

MAMERTO DY, PETITIONER, VS. MARIA LOURDES ROSELL ALDEA, RESPONDENT.*G.R. No. 219500. August 09, 2017*

Ponente: MENDOZA, J.

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This is a petition for review on certiorari seeking to reverse and set aside the January 30, 2015 Decision[1] and July 1, 2015 Resolution[2] of the Court of Appeals (CA) in CA-G.R. CV No. 03974, which nullified the November 18, 2009 Decision[3] of the Regional Trial Court, Branch 23, Cebu City (RTC) in Civil Case No. CEB-31689.

The Antecedents

Petitioner Mamerto Dy (Mamerto) is the owner of Lot 5158 located in Vito, Minglanilla, Cebu, with an area of 6,738 square meters, and covered by Transfer Certificate of Title (TCT) No. T-24849.

In June 2005, Mamerto agreed to sell the subject land to his brothers Nelson Dy (Nelson) and Sancho Dy, Jr. (Sancho). He asked them to secure copies of the tax declarations covering the subject land from the Municipal Assessor's Office. Nelson found out that the subject land had gone through a series of anomalous transactions. The owner's duplicate copy of TCT No. T-24849 was declared lost. As a result, a new owner's duplicate copy of the same TCT was issued and the subject land was subsequently mortgaged.

On August 17, 2005, Mamerto, through his lawyer, sent a letter to the Register of Deeds of Cebu informing the said office that his owner's duplicate copy of TCT No. T-24849 was never lost and that he never mortgaged his property to anyone.[4]

When Mamerto discovered that the subject land was being fenced upon the instruction of respondent Maria Lourdes Rosell Aldea (Lourdes), he immediately filed a complaint against the latter before the barangay office of Minglanilla. Lourdes, however, failed to attend the hearing. A certificate to file action was subsequently issued.

On September 16, 2005, Atty. Manolo D. Rubi, Deputy Register of Deeds, informed Nelson that TCT No. T-134753 covering the subject land was issued in Lourdes' name.[5] Mamerto insisted that he never executed any deed of sale in favor of Lourdes and that the signature appearing on the purported deed of sale was not his authentic signature.[6]

For her part, Lourdes countered that in 2004, a certain Mila Labang (Mila) was introduced to her by her aunt Luz Aldea (Luz). Mila told her that several parcels of land in Minglanilla, including the subject land, were purportedly for sale.[7]

After she visited the lots in Minglanilla, Lourdes signified her intention to buy the subject land. Mila informed Lourdes that the subject land was mortgaged to a certain Atty. Lim and further told her that she should pay the loan secured by the mortgage. Thereafter, Mila introduced her to Fatima Nadela (Fatima), who allegedly knew the

owner of the subject land and promised Lourdes that she would prepare the deed of sale.[8]

On June 20, 2004, Lourdes met with the person impersonating Mamerto (the impostor) at a hotel in Cebu City. She gave the impostor P1,010,700.00 as payment for the 3,369 square meter-portion of the subject land. Thereafter, they signed the Deed of Sale[9] in the presence of Mila, Fatima and Zenon Aldea (Zenon), Lourdes' uncle. Afterwards, Lourdes, Fatima and the impostor went to the office of Atty. Lim to pay the mortgage loan.[10]

A few weeks thereafter, the impostor called Lourdes and insisted that she should buy the entire land for it would be difficult and expensive to subdivide the same. Lourdes agreed and paid an additional P673,800.00. Lourdes and the impostor signed a second deed of sale. For the 6,738 square meter-property, Lourdes paid an aggregate sum of P1,684,500.00.[11]

After weeks of waiting, Lourdes was informed by Fatima that the impostor was dead and he had not given any money to process the transfer of the subject land. Lourdes went to the Office of the Provincial Assessor to process the payment of capital gains tax and the transfer of title in her name. Eventually, the Register of Deeds issued TCT No. T-134753 under her name.[12] Consequently, Mamerto filed a complaint for declaration of nullity of deed of sale and TCT No. T-134753, and recovery of real property with injunction and damages.

The RTC Ruling

In its November 18, 2009 Decision, the RTC ruled that Mamerto had a better right over the subject land and was the rightful and lawful owner thereof. It found that Mamerto's owner's duplicate copy was never lost, and so ruled that the reconstituted title issued in favor of the impostor was null and void. Hence, the RTC nullified Lourdes' title as it was based on a void reconstituted title. It further opined that the contract of sale between Lourdes and the impostor was null and void because the latter did not have the right to transfer ownership of the subject land at the time it was delivered to Lourdes.

The trial court held that Lourdes could not be considered a buyer in good faith because she should have been suspicious of the transaction which occurred at a hotel room and without any lawyer present. It noted that Lourdes gave her money to the seller even if the owner's copy of the certificate of title was not handed to her; and that she decided to buy the remaining portion of the subject land when the price was reduced to P200.00 per square meter for the flimsy reason that it would be hard for the seller to subdivide the subject land.

Unconvinced, Lourdes elevated an appeal to the CA.

The CA Ruling

In its assailed January 30, 2015 Decision, the CA reversed and set aside the RTC ruling. It declared that Lourdes was an innocent purchaser for value. The appellate court ruled that a person dealing with registered land is only charged with notice of the burdens on the property which are noted on the face of the register or the certificate of title. It observed that the only annotation at the back of the title was that it was mortgaged to Audie C. Uy (Uy).

The CA added that Lourdes exercised ordinary prudence because during the signing of the deed of sale, she asked for an identification card and she was given a senior citizen's I.D., showing that the person she was dealing with was "Mamerto Dy." It stated that while it turned out that the I.D. exhibited by the seller was fake and that the person claiming to be the owner of the land was a fraud, Lourdes could not be blamed for believing that she was dealing with the real owner of the land. The appellate court held that the confirmation of Fatima; Engracia Mondrel and Rena Canio, the overseers of the subject land; and Uy, the named mortgagee lead Lourdes to believe that she was dealing with the rightful owner.

Aggrieved, Mamerto moved for reconsideration, but his motion was denied by the CA in its July 1, 2015 Resolution.

Hence, this petition.

ISSUES

(1)

WHETHER THE RECONSTITUTED TITLE, FROM WHICH TCT NO. T-134753 IN THE NAME OF LOURDES WAS DERIVED, IS VALID.

(2)

WHETHER LOURDES IS AN INNOCENT PURCHASER FOR VALUE WHO IS ENTITLED TO THE APPLICATION OF THE MIRROR DOCTRINE.

(3)

WHETHER MAMERTO HAS BETTER RIGHT OVER THE SUBJECT LAND.

Mamerto argues that the fact that the title was reconstituted should have urged Lourdes to conduct further investigation on the identity of the vendor; that even though Fatima, Uy and the purported overseers assured Lourdes that the person she was dealing with was the real owner of the subject land, she should have taken into consideration that these persons might have been lying and that a possible syndicated sale might have been planned; that the impostor did not accompany her when she visited the subject land; that she should have asked for other documents to establish the identity of the seller; and that the market value of the subject land ranges from P800.00 to P1,000.00, thus, Lourdes should have wondered why the purchase price was inexpensive.

In her Comment,[13] dated December 18, 2015, Lourdes contends that she is an innocent purchaser for value; that while it may be true that an impostor had fraudulently acquired a void reconstituted title over the subject land, such circumstance did not necessarily invalidate her own title; that a valid transfer could issue from a void reconstituted title if an innocent purchaser for value intervenes; and that where innocent third persons rely on the correctness of the certificate of title issued and acquire rights over the property, courts cannot disregard such right and order the total cancellation of the certificate of title for that would impair public confidence in the certificate of title.

In his Reply,[14] dated April 8, 2016, Mamerto insists that Lourdes' argument that a spurious deed can become the root of a valid title when an innocent purchaser for value comes into the picture is not applicable where the real owner still holds a valid and existing certificate of title; and that Lourdes has met the impostor, thus, she should have inquired further into the details of why the title was reconstituted.

The Court's Ruling

The petition is meritorious.

When the Owner's Duplicate
Certificate of Title has not been
lost, the reconstituted
certificate is void

The governing law for judicial reconstitution of title is Republic Act (R.A.) No. 26, Section 15 of which provides when reconstitution of a title should be allowed:

Section 15. If the court, after hearing, finds that the documents presented, as supported by parole evidence or otherwise, are sufficient and proper to warrant the reconstitution of the lost or destroyed certificate of title, and that petitioner is the registered owner of the property or has an interest therein, that the said certificate of title was in force at the time it was lost or destroyed, and that the description, area and boundaries of the property are substantially the same as those contained in the lost or destroyed certificate of title, an order of reconstitution shall be issued. The clerk of court shall forward to the register of deeds a certified copy of said order and all the documents which, pursuant to said order, are to be used as the basis of the reconstitution. If the court finds that there is no sufficient evidence or basis to justify the reconstitution, the petition shall be dismissed, but such dismissal shall not preclude the right of the party or parties entitled thereto to file an application for confirmation of his or their title under the provisions of the Land Registration Act. [Emphases supplied]

From the foregoing, it appears that the following requisites must be complied with for an order for reconstitution to be issued: (a) that the certificate of title had been lost or destroyed; (b) that the documents presented by petitioner are sufficient and proper to warrant reconstitution of the lost or destroyed certificate of title; (c) that the petitioner is the registered owner of the property or had an interest therein; (d) that the certificate of title was in force at the time it was lost and destroyed; and (e) that the description, area and boundaries of the property are substantially the same as those contained in the lost or destroyed certificate of title. Verily, the reconstitution of a certificate of title denotes restoration in the original form and condition of a lost or destroyed instrument attesting the title of a person to a piece of land. The purpose of the reconstitution of title is to have, after observing the procedures prescribed by law, the title reproduced in exactly the same way it has been when the loss or destruction occurred.[15]

Indubitably, the fact of loss or destruction of the owner's duplicate certificate of title is crucial in clothing the RTC with jurisdiction over the judicial reconstitution proceedings. In *Spouses Paulino v. CA*,^[16] the Court reiterated the rule that when the owner's duplicate certificate of title was not actually lost or destroyed, but is in fact in the possession of another person, the reconstituted title is void because the court that rendered the order of reconstitution had no jurisdiction over the subject matter of the case, viz.:

As early as the case of *Strait Times, Inc. v. CA*, the Court has held that when the owner's duplicate certificate of title has not been lost, but is, in fact, in the possession of another person, then the reconstituted certificate is void, because the court that rendered the decision had no jurisdiction. Reconstitution can be validly made only in case of loss of the original certificate. This rule was reiterated in the cases of *Villamayor v. Arante*, *Rexlon Realty Group, Inc. v. [CA]*, *Eastworld Motor Industries Corporation v. Skunac Corporation*, *Rodriguez v. Lim*, *Villanueva v. Viloria*, and *Camitan v. Fidelity Investment Corporation*. Thus, with evidence that the original copy of the TCT was not lost during the conflagration that hit the Quezon City Hall and that the owner's duplicate copy of the title was actually in the possession of another, the RTC decision was null and void for lack of jurisdiction.

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In reconstitution proceedings, the Court has repeatedly ruled that before jurisdiction over the case can be validly acquired, it is a condition sine qua non that the certificate of title has not been issued to another person. If a certificate of title has not been lost but is in fact in the possession of another person, the reconstituted title is void and the court rendering the decision has not acquired jurisdiction over the petition for issuance of new title. The courts simply have no jurisdiction over petitions by (such) third parties for reconstitution of allegedly lost or destroyed titles over lands that are already covered by duly issued subsisting titles in the names of their duly registered owners. The existence of a prior title ipso facto nullifies the reconstitution proceedings. The proper recourse is to assail directly in a proceeding before the regional trial court the validity of the Torrens title already issued to the other person.[17] [Emphases supplied and citations omitted]

In this case, Mamerto asserted that he never lost his owner's duplicate copy of TCT No. T-24829 and that he had always been in possession thereof. Moreover, it is beyond doubt that another person impersonated Mamerto and represented before the court that the owner's duplicate copy of TCT No. T-24829 was lost in order to secure a new copy which was consequently used to deceive Lourdes into purchasing the subject land. Hence, the fact of loss or destruction of the owner's duplicate certificate of title, which is the primordial element in the validity of reconstitution proceedings, is clearly missing. Accordingly, the RTC never acquired jurisdiction over the reconstitution proceedings initiated by the impostor, and its judgment rendered thereafter is null and void. This alone is sufficient to declare the reconstituted title null and void.

Only an innocent purchaser for
value may invoke the mirror
doctrine

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.[18] As a consequence, the mirror doctrine provides that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property.[19]

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.[20] As such, a defective title, or one the procurement of which is tainted with fraud and misrepresentation — may be the source of a completely legal and valid title, provided that the buyer is an innocent third person who, in good faith, relied on the correctness of the certificate of title, or an innocent purchaser for value.[21]

Thus, in order to resolve whether Lourdes holds an indefeasible title to the subject land, it becomes necessary to determine whether she is an innocent purchaser for value.

Lourdes cannot be considered a
purchaser in good faith

In *Nobleza v. Nuega*,[22] the Court defined an innocent purchaser for value, to wit:

An innocent purchaser for value is one who buys the property of another, without notice that some other person has a right or interest in the property, for which a full and fair price is paid by the buyer at the time of the purchase or before receipt of any notice of claims or interest of some other person in the property. It is the party who claims to be an innocent purchaser for value who has the burden of proving such assertion, and it is not enough to invoke the ordinary presumption of good faith. To successfully invoke and be considered as a buyer in good faith, the presumption is that first and foremost, the "buyer in good faith" must have shown prudence and due diligence in the exercise of his/her rights. It presupposes that the buyer did everything that an ordinary person would do for the protection and defense of his/her rights and interests against prejudicial or injurious concerns when placed in such a situation. The prudence required of a buyer in good faith is not that of a person with training in law, but rather that of an average man who 'weighs facts and circumstances without resorting to the calibration of our technical rules of evidence of which his knowledge is nil.' A buyer in good faith does his homework and verifies that the particulars are in order — such as the title, the parties, the mode of transfer and the provisions in the deed/contract of sale, to name a few. To be more specific, such prudence can be shown by making an ocular inspection of the property, checking the title/ownership with the proper Register of Deeds alongside the payment of taxes therefor, or inquiring into the minutiae such as the parameters or lot area, the type of ownership, and the capacity of the seller to dispose of the property, which capacity necessarily includes an inquiry into the civil status of the seller to ensure that if married, marital consent is secured when necessary. In fine, for a purchaser of a property in the possession of another to be in good faith, he must

exercise due diligence, conduct an investigation, and weigh the surrounding facts and circumstances like what any prudent man in a similar situation would do.[23] [Emphases supplied and citations omitted]

In the case at bench, Lourdes was deficient in her vigilance as buyer of the subject land.

During cross-examination, Lourdes admitted that she did not conduct a thorough investigation and that she merely instructed her uncle to check with the Register of Deeds whether the subject land is free from any encumbrance.[24] Further, it must be noted that Lourdes met the seller only during the signing of the two deeds of sale.[25] Yet, she did not call into question why the seller refused to see her during the negotiation. For sure, an ordinary prudent buyer of real property who would be relinquishing a significant amount of money would want to meet the seller of the property and would exhaust all means to ensure that the seller is the real owner thereof.

Indeed, Lourdes conducted an ocular inspection of the subject land. When she asked Engracia Mondrel, the overseer, if she knows the owner, Engracia affirmed that the property is owned by a person named "Mamerto Dy." Noteworthy, however, is Lourdes' admission that the seller was not present when she talked to Engracia such that there was no way for the latter to ascertain whether she and Lourdes were talking about the same Mamerto Dy.[26]

Another circumstance indicating that Lourdes was not an innocent purchaser for value was the gross undervaluation of the property in the deeds of sale at the measly price of P1,684,500.00 when the true market value was at least P5,390,400.00 for the entire property. Moreover, Lourdes initially decided to buy only half of the subject land or 3,369 square meters. When the impostor, however, insisted that she should buy the remaining half just because it would be difficult to divide the subject land, Lourdes readily acceded without questioning why the seller was willing to sell at P200.00 per square meter.[27]

Certainly, it was not enough for Lourdes to show that the property was unfenced and vacant; otherwise, it would be too easy for any registered owner to lose his property, including its possession, through illegal occupation.[28] It was also imprudent for her to simply rely on the face of the impostor's TCT considering that she was aware that the said TCT was derived from a duplicate owner's copy reissued by virtue of the alleged loss of the original duplicate owner's copy.[29] That circumstance should have already alerted her to the need to inquire beyond the face of the impostor's TCT.[30]

In sum, the Court rules that Lourdes is not an innocent purchaser for value.

Mamerto may recover the
subject land notwithstanding its
registration in Lourdes' name

While it is true that under Section 32 of Presidential Decree No. 1529 the decree of registration becomes incontrovertible after a year, it does not altogether deprive an aggrieved party of a remedy in law. The acceptability of the Torrens System would be impaired, if it is utilized to perpetuate fraud against the real owners.[31]

Furthermore, ownership is not the same as a certificate of title. Registering a piece of land under the Torrens System does not create or vest title, because registration is not a mode of acquiring ownership.[32] A certificate of title is merely an evidence of ownership or title over the particular property described therein.[33] The indefeasibility of the Torrens title should not be used as a means to perpetrate fraud against the rightful owner of real property. Good faith must concur with registration, otherwise, registration would be an exercise in futility. A Torrens title does not furnish a shield for fraud, notwithstanding the long-standing rule that registration is a constructive notice of title binding upon the whole world. The legal principle is that if the registration of the land

is fraudulent, the person in whose name the land is registered holds it as a mere trustee.[34]

Hence, the fact that Lourdes was able to secure a title in her name neither operates to vest ownership upon her of the subject land nor cures the void sale. Accordingly, the Court deems it proper to restore Mamerto's rights of dominion over Lot 5158.

WHEREFORE, the January 30, 2015 Decision and July 1, 2015 Resolution of the Court of Appeals in CA-G.R. CV No. 03974 are REVERSED and SET ASIDE. The November 18, 2009 Decision of the Regional Trial Court, Branch 23, Cebu City in Civil Case No. CEB-31689 is hereby REINSTATED.

SO ORDERED.

Carpio, (Chairperson), Peralta, Leonen, and Martires, JJ., concur.

[1] Penned by Associate Justice Pamela Ann Abella Maxino, with Associate Justice Gabriel T. Ingles and Associate Justice Renato C. Francisco, concurring; rollo, pp. 45-57.

[2] Id. at 59-64.

[3] Penned by Presiding Judge Generosa G. Labra; id. at 227-230.

[4] Id. at 66-67.

[5] Id. at 117.

[6] Id. at 66-67.

[7] Id. at 80.

[8] Id. at 80-81.

[9] Id. at 124.

[10] Id. at 81.

[11] Id. at 81-82.

[12] Id. at 82.

[13] Id. at 246-268.

[14] Id. at 271-291.

[15] Sebastian v. Spouses Cruz, G.R. No. 220940, March 20, 2017.

[16] 725 Phil. 273 (2014).

[17] Id. at 285-288.

[18] Republic v. Umali, 253Phil. 732, 738 (1989).

[19] Locsin v. Hizon, G.R. No. 204369, September 17, 2014, 735 SCRA 547, 557.

[20] Cruz v. Court of Appeals, 346 Phil. 506, 511 (1997).

[21] Locsin v. Hizon, supra note 19, at 556.

[22] *Nobleza v. Nueva*, G.R. No. 193038, March 11, 2015, 752 SCRA 602.

[23] *Id.* at 610-611.

[24] TSN, dated January 11, 2007; rollo, p. 194.

[25] *Id.* at 197.

[26] *Id.* at 196.

[27] *Id.* at 202.

[28] *Spouses Cusi v. Domingo*, 705 Phil. 255, 268 (2013).

[29] TSN, dated January 11, 1997; rollo, p. 205.

[30] *Spouses Cusi v. Domingo*, *supra* note 28, at 271.

[31] *Bayoca v. Nogales*, 394 Phil. 465, 481 (2000).

[32] *Heirs of Teodoro de la Cruz v. Court of Appeals*, 358 Phil. 652, 660 (1998).

[33] *Development Bank of the Philippines v. Court of Appeals*, 387 Phil. 283, 296 (2000).

[34] *Spouses Reyes v. Montemayor*, 614 Phil. 256, 275 (2009).

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