court cannot render a valid judgment, without them.[208] The property has been sold to respondents Jose, Ernesto, and Isabel.[209] Thus, they are indispensable parties.

However, the seller of the property is not an indispensable party.[210] In Spring Homes Subdivision Co., Inc. v. Spouses Tablada, Jr.:[211]

> Similarly, by virtue of the second Deed of Absolute Sale between Spring Homes and the Spouses Lumbres, the Spouses Lumbres became the absolute and registered owner of the subject property herein. As such, they possess that certain interest in the property without which, the courts cannot proceed for settled is the doctrine that registered owners of parcels of land whose title is sought to be nullified should be impleaded as an indispensable party. Spring Homes, however, which has already sold its interests in the subject land, is no longer regarded as an indispensable party, but is, at best, considered to be a necessary party whose presence is necessary to adjudicate the whole controversy, but whose interests are so far separable that a final decree can be made in its absence without affecting it. This is because when Spring Homes sold the property in question to the Spouses Lumbres, it practically transferred all its interests therein to the said Spouses. In fact, a new title was already issued in the names of the Spouses Lumbres. As such, Spring Homes no longer stands to be directly benefited or injured by the judgment in the instant suit regardless of whether the new title registered in the names of the Spouses Lumbres is cancelled in favor of the Spouses Tablada or not. Thus, contrary to the ruling of the RTC, the failure to summon Spring Homes does not deprive it of jurisdiction over the instant case for Spring Homes is not an indispensable party.[212] (Citations omitted, emphasis supplied).

The Mariano Heirs, as the alleged sellers of the property, are not indispensable parties. They are at best necessary parties, which are covered by Rule 3, Section 8 of the Rules of Court:

> Section 8. Necessary Party. - A necessary party is one who is not indispensable but who ought to be joined as a

> party if complete relief is to be accorded as to those already parties, or for a complete determination or settlement of the claim subject of the action.

Necessary parties may be joined in the case "to adjudicate the whole controversy," but the case may go on without them because a judgment may be rendered without any effect on their rights and interests.[213]

The Mariano Heirs may likewise be considered material witnesses to the action. A material matter to which a witness can testify on can be a "main fact which was the subject of the inquiry" or any circumstance or fact "which tends to prove" the fact subject of the inquiry, "which tends to corroborate or strengthen the testimony relative to such inquiry," and "which legitimately affects the credit of any witness who testifies."[214]

The validity of the Deeds of Sale allegedly executed by the parties in this case is a material matter in determining who the true owner of the property is. Thus, the Mariano Heirs, including Ciriaco, may testify as to the Deeds of Sale they executed to prove which sale is the valid one.

However, it is clear that the Mariano Heirs are not indispensable parties. They have already sold all their interests in the property to the Spouses Aboitiz. They will no longer be affected, benefited, or injured by any ruling of this Court on the matter, whether it grants or denies the complaint for reconveyance. The ruling of this Court as to whether the Spouses Po are entitled to reconveyance will not affect their rights. Their interest has, thus, become separable from that of Jose, Ernesto, and Isabel.

Thus, the Court of Appeals correctly ruled that the Mariano Heirs are not indispensable parties.

VII

Despite these findings, the Spouses Po cannot recover the property. Respondents Jose, Ernesto, and Isabel are innocent purchasers for value.

An innocent purchaser for value refers to the buyer of the property who pays for its full and fair price without or before notice of another person's right or interest in it.[215] He or she buys the property believing that "the [seller] [i]s the owner and could [transfer] the title to the property."[216]

The Spouses Po argue that respondents Jose, Ernesto, and Isabel are not innocent purchasers for value because the tax declaration over the property has the following annotation:

> This tax declaration is also declared in the name of Mrs. Victoria Lee Po, married to Peter Po under tax dec. no. 0634-A so that one may be considered a duplicate to the other.

However, if a property is registered, the buyer of a parcel of land is not obliged to look beyond the transfer certificate of title to be considered a purchaser in good faith for value.[217]

Section 44 ofPresidential Decree No. 1529[218] states:

> Section 44. Statutory liens affecting title. - Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land taking a certificate of title 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:
>
> First. Liens, claims or rights arising or existing under the laws and Constitution of the Philippines which are not by law required to appear of record in the Registry of Deeds in order to be valid against subsequent purchasers or encumbrancers of record.
>
> Second. Unpaid real estate taxes levied and assessed within two years immediately preceding the acquisition of any right over the land by an innocent purchaser for value, without prejudice to the right of the government to

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> collect taxes payable before that period from the delinquent taxpayer alone.
>
> Third. Any public highway or private way established or recognized by law, or any government irrigation canal or lateral thereof, if the certificate of title does not state that the boundaries of such highway or irrigation canal or lateral thereof have been determined.
>
> Fourth. Any disposition of the property or limitation on the use thereof by virtue of, or pursuant to, Presidential Decree No. 27 or any other law or regulations on agrarian reform. (Emphasis supplied)

In Cruz v. Court of Appeals:[219]

> The real purpose of the Torrens system of registration is to quiet title to land and to put a stop to any question of legality of the title except claims which have been recorded in the certificate of title at the time of registration or which may arise subsequent thereto. Every registered owner and every subsequent purchaser for value in good faith holds the title to the property free from all encumbrances except those noted in the certificate. Hence, a purchaser is not required to explore further what the Torrens title on its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto.
>
> 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. 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 behind the certificate to determine the condition of the property. Even if a decree in a registration proceeding is infected with nullity, still an innocent purchaser for value relying on a Torrens title issued in pursuance thereof is protected.[220]

The rationale for this rule is the public's interest in sustaining "the indefeasibility of a certificate of title, as evidence of the lawful ownership of the land or of any encumbrance" on it.[221] In Leong v. See:[222]

> The Torrens system was adopted to "obviate possible conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and to dispense, as a rule, with the necessity of inquiring further."
>
> One need not inquire beyond the four comers of the certificate of title when dealing with registered property...
>
> . . . .
>
> The protection of innocent purchasers in good faith for value grounds on the social interest embedded in the legal concept granting indefeasibility of titles. Between the third party and the owner, the latter would be more familiar with the history and status of the titled property. Consequently, an owner would incur less costs to discover alleged invalidities relating to the property compared to a third party. Such costs are, thus, better borne by the owner to mitigate costs for the economy, lessen delays in transactions, and achieve a less optimal welfare level for the entire society.[223] (Citations omitted)

Thus, respondents were not obliged to look beyond the title before they purchased the property. They may rely solely on the face of the title.

The only exception to the rule is when the purchaser has actual knowledge of any defect or other circumstance that would cause "a reasonably cautious man" to inquire into the title of the seller.[224] If there is anything which arouses suspicion, the vendee is obliged to investigate beyond the face of the title.[225] Otherwise, the vendee cannot be deemed a purchaser in good faith entitled to protection under the law.[226]

In this case, there is no showing that respondents Jose, Ernesto, and Isabel had any knowledge of the defect in the

title. Considering that the annotation that the Spouses Po are invoking is found in the tax declaration and not in the title of the property, respondents Jose, Ernesto, and Isabel cannot be deemed purchasers in bad faith.

WHEREFORE, the Court of Appeals' October 31, 2012 Decision[227] and its June 17, 2013 Resolution[228] in CA-G.R. CV No. 03803 is AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), and Peralta, JJ., concur.
Mendoza, and Martires, JJ., on official leave.

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[1] The Petitions were filed under Rule 45 of the Rules of Court.

[2] Rollo (G.R. No. 208450), pp. 42-57-A. The Decision was penned by Associate Justice Edgardo L. Delos Santos and concurred in by Associate Justices Gabriel T. Ingles and Maria Elisa Sempio Diy of the Special Nineteenth Division, Court of Appeals, Cebu City.

[3] Id. at 60-61. The Resolution was penned by Associate Justice Edgardo L. Delos Santos and concurred in by Associate Justices Gabriel T. Ingles and Maria Elisa Sempio Diy of the Special Nineteenth Division, Court of Appeals, Cebu City.

[4] Rollo (G.R. No. 208497), pp. 60-71. The Decision, docketed as Civil Case No. MAN-2803, was penned by Presiding Judge Ulric R. Cañete of Branch 55, Regional Trial Court, Mandaue City.

[5] Rollo (G.R. No. 208450), pp. 55-56.

[6] Id. at 60-61.

[7] Id. at 11-40-A.

[8] Rollo (G.R. No. 208497), pp. 10-27.

[9] Rollo (G.R. No. 208450), p. 43.

[10] Id. at 45.

[11] Id.

[12] Id. at 43.

[13] Id. at 43-44.

[14] Id.

[15] Id. at 44.

[16] Id.

[17] Deceased and survived by his spouse and seven (7) children.

[18] Deceased and survived by his spouse and six (6) children.

[19] Rollo (G.R. No. 208450), p. 43.

[20] Id. at 44.

[21] Id. at 87.

[22] Id. at 44.

[23] Id.

[24] Id.

[25] Id.

[26] Id. at 16, Petition for Review of Spouses Aboitiz.

[27] Id.

[28] Id. at 45.

[29] Id.

[30] Id.

[31] Id.

[32] Id. See rollo, p. 74. Ernesto is married to Maria Isabel Aboitiz.

[33] Id. In the CA Decision and in the Spouses Po's Brief for the Appellee filed with the Court of Appeals, the date of filing of the complaint is November 19, 1996. See rollo, (G.R. No. 208450), pp. 45 and 193, respectively.

[34] Id. at 42.

[35] Id. at 175.

[36] Id. at 57.

[37] Id. at 48-49.

[38] Id. at 54.

[39] Id. at 49-50.

[40] Id. at 49.

[41] Id. at 51-52.

[42] Id. at 50.

[43] Id. at 55-56.

[44] Id.

[45] Id. at 11-40-A.

[46] Id. at 23.

[47] Id. at 21.

[48] Id. at 23.

[49] Id. at 27-28.

[50] Id.

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[51] Id. In the CA Decision and in the Spouses Po's Brief for the Appellee filed with the Court of Appeals, the date of filing of the complaint is November 19, 1996. See rollo, (G.R. No. 208450), pp. 45 and 193, respectively.

[52] Id. at 32.

[53] Id. at 25.

[54] Id. at 29.

[55] Id. at 32.

[56] Id.

[57] Id.

[58] Id. at 34.

[59] Id. at 275-288.

[60] Id. at 282.

[61] Id. at 283-284.

[62] Id. at 284.

[63] Id. at 285.

[64] Id.

[65] Id.

[66] Id. at 287-288.

[67] Id. at 293-307.

[68] Rollo (G.R. No. 208497), p. 18.

[69] Id.

[70] Id. at 86-106.

[71] Id. at 103.

[72] Id. at 134-142, Reply to Respondents' Comment.

[73] Rollo (G.R. No. 208450), p. 20.

[74] Id. at 23.

[75] Id. at 81-85.

[76] Toledo vs. Court of Appeals, G.R. No. 167838, August 5, 2015, 765 SCRA 104, 115 [Per J. Jardeleza, Third Division].

[77] Toledo vs. Court of Appeals, G.R. No. 167838, August 5, 2015, 765 SCRA 104, 115 [Per J. Jardeleza, Third Division].

[78] Rollo (G.R. No. 208450), pp. 81-85.

[79] Id.

[80] Id.

[81] Id.

[82] Id. at 83.

[83] Heirs of Concha, Sr. v. Spouses Lumocso, 564 Phil. 580, 595-597 (2007) [Per C.J. Puno, First Division].

[84] Id. at 596-597.

[85] Rollo (G.R No. 208450), p. 23, Petition.

[86] G.R. No. 167838, August 5, 2015, 765 SCRA 104 [Per J. Jardeleza, Third Division].

[87] Id. at 113-118.

[88] Rollo (G.R. No. 208450), pp. 81-85.

[89] Id. at 27-28.

[90] Id. In the CA Decision and in the Spouses Po's Brief for the Appellee filed with the Court of Appeals, the date of filing of the complaint is November 19, 1996. See rollo, (GR. No. 208450), pp. 45 and 193, respectively.

[91] Amerol v. Bagumbaran, 238 Phil. 397, 409 (1987) [Per J. Sarmiento, Second Division]; Caro v. Court of Appeals, 259 Phil. 891, 898 (1989) [Per J. Medialdea, First Division].

[92] Pres. Decree No. 1529, sec. 53, par. 3 provides:

Section 53. Presentation of Owner's Duplicate Upon Entry ofNew Certificate. - . . .

In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title. After the entry of the decree of registration on the original petition or application, any subsequent registration procured by the presentation of a forged duplicate certificate of title, or a forged deed or other instrument, shall be null and void.

[93] Property Registration Decree (1978).

[94] CIVIL CODE, art. 1456 provides:

Article 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

[95] CIVIL CODE, art. 1144(2) provides:

Article 1144. The following actions must be brought within ten years from the time the right of action accrues:

. . . .

(2) Upon an obligation created by law[.]

[96] Caro v. Court of Appeals, 259 Phil. 891, 898 (1989) [Per J. Medialdea, First Division].

[97] CIVIL CODE, art. 1456 provides:

Article 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

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[98] Salvatierra v. Court of Appeals, 329 Phil. 758, 775 (1996) [Per Hermosisima, Jr., Third Division].

[99] Id.

[100] Id.

[101] CIVIL CODE, art. 1456 provides:

Article 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

[102] Salvatierra v. Court of Appeals, 329 Phil. 758, 775 (1996) [Per Hermosisima, Jr., Third Division].

[103] Id.

[104] Crisostomo v. Garcia, Jr., 516 Phil. 743 (2006) [Per J. Chico-Nazario, First Division].

[105] Id. at 752-753.

[106] Id. at 752.

[107] Crisostomo v. Garcia, Jr., 516 Phil. 743 (2006) [Per J. Chico-Nazario, First Division].

[108] Id. at 746.

[109] Id. at 747.

[110] Id. at 746.

[111] Id. at 752-753.

[112] 170 Phil. 676 (1977) [Per J. Fernandez, First Division].

[113] Id. at 686.

[114] Id.

[115] Id.

[116] Id.

[117] Crisostomo v. Garcia, Jr., 516 Phil. 743, 751-752 (2006) [Per J. Chico-Nazario, First Division].

[118] Id.

[119] Id.

[120] CIVIL CODE, art. 1390 provides:

Article 1390. The following contracts are voidable or annullable, even though there may have been no damage to the contracting parties:

(1) Those where one of the parties is incapable of giving consent to a contract;

(2) Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud. These contracts are binding, unless they are annulled by a proper action in court. They are susceptible of ratification.

[121] CIVIL CODE, art. 1391 provides:

Article 1391. The action for annulment shall be brought within four years. This period shall begin: In cases of

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intimidation, violence or undue influence, from the time the defect of the consent ceases. In case of mistake or fraud, from the time of the discovery of the same.

And when the action refers to contracts entered into by minors or other incapacitated persons, from the time the guardianship ceases.

[122] Crisostomo v. Garcia, Jr., 516 Phil. 743, 751-752 (2006) [Per J. Chico-Nazario, First Division].

[123] Id. at 752-753.

[124] Rollo (G.R. No. 208450), pp. 29-31, Petition.

[125] Id. at 25.

[126] Id. at 29.

[127] Id. at 30-31.

[128] Ignacio v. Basilio, 418 Phil. 256, 265-266 (2001) [Per J. Quisumbing, Second Division].

[129] Id. at 266.

[130] Id. at 266.

[131] Nielson & Co., Inc. v. Lepanto Consolidated Mining Co., 125 Phil. 204, 219 (1966) [Per J. Zaldivar, En Banc].

[132] Id.

[133] Id.

[134] Id.

[135] Id.

[136] 125 Phil. 204 (1966) [Per J. Zaldivar, En Banc].

[137] Id. at 219.

[138] Pabalate v. Echarri, Jr., 147 Phil. 472, 475 (1971) [Per J. Makalintal, En Banc].

[139] Id.

[140] Rollo (G.R. No. 208450), pp. 48-49.

[141] Rollo (GR. No. 208497), p. 66.

[142] Rollo (GR. No. 208450), p. 44.

[143] Id. at 44.

[144] Id. at 45.

[145] Id. at 44.

[146] Id. at 84.

[147] Id.

[148] Id. at 95.

[149] Id. at 45.

[150] Id. at 25.

[151] Id.

[152] Id. at 26.

[153] Id. at 67.

[154] Id. at 68.

[155] Id. at 69.

[156] Dy v. Yu, G.R. No. 202632, July 8, 2015, 762 SCRA 357, 373 [Per J. Perlas-Bernabe, First Division].

[157] Id.

[158] Id.

[159] Id.

[160] Id.

[161] 301 Phil. 91 (1994) [Per J. Melo, En Banc].

[162] Id. at 103.

[163] 148-A Phil. 454 (1971) [Per J.J.B.L. Reyes, En Banc].

[164] Id. at 460-461. See also Cabanas vs. Register of Deeds, 40 Phil. 620 (1919) [Per J. Torres, First Division]; Dizon vs. Lacap, 50 Phil. 193 (1927) [Per J. Street, Second Division]; Escobar vs. Locsin, 74 Phil. 86 (1943) [Per J. Bocobo, First Division]; Sumira vs. Vistan, 74 Phil. 138 (1943) [Per J. Moran, First Division]; Palma vs. Cristobal, 77 Phil. 712 (1946) [Per J. Perfecto, En Banc].

[165] 123 Phil. 568 (1966) [Per J.P. Bengzon, En Banc].

[166] Id. at 573-574.

[167] Rollo (G.R. No. 208450), pp. 99-100.

[168] Id. at 102.

[169] Hortizuela v. Tagufa, 754 Phil. 499, 512 (2015) [Per J. Mendoza, Second Division].

[170] 754 Phil. 499 (2015) [Per J. Mendoza, Second Division].

[171] Id. at 507-508.

[172] 518 Phil. 271 (2006) [Per J. Ynares-Santiago, First Division).

[173] Id. at 282-283.

[174] Wee v. Mardo, 735 Phil. 420, 433 (2014) [Per J. Mendoza, Third Division).

[175] Id.

[176] Id.

[177] Id.

[178] Abes v. Rodil, 124 Phil. 243, 248 (1966) [Per J. Sanchez, En Banc].

[179] Id.

[180] Id.

[181] Rollo (G.R. No. 208450), p. 32, Petition for Review.

[182] Id.

[183] Id.

[184] See Fangonil-Herrera v. Fangonil, 558 Phil. 235, 255-257 (2007) [Per J. Chico-Nazario, Third Division], citing Philippine Airlines, Inc. v. Court of Appeals, 341 Phil. 624 (1997) [Per J. Regalado, Second Division].

[185] See Fangonil-Herrera v. Fangonil, 558 Phil. 235, 255-257 (2007) [Per J. Chico-Nazario, Third Division], citing Philippine Airlines, Inc. v. Court of Appeals, 341 Phil. 624 (1997) [Per J. Regalado, Second Division].

[186] See Fangonil-Herrera v. Fangonil, 558 Phil. 235, 255-257 (2007) [Per J. Chico-Nazario, Third Division], citing Philippine Airlines. Inc. v. Court of Appeals, 274 Phil. 624 (1997) [Per J. Regalado, Second Division].

[187] Rollo (G.R. No. 208497), p. 70.

[188] Id. at 71.

[189] Id. at 66.

[190] Id.

[191] Id.

[192] Id. at 67.

[193] Id.

[194] Id. at 68.

[195] Id.

[196] Id. at 69-71.

[197] Rollo, (G.R. No. 208450), p. 17.

[198] Id. at 92.

[199] Id. at 93.

[200] Destreza v. Riñoza-Plazo, 619 Phil. 775, 782-783 (2009) [Per J. Abad, Second Division].

[201] Heirs of Spouses Liwagon v. Heirs of Spouses Liwagon, G.R. No. 193117, November 26, 2014, 743 SCRA 16, 24 [Per J. Villarama, Third Division].

[202] Id.

[203] Destreza v. Riñoza-Plazo, 619 Phil. 775, 782-783 (2009) [Per J. Abad, Second Division].

[204] Id.

[205] Rollo (G.R. No. 208450), p. 34.

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[206] Lozano v. Ballesteros, 273 Phil. 43, 54 (1991) citing Co v. Intermediate Appellate Court, 245 Phil. 347 (1988) [Per J. Cruz, First Division].

[207] Id. citing Acting Registrars of Land Titles and Deeds of Pasay City, Pasig and Makati v. Regional Trial Court of Makati, Branch 57, 263 Phil. 568 (1990) [Per J. Sarmiento, En Banc].

[208] Id.

[209] Id.

[210] Spring Homes Subdivision Co., Inc. v. Spouses Tablada, Jr., G.R. No. 200009, January 23, 2017 <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/january2017/200009.pdf> 8-9 [Per J. Peralta, Second Division].

[211] G.R. No. 200009, January 23, 2017 <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/january2017/200009.pdf> [Per J. Peralta, Second Division].

[212] Id. at 10-11.

[213] Seno v. Mangubat, 240 Phil. 121, 131 (1987) [Per J. Gancayco, First Division].

[214] U.S. v. Ballena, 18 Phil. 382, 385 (1911) [Per J. Trent, En Banc].

[215] Leong v. See, G.R. No. 194077, December 3, 2014, 743 SCRA 677, 687 [Per J. Leonen, Second Division].

[216] Sandoval v. Court of Appeals, 329 Phil. 48, 62 (1996) [Per J. Romero, Second Division].

[217] Leong v. See, G.R. No. 194077, December 3, 2014, 743 SCRA 677, 688 [Per J. Leonen, Second Division].

[218] Property Registration Decree (1978).

[219] 346 Phil. 506 (1997) [Per J. Belosillo, First Division].

[220] Id. at 511-512.

[221] Claudio v. Spouses Saraza, G.R. No. 213286, August 26, 2015, 768 SCRA 356, 365 [Per J. Mendoza, Second Division], citing Cavite Development Bank vs. Lim, 381 Phil. 355 (2000) [Per J. Mendoza, Second Division].

[222] G.R. No. 194077, December 3, 2014, 743 SCRA 677, 687 [Per J. Leonen, Second Division].

[223] Id. at 686-688.

[224] Sandoval v. Court of Appeals, 329 Phil. 48, 60 (1996) [Per J. Romero, Second Division].

[225] Id.

[226] Id.

[227] Rollo (G.R. No. 208450), pp. 42-57.

[228] Id. at 60-61.

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