

MERCEDES S. GATMAYTAN AND ERLINDA V. VALDELLON, PETITIONERS, VS. MISIBIS LAND, INC., RESPONDENT.

G.R. No. 222166. June 10, 2020

Ponente: CAGUIOA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-222166/>

CAGUIOA, J.:

The Case

This is a petition for review on certiorari[1] (Petition) filed under Rule 45 of the Rules of Court against the following orders issued by the Regional Trial Court (RTC) of Tabaco City, Branch 15 in Civil Case No. T-2820:

- Order[2] dated October 22, 2015 (First RTC Order) dismissing the complaint filed by petitioners Mercedes S. Gatmaytan and Erlinda V. Valdellon (Petitioners) on the ground of prescription and lack of jurisdiction; and
- Order[3] dated December 28, 2015 (Second RTC Order) denying Petitioners' motion for reconsideration.

The Facts

On December 9, 1991, Petitioners purchased from Oscar and Cidra Garcia (Spouses Garcia) a parcel of land (disputed lot) in Misibis, Cagraray Island, Albay with an area of 6.4868 hectares, covered by Transfer Certificate of Title (TCT) No. T-77703 issued in the latter's name. Petitioners paid the taxes arising from the transaction.[4]

On April 6, 1992, Petitioners, armed with the original owner's duplicate copy of TCT No. T-77703, attempted to register the corresponding Deed of Absolute Sale dated December 9, 1991 (1991 DOAS) with the Register of Deeds of Albay (RD). They were successful in having the 1991 DOAS duly annotated on TCT No. T-77703, but they were not able to cause the transfer of the Torrens title in their name since they lacked the Department of Agrarian Reform (DAR) clearance necessary to do so.[5]

In 2010, when Petitioners resumed processing the transfer of the Torrens title to their names, they discovered that the disputed lot had been consolidated by Misibis Land, Inc. (MLI) with other adjoining lots in Misibis, and sub-divided into smaller lots covered by several new Torrens titles.[6]

Upon further investigation, Petitioners learned that TCT No. T-77703 had been stamped "cancelled", and replaced by subsequent Torrens titles issued on the basis of the following transactions:[7]

Date

Transaction

Parties

Resulting Titles

February 21, 1996

Deed of Absolute Sale (1996 DOAS)

Spouses Garcia as sellers and DAA Realty Corporation (DAA Realty) as buyer

TCT No. T-97059 issued on February 22, 1996

April 21, 2005

Deed of Absolute Sale (2005 DOAS)

DAA Realty as seller and MLI as buyer

TCT No. T-138212

With this discovery, Petitioners immediately caused, on September 1, 2010, the annotation of their Affidavit of Adverse Claim on MLI's Torrens titles.[8]

On December 10, 2014, Petitioners filed a complaint before the RTC (Complaint) against Spouses Garcia, DAA Realty and MLI, as well as Philippine National Bank (PNB) to whom the disputed lot had been mortgaged.[9]

In their Complaint, Petitioners stated their causes of action, as follows:

FIRST CAUSE OF ACTION

(For: Declaration of Plaintiffs' Ownership and Nullity of the [1996 DOAS,] [2005 DOAS] and [the April 21, 2005 MLI-PNB Mortgage])[10]

x x x x

FIRST ALTERNATIVE CAUSE OF ACTION

(Re: Declaration of Nullity Based on Double Sale (sic) of [the 1996 DOAS] and TCT Nos. T-97059 and T-138212 and Any and All Transfers and Dealings Thereafter)[11]

x x x x

SECOND ALTERNATIVE CAUSE OF ACTION

(For: Quieting of Title)[12]

x x x x

SECOND CAUSE OF ACTION

(For: Accounting and Remittance, if any, of [a]ll [of MLI's] Income and Profits vis-a-vis the [disputed lot])[13]

x x x x

THIRD CAUSE OF ACTION

(For: Exemplary Damages)[14]

x x x x

FOURTH CAUSE OF ACTION

(For: Moral Damages)[15]

x x x x

FIFTH CAUSE OF ACTION

(For Attorney's Fees and Litigation Expenses)[16]

Based on these causes of action, Petitioners prayed for the following reliefs:

- The declaration of Petitioners as true and rightful owners of the disputed lot;[17]
- The nullification of the 1996 DOAS and all subsequent transactions involving the disputed lot for being void ab initio;[18]
- The cancellation of TCT Nos. T-97059 and T-138212 respectively issued in the name of DAA Realty and MLI, and the subsequent issuance of a Torrens title in Petitioners' name;[19]
- A full and complete accounting and remittance of all profits and income derived by MLI from the use of the disputed lot;[20] and
- The payment of moral and exemplary damages, and attorney's fees at the rate of Php500,000.00 each.[21]

In its Answer,[22] MLI claimed, among others, that it was an innocent purchaser for value since it relied on DAA Realty's TCT No. T-97059 which did not bear any defects.[23]

MLI further argued in its Answer that Petitioners' cause of action is already barred by prescription since an action for reconveyance of real property based on an implied constructive trust arising from fraud prescribes ten (10) years after the issuance of title in favor of the defrauder. Here, MLI stressed that the Complaint was filed in 2014, or more than ten (10) years after the issuance of DAA Realty's Torrens title in 1996.[24]

Based on the records, DAA Realty did not file any pleading before the RTC.

Finding merit in MLI's assertions, the RTC issued the First RTC Order dismissing the Complaint on the ground of prescription of action and failure to pay the correct docket fees.[25] Petitioners' subsequent motion for reconsideration was also denied through the Second RTC Order.[26]

Petitioners received a copy of the Second RTC Order on January 14, 2016.[27]

On January 28, 2016, Petitioners filed a Motion for Extension of Time to File Petition for Review on Certiorari[28] (Motion for Extension). In the body of the Motion for Extension, Petitioners prayed for an additional period of fifteen (15) days from January 14, 2016, or until January 29, 2016 within which to file their petition for review. However, under the caption "Relief", Petitioners prayed for an additional period of thirty (30) days from January 29, 2016 or until February 28, 2016 to file said petition for review.[29]

On February 24, 2016, this Petition was filed.[30]

On April 18, 2016, the Court issued a Resolution[31] (April 2016 Resolution) denying the Petition, thus:

Considering the allegations, issues and arguments adduced in the petition for review on certiorari assailing the Orders dated [October 22, 2015 and December 28, 2015] of the Regional Trial Court of Tabaco City, Br. 15 in Civil Case No. T-2820, the Court resolves to DENY the petition for failure to sufficiently show any reversible error in the assailed orders to warrant the exercise of this Court's discretionary appellate jurisdiction in this case.

Moreover, the petition failed to strictly comply with the requirements specified in Rule 45 and other related provisions of the 1997 Rules of Civil Procedure, as amended, as the petition lacks: (1) a verified statement of the material date of receipt of the assailed order in accordance with Sections 4 (b) and 5, Rule 45 in relation to Section 5 (d), Rule 56 of the Rules; and (2) a proper verification in accordance with Section 1, Rule 45 in relation to Section 4, Rule 7, and a valid certification of non-forum shopping in accordance with Section 5, Rule 7 of the Rules, the attached verification and certification against forum shopping having been signed by Mercedes S. Gatmaytan without the proof of authority to sign for her co-petitioner.[32]

Petitioners received the Court's April 2016 Resolution on May 30, 2016.[33]

On June 14, 2016, Petitioners filed a Motion for Reconsideration,[34] praying that the Court take a "second hard look" on the merits of the Petition.

Subsequently, Petitioners filed an Urgent Motion to Refer the Case to the Supreme Court En Banc[35] (Motion to Refer), claiming that the Court's April 2016 Resolution deviates from the settled doctrine that "an incidental action for cancellation or nullification of a 'certificate of title' with the declaration of nullity of a deed of sale does not convert the latter to an action for 'reconveyance'", and that such action remains incapable of pecuniary estimation.[36] Petitioners added that the Petition presents a novel question of law which will have a far reaching impact on future litigation.[37]

On August 22, 2016, the Court issued a Resolution[38] granting the Motion for Reconsideration. Thus, the Petition was reinstated and respondent MLI was directed to file its comment thereto. However, the Court denied Petitioners' Motion to Refer for lack of merit.[39]

MLI filed its Comment[40] on October 24, 2016, to which Petitioners filed their Reply.[41]

Here, Petitioners mainly argue that their Complaint should be allowed to proceed since it is an action "primarily for [the] declaration of nullity of the [1996 DOAS],"[42] and alternatively, for quieting of title.[43]

The Issue

The sole issue for the Court's resolution is whether Petitioners' Complaint should be allowed to proceed for trial on the merits.

The Court's Ruling

The Court grants the Petition.

Section 2, Rule 8 of the Rules of Court permits the assertion of alternative causes of action, thus:

SEC. 2. Alternative causes of action or defenses. — A party may set forth two or more statements of a claim or defense alternatively or hypothetically, either in one cause of action or defense or in separate causes of action or defenses. When two or more statements are made in the alternative and one of them if made independently would be sufficient, the pleading is not made insufficient by the insufficiency of one or more of the alternative statements. (Emphasis and underscoring supplied)

Section 2, Rule 8 allows parties to plead as many separate claims as they may have, provided that no rules regarding venue and joinder of parties are violated.[44] A complaint which contains two or more alternative causes of action cannot be dismissed where one of them clearly states a sufficient cause of action against the defendant.[45] This is hornbook law.

In determining the sufficiency of the Complaint and whether it should be allowed to proceed to trial, analysis of each alternative cause of action alleged is necessary, as the sufficiency of one precludes its outright dismissal.

Reconveyance based on the nullity of
the 1996 DOAS in favor of DAA

Realty

An action for reconveyance is a legal remedy granted to a rightful owner of land wrongfully or erroneously registered in the name of another to compel the latter to reconvey the land to him.[46] In reconveyance, the decree of registration is respected as incontrovertible. What is sought instead is the transfer of the property, which has been wrongfully or erroneously registered in another person's name, to its rightful and legal owner, or to one with a better right.[47]

In *Uy v. Court of Appeals*,^[48] the Court expounded on the statutory basis of reconveyance, the two kinds of actions for reconveyance (as distinguished by their underlying basis), and the prescriptive periods applicable to each, thus:

An action for reconveyance is based on Section 53, paragraph 3 of Presidential Decree (PD) No. 1529, which provides:

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. x x x

In *Caro v. Court of Appeals*, we said that this provision should be read in conjunction with Article 1456 of the Civil Code, which 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.

The law creates the obligation of the trustee to reconvey the property and its title in favor of the true owner. Correlating Section 53, paragraph 3 of PD No. 1529 and Article 1456 of the Civil Code with Article 1144 (2) of the Civil Code, the prescriptive period for the reconveyance of fraudulently registered real property is ten (10) years reckoned from the date of the issuance of the certificate of title. 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. An exception to this rule is when the party seeking reconveyance based on implied or constructive trust is in actual, continuous and peaceful possession of the property involved. Prescription does not commence to run against him because the action would be in the nature of a suit for quieting of title, an action that is imprescriptible.

The foregoing cases on the prescriptibility of actions for reconveyance apply when the action is based on fraud, or when the contract used as basis for the action is voidable. Under Article 1390 of the Civil Code, a contract is voidable when the consent of one of the contracting parties is vitiated by mistake, violence, intimidation, undue influence or fraud. When the consent is totally absent and not merely vitiated, the contract is void. An action for reconveyance may also be based on a void contract. When the action for reconveyance is based on a void contract, as when there was no consent on the part of the alleged vendor, the action is imprescriptible. The property may be reconveyed to the true owner, notwithstanding the TCTs already issued in another's name. The issuance of a certificate of title in the latter's favor could not vest upon him or her ownership of the property; neither could it validate the purchase thereof which is null and void. Registration does not vest title; it is merely the evidence of such title. Our land registration laws do not give the holder any better title than what he actually has. Being null and void, the sale produces no legal effects whatsoever.

Whether an action for reconveyance prescribes or not is therefore determined by the nature of the action, that is, whether it is founded on a claim of the existence of an implied or constructive trust, or one based on the existence of a void or inexistent contract. This is evident in several of our past decisions. In *Casipit v. Court of Appeals*, we rejected the claim of imprescriptibility and applied the 10-year prescription where the action filed was based on fraud:

There is no dispute that an action for reconveyance based on a void contract is imprescriptible x x x. However, We simply cannot apply this principle to the present case because the action filed by petitioner before the trial court was 1) for reconveyance based on fraud since the ownership of private respondents over the questioned property was allegedly established on "false assertions, misrepresentations and deceptive allegations" x x x; and 2) for rescission of the "Kasulatan ng Pagmamana at Paghahati x x x." x x x

On the other hand, in *Daclag v. Macahilig*, we rejected the claim of petitioners that prescription is applicable because the action was based on fraud. We ruled that the action was not subject to prescription because it was, in fact, based on a deed of sale that was null and void. Thus:

However, a review of the factual antecedents of the case shows that respondents' action for reconveyance was not even subject to prescription.

The deed of sale executed by Maxima in favor of petitioners was null and void, since Maxima was not the owner of the land she sold to petitioners, and the one-half northern portion of such land was owned by respondents. Being an absolute nullity, the deed is subject to attack anytime, in accordance with Article 1410 of the Civil Code that an action to declare the inexistence of a void contract does not prescribe. x x x An action for reconveyance based on a void contract is imprescriptible. As long as the land wrongfully registered under the Torrens system is still in the name of the person who caused such registration, an action in personam will lie to compel him to reconvey the property to the real owner. x x x

In *Santos v. Heirs of Dominga Lustre*, the complaint alleged that the deed of sale was simulated by forging the signature of the original registered owner. We ruled in favor of imprescriptibility applying the doctrine that the action for reconveyance on the ground that the certificate of title was obtained by means of a fictitious deed of sale is virtually an action for the declaration of its nullity, which does not prescribe.[49] (Emphasis and underscoring supplied; italics and citations omitted)

Proceeding from the foregoing, Petitioners' action should be characterized primarily as one for reconveyance based on a void contract, and thus, imprescriptible. This is evident from the following allegations of the Complaint with respect to the 1996 DOAS:

1.8 This feigned second sale by the Spouses [Garcia] purportedly to DAA Realty was downright void, ineffective and fraudulent in that:

(a) By virtue of [Petitioners'] prior purchase, the Spouses [Garcia] had no more title, hence could not validly sell the subject property to DAA Realty.

(b) On its face, the purported signature of [Cidra Garcia] in the [1996 DOAS] appears even to the naked eye, to be forged and/or falsified for which [DAA Realty and MLI] as beneficiaries are prima facie presumed to be the forgers.

(c) Per its SEC Articles of Incorporation x x x DAA Realty appears to have been incorporated only on [January 22, 1999], or three (3) years after its purported second purchase of the subject property on [February 21, 1996].

(d) On top of all (sic), based on [Petitioners'] clear and subsisting annotation as early as [April 6, 1992] under Entry No. 4145 of their prior purchase on both the original RD Albay and Spouses [Garcia's] Owner's copy of TCT No. T-77703, [DAA Realty] and MLI, being real estate companies reposed with a higher degree of prudence, due care and utmost diligence, very well knew or ought to have known, directly or indirectly as to put them on due notice or inquiry, about [Petitioners'] prior purchase thereof from Spouses [Garcia].

(e) This is especially so since the Spouses [Garcia's] Owner's Copy of TCT No. T-77703 was, at all time to date, in the actual possession and control of [Petitioners] upon their purchase from [Spouses Garcia]. That said, x x x DAA Realty and MLI could not have possibly obtained a new TCT in DAA Realty's name without possessing and surrendering the Owner's copy of the Spouses [Garcia's] TCT No. T-77703 to the RD Albay. The Spouses [Garcia's] failure to surrender their Owner's Copy of TCT No. [T-]77703 makes MLI and DAA Realty purchaser[s] in bad faith vis-à-vis [Petitioners].[50]

In essence, Petitioners assert that the 1996 DOAS is void and inexistent, as: (i) the purported sellers were no longer the owners of the disputed lot at the time of execution; (ii) the signature of one of the sellers therein had

been forged; and (iii) the buyer-corporation was legally inexistent at the time of execution.

Here, recovery of ownership is not restricted to the mere fact that a Torrens title had been issued in favor of DAA Realty, and later, MLI. The above allegations show that the recovery of ownership is predicated on the nullification of the underlying mode of transfer of title of the disputed lot — the issuance of the Torrens titles to DAA Realty and then to MLI being merely the result of the 1996 DOAS sought to be nullified.

While the Complaint admittedly alleged fraud on the part of DAA Realty and MLI, this allegation of fraud was essential in attacking the Torrens titles resulting from the underlying transactions in question — the 1996 DOAS in favor of DAA Realty, and subsequently, the 2005 DOAS in favor of MLI.

Here, Petitioners allege in their Complaint that the owner's duplicate title of Spouses Garcia was surrendered to them upon the execution of the 1991 DOAS,[51] and that because such owner's duplicate title never left their possession, DAA Realty's Torrens title was necessarily issued in violation of Section 53 of PD 1529[52] which sets forth the requirements for registration of voluntary instruments affecting registered land, thus:

SEC. 53. Presentation of owner's duplicate upon entry of new certificate. – No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown.

The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith.

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. (Emphasis and underscoring supplied)

In addition, both DAA Realty and MLI may be deemed to have been constructively notified of the 1991 DOAS in favor of Petitioners, as it was duly annotated on Spouses Garcia's TCT No. T-77703. Hence, contrary to MLI's assertions, it may not be considered an innocent purchaser for value in this case.

It must be noted that MLI filed a Motion for Preliminary Hearing on Affirmative Defenses[53] (Motion for Preliminary Hearing) invoking the defenses of prescription and lack of jurisdiction for failure of Petitioners to allege in their Complaint the assessed value of the disputed lot.[54] In asserting these affirmative defenses, MLI hypothetically admitted the material allegations in Petitioners' Complaint, pursuant to Section 5, Rule 6 of the Rules of Court, thus:

SEC. 5. Defenses. — Defenses may either be negative or affirmative.

(a) A negative defense is the specific denial of the material fact or facts alleged in the pleading of the claimant essential to his cause or causes of action.

(b) An affirmative defense is an allegation of a new matter which, while hypothetically admitting the material allegations in the pleading of the claimant, would nevertheless prevent or bar recovery by him. The affirmative defenses include fraud, statute of limitations, release, payment, illegality, statute of frauds, estoppel, former recovery, discharge in bankruptcy, and any other matter by way of confession and avoidance. (Emphasis supplied)

Hence, the material allegations in Petitioners' Complaint, including the possession by Petitioners of the owner's duplicate title of Spouses Garcia's TCT No. T-77703 and the annotation of the 1991 DOAS in both original and owner's duplicate title covering the disputed lot, are deemed hypothetically admitted.

Since the nullity of DAA Realty's Torrens title may be anchored on the non-presentation of Spouses Garcia's owner's duplicate title, and MLI may not be considered an innocent purchaser for value, then Petitioners' allegation for reconveyance based on the nullity of the 1996 DOAS and the Torrens titles resulting therefrom was sufficiently made.

Moreover, Petitioners' action for reconveyance can also be viewed from the law on sales. Petitioners alleged that a prior sale had been consummated in their favor. It must be noted that the copy of the 1991 DOAS forming part of the records shows that it is a public document. That the 1991 DOAS is a public document is further confirmed by the fact that Petitioners were successful in having the 1991 DOAS duly annotated on TCT No. T-77703, and that the only reason they were unable to cause the transfer of the Torrens title in their name was because they lacked the DAR clearance necessary to do so.^[55] According to Article 1498^[56] of the Civil Code, the execution of this public document may partake constructive delivery of the property so as to constitute the Petitioners as full owners thereof. In turn, the validity of this sale, documented through the 1991 DOAS, was hypothetically admitted by MLI through its Motion for Preliminary Hearing. In other words, the second sale to DAA Realty, documented through the 1996 DOAS, may be considered void, since Spouses Garcia would no longer be the owners of the disputed lot at such time. As early as 1991, Petitioners may be considered full owners of the property covered by TCT No. T-77703. This means that DAA Realty could not have acquired anything in 1996. It follows that MLI purchased nothing from DAA Realty in 2005.^[57] Clearly, Petitioners have alleged a sufficient cause of action in this regard.

What is then the applicable period in Petitioners' action for reconveyance? Being based on the allegation of nullity of the 1996 DOAS in favor of DAA Realty, said action should be deemed imprescriptible.

In this connection, it should again be stressed that limiting the characterization of Petitioners' action for reconveyance to one solely based on an implied constructive trust, as was done by the RTC is a grievous error. To do so is to unwarrantedly view the Complaint solely through the assertions made by MLI in its Motion for Preliminary Hearing — and not through the allegations of the Complaint, which, as discussed, are deemed hypothetically admitted.

Since the allegations in the Complaint point to the nullity of the 1996 DOAS — which is the underlying transaction from which MLI derives its alleged right of ownership over the disputed lot — such issue should have been resolved by the RTC instead of ordering the Complaint's outright dismissal. The mere issuance of a Torrens title in favor of DAA Realty, which the Complaint alleges as void, cannot, by itself, without the requisite determination of the factual circumstances surrounding it, be accorded any probative weight to justify the dismissal of the Complaint given that in addition to the invalidity of said Torrens title, Petitioners also made allegations relating to the nullity of the underlying sale, which is the substantive basis for its issuance.

Quieting of Title

Under Article 476 of the Civil Code, an action for quieting of title may be filed "[w]henever there is a cloud on title to real property or any interest therein, by reason of any instrument, record, claim, encumbrance or proceeding which is apparently valid or effective but is in truth and in fact invalid, ineffective, voidable, or unenforceable, and may be prejudicial to said title." This action may be brought by one who has legal or equitable title to, or interest in the real property which is the subject matter of the action, whether or not such party is in possession.^[58] As a general rule, an action for quieting of title, being a real action, prescribes thirty (30) years

after accrual.[59] However, by way of exception, an action to quiet title involving property in the possession of the plaintiff is imprescriptible.[60]

For an action for quieting of title to prosper: (i) the plaintiff or complainant must have a legal or an equitable title to or interest in the real property subject of the action; and (ii) the deed, claim, encumbrance, or proceeding claimed to be casting cloud on his title must be shown to be in fact invalid or inoperative despite its prima facie appearance of validity or legal efficacy.[61]

Here, Petitioners claim to have equitable title over the disputed lot based on the 1991 DOAS registered with the RD and annotated on the original and owner's duplicate of Spouses Garcia's TCT No. T-77703. In addition, they allege that the 1996 DOAS purportedly executed between Spouses Garcia and DAA Realty, and all transactions subsequent thereto, cast a cloud of doubt on such equitable title. Hence, the two requisites to sustain an action for quieting of title have been met.

As stated, an action for quieting of title involving property not in the possession of the plaintiff prescribes thirty (30) years after the cause of action accrues, which, in this case, appears to have taken place on February 22, 1996, upon issuance of DAA Realty's Torrens title. Hence, Petitioners' action for quieting of title has not prescribed, as the Complaint was filed only eighteen (18) years thereafter, on December 10, 2014.

The outright dismissal of the
Complaint is unwarranted

Instead of conducting a full-blown hearing as necessitated by the nature of the allegations in the Complaint, the RTC erroneously dismissed the Complaint on the ground of prescription. The relevant portions of the First RTC Order read:

x x x [B]ased upon the allegations of [Petitioners] in the [C]omplaint an implied or constructive trusts (sic) has been created in favor of [Petitioners] when [DAA Realty] and [MLI] acquired the [disputed lot] allegedly by fraud. This conclusion is consistent with the ruling of the Supreme Court in Estate of the late Mercedes Jacob vs. Court of Appeals.

x x x x

[MLI] proceeded [to state] that unfortunately for [Petitioners], at the time they filed their [C]omplaint on [December] 10, 2014, their cause of action for reconveyance based on an implied trust has already prescribed, as more than ten (10) years had lapsed already from the time of the issuance of title to [DAA Realty] on February 22, 1996.[62]

In ruling that Petitioners' action had already prescribed, it is clear that the RTC treated the Complaint as an action for reconveyance based solely on implied constructive trust. This is clearly grievous error, if not grave abuse of discretion, as the Complaint clearly alleged Petitioners' other causes of action.

In any case, even if the Complaint were to be treated, for the sake of argument, as an action for reconveyance based solely on an implied constructive trust, the Complaint should still be allowed to proceed, having been timely filed.

Under Article 1456 of the Civil Code, "[i]f 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." The law thus creates the obligation of the trustee to reconvey the property and its title in favor of the true owner.[63] An action for reconveyance of property based on an implied constructive trust prescribes in ten (10) years, in accordance with Article 1144(2) of the Civil Code, which states that that an action involving an obligation created by law must be brought within ten (10) years from the time the right of action accrues.

However, in cases where fraud is specifically alleged to have been attendant in the trustee's registration of the subject property in his/her own name, the prescriptive period is ten (10) years counted from the true owner's discovery of the fraud.[64]

When is the fraud deemed discovered in the context of registered property? *Adille v. Court of Appeals*[65] (*Adille*) lends guidance:

It is true that registration under the Torrens system is constructive notice of title, but it has likewise been our holding that the Torrens title does not furnish a shield for fraud.

x x x x

x x x Accordingly, we hold that the right of the private respondents commenced from the time they actually discovered the petitioner's act of defraudation. x x x[66]

The Court's ruling in *Adille*, reiterated in *Samonte v. Court of Appeals*[67] and *Government Service Insurance System v. Santiago*,[68] is in congruence with Section 53 of PD 1529, which states that in all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud and that registration procured by the presentation of a forged deed or other instrument shall be null and void.

Among the allegations hypothetically admitted by MLI are those concerning DAA Realty's failure to present Spouses Garcia's owner's duplicate copy of TCT No. T-77703 upon issuance of TCT No. T-97059 in its name, as required by Section 53 of PD 1529.

In *Levin v. Bass*[69] (*Levin*) the Court en banc unanimously held that failure to comply with the registration requirements of the Torrens system averts the registration process, and prevents the underlying transaction from affecting the land subject of the registration, hence:

x x x Under the Torrens system the act of registration is the operative act to convey and affect the land. [Does] the entry in the day book of a deed of sale which was presented and filed together with the owner's duplicate certificate of title with the office of the Registrar of Deeds and full payment of registration fees constitute a complete act of registration which operates to convey and affect the land? In voluntary registration, such as a sale, mortgage, lease and the like, if the owner's duplicate certificate be not surrendered and presented or if no payment of registration fees be made within [fifteen (15)] days, entry in the day book of the deed of sale does not operate to convey and affect the land sold. x x x[70] (Emphasis and underscoring supplied)

Levin thus teaches that a Torrens title issued without prior presentation and cancellation of the existing owner's duplicate title does not bind the property to which it pertains. The title so issued does not produce the effects of a Torrens title contemplated under PD 1529, including the effects of constructive notice. It is literally a scrap of paper.

On this basis, coupled with the fact that they were always in possession of the owner's duplicate copy of TCT No. T-77703, Petitioners cannot be deemed to have been constructively notified of the issuance of DAA Realty's TCT No. T-97059. The ten (10)-year prescriptive period thus referred to in Article 1144(2) of the Civil Code must be reckoned not from the issuance of DAA Realty's Torrens title, but rather, from Petitioners' actual discovery of the fraud in 2010. The Complaint, having been filed barely four (4) years after, or on December 10, 2014, was therefore timely filed.

Belated payment of docket fees may
still be permitted

Apart from prescription, the RTC also anchored the outright dismissal of the Complaint on Petitioners' alleged

failure to pay the correct docket fees.[71] Again, this is error.

Assuming that the payment made by Petitioners is in fact deficient, belated payment of the difference may still be permitted consistent with the Court's ruling in *Sun Insurance Office, Ltd. v. Asuncion*:^[72]

x x x It is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject matter or nature of the action. Where the filing of the initiatory pleading is not accompanied by payment of the docket fee, the court may allow payment of the fee within a reasonable time but in no case beyond the applicable prescriptive or reglementary period.^[73]

Accordingly, in determining whether belated payment of the deficiency of Petitioners' docket fees may still be allowed, the prescriptive periods applicable to Petitioners' alternative causes of action, as discussed above, should be considered. As already explained, Petitioners' Complaint should be characterized primarily as an action for reconveyance based on a void contract which is imprescriptible, and alternatively, as an action for quieting of title which prescribes thirty (30) years after the cause of action accrues, which, in this case, occurred on February 22, 1996 when the issuance of DAA Realty's Torrens title cast a cloud on Petitioners' claim of ownership over the disputed lot. As none of Petitioners' alternative causes of action has prescribed, payment of the deficiency in the docket fees paid, if any, should still be permitted.

The 1991 DOAS in favor of
Petitioners cannot be declared void
without trial

Finally, the Court is not unaware of certain discrepancies between the allegations in the Complaint and the statements appearing on the face of the supporting documents attached thereto. These discrepancies appear from the following allegations, thus:

1.3 On or about [December 9, 1991], [Petitioners] purchased from [Spouses Garcia], for and in consideration of Php70,000.00, a parcel of land located at Misibis, Cagraray Island, Albay, consisting of 6.4868 has., duly evidenced and covered by TCT No. T-77703, Registry of Deeds for the Province of Albay x x x, the technical descriptions of which are:

x x x x

photocopies of the Deed of Absolute Sale of Real Property dated [December 9, 1991] [(1991 DOAS)] and [Spouses Garcia's] Owner's copy of TCT No. T-77703 as surrendered to [Petitioners] are attached hereto as Annexes "A" and "A-1".^[74]

The documents referred to as Annexes "A" and "A-1" above appear to show that: (i) while the 1991 DOAS names Cidra Garcia as vendor, her signature does not appear on the document; (ii) only Oscar Garcia's signature appears on the 1991 DOAS; and (iii) TCT No. T-77703 is registered in the name of "Cidra R. Garcia x x x married to Oscar G. Garcia." These discrepancies, if taken as fact, may cast doubt on the validity of the 1991 DOAS.

However, and precisely to the point, matters relating to the validity of the 1991 DOAS cannot be resolved without presentation of evidence. Any finding to be made by the Court here would amount to a prejudgment of the merits of the Complaint without trial, and would constitute a violation of Petitioners' right to due process. To treat the 1991 DOAS as void without the benefit of trial will contradict the hypothetical admissions made by MLI when it filed its Motion for Preliminary Hearing.

In this regard, established jurisprudence dictates that in cases where there is a conflict between the allegations in a complaint and its supporting documents, the complainant must be given the opportunity to reconcile the same,

consistent with the fundamental principle of due process. The Court's ruling in *World Wide Insurance & Surety Co., Inc. v. Manuel*[75] is thus apropos:

x x x To determine whether a complaint states a cause of action one must accept its allegations as true. One may not go beyond and outside the complaint for data or facts, especially contrary to the allegations of the complaint, to determine whether there is cause of action. Of course, there are cases where there may be a conflict or contradiction between the allegations of a complaint and a document or exhibit attached to and made part of it. In that case, instead of dismissing the complaint, defendant should be made to answer the same so as to establish an issue and then the parties will be given an opportunity, the plaintiff to reconcile any apparent conflict between the allegations in his complaint and a document attached to support the same, and the defendant an equal opportunity to refute the allegations of the complaint and to show that the conflict between its allegation and the document attached to it is real, material and decisive.[76] (Emphasis and underscoring supplied)

In sum, the resolution of the substantive issues raised in the Complaint, as discussed herein, requires a full-blown trial. The issuance of the First and Second RTC Orders directing the outright dismissal of the Complaint are not only grievously erroneous, but amount to grave abuse of discretion, as they deprive Petitioners of the right to due process.

Final Note

The factual and legal conclusions expressed herein are mainly based on the allegations of the Complaint which have been hypothetically admitted by MLI through its Motion for Preliminary Hearing. These conclusions are made only for the purpose of resolving the basic issue before the Court, that is, whether the allegations in the Complaint are sufficient to sustain any of the alternative causes of action asserted therein.

This Decision does not resolve with finality or conclusiveness the factual and legal issues that the parties have raised in their respective pleadings filed before the trial court. Such factual and legal issues should be resolved before said court, after reception of evidence on the merits. Lest there be any confusion, this Decision should not be interpreted as a prejudgment of the factual and substantive issues raised in the Complaint or in the Answer. Precisely, this Decision seeks to afford the parties their day in court with due regard to their right to due process, given that the resolution of their conflict may entail deprivation of property.

WHEREFORE, the Petition is GRANTED. Accordingly, the Orders dated October 22, 2015 and December 28, 2015 issued by the Regional Trial Court of Tabaco City, Branch 15, in Civil Case No. T-2820 are REVERSED.

This case is REMANDED to the Regional Trial Court of Tabaco City, Branch 15 for trial on the merits. Said court is DIRECTED to resolve the case with dispatch.

SO ORDERED.

Peralta, C.J. (Chairperson), J. Reyes, Jr., and Lopez, JJ., concur.
Lazaro-Javier, J., see dissenting opinion.

[1] Rollo, pp. 21-61.

[2] Id. at 62-69. Penned by Judge Alben Casimiro Rabe.

[3] Id. at 70-71.

[4] Id. at 26-27, 73-74.

[5] See *id.* at 27.

[6] *Id.*

[7] See *id.* at 65-66.

[8] *Id.* at 30, 140-143.

[9] *Id.* at 72-89.

[10] *Id.* at 79. Emphasis omitted.

[11] *Id.* at 81. Emphasis omitted.

[12] *Id.* at 83. Emphasis omitted.

[13] *Id.* at 84. Emphasis and underscoring omitted.

[14] *Id.* Emphasis and underscoring omitted.

[15] *Id.* at 85. Emphasis and underscoring omitted.

[16] *Id.* Emphasis and underscoring omitted.

[17] *Id.* at 86.

[18] *Id.* at 85-87.

[19] *Id.* at 86-87.

[20] *Id.* at 87.

[21] *Id.* at 87-88.

[22] *Id.* at 144-174.

[23] *Id.* at 145.

[24] *Id.* at 144-174.

[25] *Id.* at 62-69.

[26] *Id.* at 70-71.

[27] *Id.* at 3.

[28] *Id.* at 3-6.

[29] *Id.* at 4.

[30] *Id.* at 21, 60.

[31] *Id.* at 302-303. Issued by the Second Division composed of Associate Justice Antonio T. Carpio, Chairperson and Associate Justices Arturo D. Brion, Mariano C. Del Castillo, Jose C. Mendoza and Marvic Mario Victor F. Leonen, Members.

[32] *Id.* at 302.

[33] *Id.* at 304.

[34] Id. at 304-344.

[35] Id. at 345-365.

[36] Id. at 346.

[37] Id. at 346-347.

[38] Id. at 388-389. Issued by the Second Division composed of Associate Justice Antonio T. Carpio, Chairperson and Associate Justices Mariano C. Del Castillo, Jose C. Mendoza and Marvic Mario Victor F. Leonen, Members; Associate Justice Arturo D. Brion, Member, on leave.

[39] Id. at 388.

[40] Id. at 400-415.

[41] Id. at 417-422.

[42] Id. at 33, 37.

[43] Id. at 33, 45.

[44] See *Baluyot v. Court of Appeals*, 370 Phil. 30, 51 (1999).

[45] Id. at 51.

[46] *Tomas v. Court of Appeals*, 264 Phil. 221, 228 (1990).

[47] *Uy v. Court of Appeals*, 769 Phil. 705, 718-719 (2005).

[48] Id.

[49] Id. at 719-722.

[50] *Rollo*, pp. 75-76.

[51] Paragraph 1.8 (e) of the Complaint states:

(e) This is especially so since the Spouses [Garcia's] Owner's Copy of TCT No. T-77703 was, at all times to date, in the actual possession and control of the plaintiffs upon their purchase from the [Spouses Garcia]. That said, defendants DAA Realty and MLI could not have possibly obtained a new TCT in DAA Realty's name without possessing and surrendering the Owner's copy of the Spouses [Garcia's] TCT No. T-77703 to the RD Albay. The Spouses [Garcia's] failure to surrender their Owner's Copy of TCT No. [T-]77703 makes MLI and DAA Realty purchaser[s] in bad faith vis-a-vis [Petitioners]. Id. at 76.

[52] Petitioners' Complaint alleged that:

1.8 This feigned second sale by the Spouses [Garcia] purportedly to DAA Realty was downright void, ineffective and fraudulent in that:

x x x [T]he Spouses [Garcia's owner's duplicate] of TCT No. T-77703 was, at all times to date, in the actual possession and control of [Petitioners] upon their purchase from [Spouses Garcia]. That said, [DAA Realty and MLI] could not have possibly obtained a new TCT in DAA Realty's name without possessing and surrendering the [owner's duplicate of the Spouses Garcia's] TCT No. T-77703 to the [RD]. The Spouses [Garcia's] failure to surrender their [owner's duplicate] of TCT No. [T-]77703 makes MLI and DAA Realty purchaser[s] in bad faith vis-à-vis [Petitioners]. Id. at 75-76.

[53] *Rollo*, pp. 201-208.

[54] Id. at 201.

[55] Id. at 27.

[56] Article 1498 states:

ART. 1498. When the sale is made through a public instrument, the execution thereof shall be equivalent to the delivery of the thing which is the object of the contract, if from the deed the contrary does not appear or cannot clearly be inferred.

With regard to movable property, its delivery may also be made by the delivery of the keys of the place or depository where it is stored or kept.

[57] See generally *Miranda v. Spouses Mallari*, G.R. No. 218343, November 28, 2018.

[58] See CIVIL CODE, Art. 477.

[59] Id., Art. 1141.

[60] *Heirs of Segundo Ubeas v. Court of First Instance of Negros Occidental*, 175 Phil. 334, 341 (1978).

[61] See generally *Residents of Lower Atab & Teachers' Village v. Sta. Monica Industrial & Development Corp.*, 745 Phil. 554, 563 (2014).

[62] Rollo, pp. 63-64.

[63] *Uy v. Court of Appeals*, supra note 47, at 719.

[64] Desiderio P. Jurado, *COMMENTS AND JURISPRUDENCE ON OBLIGATIONS AND CONTRACTS*, 1987 9[th] Revised Ed., p. 647.

[65] 241 Phil. 487 (1988).

[66] Id. at 495-496.

[67] 413 Phil. 487, 497 (2001).

[68] 460 Phil. 763, 773-774 (2003).

[69] 91 Phil. 419 (1952).

[70] Id. at 436-437.

[71] Rollo, p. 69.

[72] 252 Phil. 280 (1989).

[73] Id. at 291.

[74] Rollo, pp. 73-74.

[75] 98 Phil. 46 (1955).

[76] Id. at 49-50.

DISSENTING OPINION

LAZARO-JAVIER, J:

The Case

This Petition for Review on Certiorari assails the following dispositions of the Regional Trial Court – Branch 15, Tabaco City, Albay in Civil Case No. T-2820 entitled "Mercedes S. Gatmaytan and Erlinda V. Valdellon v. Misibis Land, Inc. et al.":

- 1) Order[1] dated October 22, 2015 dismissing petitioners' complaint on ground that their cause of action was already barred by prescription, and for failure to pay the proper docket fees; and
- 2) Order[2] dated December 28, 2015 denying petitioners' motion for reconsideration.

Antecedents

Under Complaint[3] dated December 10, 2014, petitioners Mercedes S. Gatmaytan and Erlinda V. Valdellon sued respondent Misibis Land, Inc., DAA Realty Corporation (DAA Realty), Philippine National Bank, Spouses Oscar and Cidra Garcia et al. alleging the following facts:

xxx xxx xxx

1.3 On or about 09 December 1991, plaintiffs purchased from the Spouses Garcias, for and in consideration of P70,000.00, a parcel of land located at Misibis, Cagraray Island, Albay, consisting of 6.4846 has., duly evidenced and covered by TCT No. T-77703, Registry of Deeds for the Province of Albay ("RD Albay") xxx

1.3.1 Accordingly, plaintiffs paid the accruing Capital Gains and Documentary Taxes for which the BIR issued the corresponding Certificate Authorizing Registration ("CAR") No. 338686 dated 03 April 1992, xxx

1.3.2 Meanwhile, on 06 April 1992, plaintiffs registered and annotated their Deed of Absolute Sale dated 09 December 1991, per Entry No. 4145, on both the Original RD copy and Owner's copy of TCT No. T-77703.

1.4 For apparent lack of DAR Clearance, however, plaintiffs inadvertently failed to complete and consummate the registration and obtain a new TCT in their names.

1.5 Sometime in 2010, however, when plaintiffs resumed processing the transfer of their title, plaintiffs were aghast to learn, upon their representative's verification with the RD Albay, that their subject property had been consolidated by defendant MLI with its other lots in Misibis, and in turn subdivided anew into smaller lots for evident commercial gain. Plaintiffs' subject property now appears to be covered by new TCT Nos. 138330 to T-138337, T-13847 to T-138512, T-138521 to T-138600, and T-138619 to T-138640.

1.6 Worse, plaintiffs discovered that defendants MLI, DAA Realty and the Spouses Garcias had conspired, confederated and cooperated with each other to defraud plaintiffs of their subject property. Defendants MLI and DAA Realty made it appear, contrary to the truth, that they were bona fide buyers in good faith of the subject property without knowledge or notice of plaintiffs' prior purchase thereof from the Spouses Garcias.

1.7 In truth, defendants MLI and DAA Realty, with the apparent cooperation of the Spouses Garcias, had methodically and systematically undertaken a scheme to defraud and deprive plaintiffs of their purchased property, despite their actual notice and/or constructive knowledge thereof, as shown by the following:

- The original RD Copy of the Spouses Oscar and Cidra Garcia's TCT No. T-77703 duly reflects an annotation dated 06 April 1992 under Entry No. 4145 respecting plaintiffs' prior purchase thereof on 09 December 1991.
- Initially, defendants MLI and DAA Realty, despite their actual notice and/or constructive knowledge of its previous sale to plaintiffs, made it appear that on 21 February 1996, the defendant Spouses Garcias, had

purportedly sold plaintiffs' property to DAA Realty xxx

1.8 This feigned second sale by the Spouses Garcias purportedly to DAA Realty was downright void, ineffective and fraudulent in that:

(a) By virtue of plaintiffs' prior purchase, the Spouses Garcias had no more title, hence could not validly sell the subject property to DAA Realty.

(b) On its face, the purported signature of defendant Cidra in the Deed of Absolute Sale dated 21 February 1996 appears even to the naked eye, to be forged and/or falsified for which the defendants DAA Realty and MLI as beneficiaries are prima facie presumed to be the forgers.

(c) Per its SEC Articles of Incorporation, Annex "B-1" hereof, DAA Realty appears to have been incorporated only on 22 January 1999, or three (3) years after its purported second purchase of the subject property on 21 February 1996.

(d) On top of all, based on plaintiffs' clear and subsisting annotation as early as 06 April 1992 under Entry No. 4145 of their prior purchase on both the original RD Albay and the Spouses Garcias' Owner's copy of TCT No. T-77703, defendants DAA Realty and MLI, being real estate companies reposed with a higher degree of prudence, due care and utmost diligence, very well knew or ought to have known, directly or indirectly as to put them on due notice or inquiry, about plaintiffs' prior purchase thereof from the Spouses Garcias.

(e) This is especially so since the Spouses Garcias' Owner's Copy of TCT No. T-77703 was, at all times to date, in the actual possession and control of the plaintiffs upon their purchase from the Sps. Garcias. That said, defendants DAA Realty and MLI could not have possibly obtained a new TCT in DAA Realty's name without possessing and surrendering the Owner's copy of the Spouses Garcias' TCT No. T-77703 to the RD Albay. The Spouses Garcias' failure to surrender their Owner's Copy of TCT No. 77703 makes MLI and DAA Realty purchasers in bad faith vis-a-vis plaintiffs.

(f) Neither did the defendants MLI and DAA Realty, in the exercise of higher prudence, utmost due care and diligence as real estate companies, ever file any petition for issuance of a new Owner's Copy of TCT No. T-77703. This, they could not as defendants MLI and DAA Realty very well knew that such Owner's Copy of TCT No. T77703 was with plaintiffs by virtue of their prior purchase.

(g) Neither did DAA Realty or Spouses Garcias present any DAR Clearance as a pre-requisite to the registration of the transfer and obtention of their new title to the subject property xxx,

1.9 Yet, despite their actual notice and/or constructive knowledge of plaintiffs' prior purchase, on or about 22 February 1996, DAA Realty fraudulently secured and smoothly obtained a bogus and void TCT No. T-97059 in its name from the RD Albay xxx

1.10 Worst of all, DAA Realty's fraudulent obtention of TCT No. T-97059 was facilitated by them, by simply causing baselessly the RD Albay to merely stamp as "CANCELLED", without any requisite explanation of the basis therefor, plaintiffs' annotated Entry 4145 concerning their prior Deed of Sale dated 09 December 1991 at the back of the Original RD Albay copy of TCT No. T-77703 xxx

1.11 To ice this fraud, DAA Realty, if it was in good faith, ought to have derived its tax declaration from the Spouses Garcias' Tax Declaration No. 55 xxx Instead, DAA Realty with obvious arrogance of power, merely applied and declared for a NEW ORIGINAL real property tax declaration, the subject property in its own name, and thereby obtained a NEW Original Tax Declaration No. 96-0059 on 04 November 1998 xxx

1.12 Despite their actual knowledge and/or constructive notice, directly and/or indirectly, of plaintiffs' prior purchase prescinding from their status as real estate entities who are charged and reposed with higher degree of

prudence, due care and diligence, on or about 21 April 2005, defendants MLI and DAA Realty then made it appear contrary to the truth that defendant MLI had purchased the subject property in good faith from DAA Realty, for which defendant MLI was purportedly issued a new TCT No. T-138212 xxx

1.13 Subsequently, plaintiffs additionally discovered, and so allege, that defendant MLI with apparent concealment of their fraudulent taking of plaintiffs' property, inveigled, cajoled, enticed and duped the defendant PNB, to grant it a commercial loan, duly secured by mortgage of plaintiffs' subject property, among others. As a banking institution, defendant PNB is also charged with a much higher degree of prudence, due care and diligence for which it is also guilty of actual knowledge and/or constructive notice, directly or indirectly, of such fraud and defects. Defendant MLI, together with its other affiliate corporations, had loaned and mortgaged to defendant PNB, among others, its alleged parcels of land located in Misibis, including the subject property, initially for the amount of P210 Million, and then to P500 Million xxx

1.14 [sic] Based on their startling discoveries of the above defraudation, on 01 September 2010, plaintiff Gatmaytan then immediately executed an Affidavit of Adverse Claim and registered on defendant MLI's TCTs xxx

1.14 Presently, plaintiffs' subject property is now a vital part of defendant MLI's prime commercial and residential projects popularly known as Misibis Residential Resort, and the Misibis Vacation Villa and Retirement Village-for tourism, lease and/or sale to the general unwary public, both local and international.[4]

xxx xxx xxx

Based on the foregoing factual allegations, petitioners raised three (3) causes of action, viz:

- Reconveyance of property since defendants were all allegedly guilty of fraud in transferring and obtaining the property;[5]
- Nullity of the Deed of Absolute Sale dated February 21, 1996 in favor of DAA Realty since Spouses Garcias could not have sold a property that no longer belonged to them;[6]
- Quieting of title since the Deed of Absolute Sale dated February 21, 1996 created a cloud of doubt on their title which needed to be dispersed.[7]

Petitioners ultimately sought to be declared the true and rightful owner of subject property; to nullify the Deed of Absolute Sale dated February 21, 1996 between Spouses Garcias and DAA Realty and all transactions subsequent thereto, including the Deed of Absolute Sale dated April 21, 2005 between DAA Realty and respondent; to cancel DAA Realty and respondent's Transfer Certificate of Title (TCT) Nos. 97059 and T-138212, respectively, and all titles prescinding therefrom; to issue a new title in their favor, subject to submission of the required registration documents; and to obtain from defendants moral damages, exemplary damages, and attorney's fees at P500,000.00 each.[8]

In its Answer,[9] respondent denied the allegations and insisted it was an innocent purchaser for value of the property. It relied on DAA Realty's TCT No. 97059 which allegedly did not bear notice of any defect or prior sale in favor of petitioners.

More, petitioners never acquired ownership of the property since Cidra Garcia did not sign the Deed of Absolute Sale of Real Property dated December 9, 1991 in their favor, neither was possession of the property delivered to them. Considering that respondent was the first to register the property under its name, it had a better right thereto compared to petitioners.[10]

At any rate, petitioners' cause of action was already barred by prescription. Under Article 1456 of the New Civil

Code,[11] when a person acquires property through fraud, an implied trust is created in favor of the defrauded party. An action for reconveyance of property based on an implied trust created by operation of law prescribes after ten (10) years from issuance of title to the trustee.[12] Here, TCT-97509 was issued to DAA Realty in 1996 while petitioners initiated the complaint only on December 10, 2014, more than ten (10) years later.[13]

Too, petitioners' failure to allege the assessed value of subject property in their Complaint was fatal to their case. Because of this omission, it could not be determined whether the Regional Trial Court or the Municipal Trial Court had jurisdiction over the suit.[14]

Finally, whatever cause of action petitioners may have had was already barred by laches. Petitioners had been sleeping on their rights from the time they allegedly bought the property on December 9, 1991 until they filed the Affidavit of Adverse Claim on September 8, 2010 and the Complaint on December 10, 2014. They did not even pay the real property taxes due thereon. Their failure to protect their alleged right, as they were negligently silent and inactive, converted their claim to a stale demand.[15]

In its compulsory counterclaim, respondent sought payment from petitioners for attorney's fees of P300,000.00, claiming it was compelled to litigate despite the Complaint's utter lack of basis.[16] It also filed a cross-claim against DAA Realty for reimbursement of the purchase price of the property should the trial court rule in petitioners' favor.[17]

In their Reply,[18] petitioners argued that whether they lacked a cause of action is an issue that should be threshed out in the trial proper.[19] In any event, records showed that not only did they have valid causes of action,[20] they also have a better right to the property compared to respondent.[21]

As for the issues of prescription and failure to allege the assessed value of the property, petitioners riposted:

Under Article 1410 of the New Civil Code,[22] a suit for the nullity of the fraudulent sales and titles was imprescriptible. Further, the alternative cause of action for quieting of title would only prescribe after thirty (30) years since respondent did not acquire the property in good faith.[23]

Their failure to declare the assessed value of the property in their Complaint was immaterial. The suit was for the nullity of the sale between Spouses Garcias to DAA Realty, and from DAA Realty to respondent, hence, it was an action incapable of pecuniary estimation falling within the exclusive original jurisdiction of the Regional Trial Court regardless of the value of the property involved.[24]

Finally, the equitable defense of laches could not be raised too early in the proceedings. The defense, too, was unavailing since petitioners discovered the fraudulent transfer only in 2010.[25]

Respondent filed a Motion for Preliminary Hearing[26] dated July 6, 2015, urging the trial court to hear and rule on its defenses of prescription and lack of jurisdiction. Petitioners filed their Comment/Opposition[27] thereto, repleading the counter-arguments in their Reply. Both parties essentially reiterated their arguments in their respective memoranda.[28]

The Trial Court's Ruling

Through its assailed Order[29] dated October 22, 2015, the trial court dismissed the Complaint due to prescription and lack of jurisdiction.

It held that under Art. 1456 of the New Civil Code, an implied trust is created by operation of law when property is acquired through fraud. The offended party may recover the property from the trustee through an action for reconveyance which prescribes in ten (10) years from the time the implied trust was constituted. Here, petitioners filed the Complaint on December 10, 2014, more than ten (10) years after the implied trust was constituted on

February 22, 1996 when DAA Realty acquired title over the property. Hence, their cause of action had already prescribed.

More, petitioners' failure to indicate the assessed value of the property in their Complaint resulted in their failure to be assessed of, and pay for, the proper docket fees. Their non-payment of proper docket fees was a jurisdictional defect that led to the dismissal of the Complaint.

Petitioners' motion for reconsideration was denied on December 28, 2015.[30]

The Present Petition

In this Petition for Review on Certiorari, petitioners fault the trial court for ruling that their action for reconveyance was based on fraud which prescribes, rather than on nullity of the Deed of Absolute Sale dated February 21, 1996 which is imprescriptible. The trial court allegedly read matters not pleaded in their Complaint in ascertaining what their cause of action was, thus, improperly resulting in the dismissal of the suit.[31]

They never avoided payment of docket fees. In fact, they paid based on the assessed value of the property under DAA Realty's Tax Declaration No. 0059. Same tax declaration reveals that as early as 1998, the assessed value of the property was already P52,140.00, clearly placing the case within the jurisdiction of the Regional Trial Court.[32]

In its Comment,[33] respondent counters that the assailed Orders dismissed the complaint without prejudice. Hence, no appeal can be taken therefrom;[34] the proper remedy available to petitioners is a Petition for Certiorari under Rule 65 of the Rules of Court.[35] Even assuming that petitioners properly filed an appeal, it cannot be given due course since it involves questions of fact which the Court cannot try and resolve.[36]

At any rate, the trial court did not err in classifying petitioners' cause of action as one for reconveyance of property based on fraud.[37] The material allegations in the Complaint and the relief sought reveal that the primary objective of the suit was to recover the property and to have the trial court declare petitioners as the true and rightful owners thereof.[38] Although the Complaint also sought to nullify the sales in favor of DAA Realty and respondent, this did not efface the fundamental and prime objective of the suit which was to recover the property.[39] As such, petitioners' cause of action had already prescribed ten (10) years after DAA Realty acquired title over the property.

The trial court also correctly dismissed the action for reconveyance for petitioners' failure to allege the value of the subject property. For it prevented the clerk of court from computing the proper docket fees. Consequently, petitioners could not have paid for the correct amount[40] which, in turn, prevented the trial court from acquiring jurisdiction over the case.

In their Reply,[41] petitioners argue that the present petition raises pure question of law; their cause of action is for the nullity of deeds of sale in favor of DAA Realty and respondent, thus, the same is incapable of pecuniary estimation falling within the jurisdiction of the Regional Trial Court; and the trial court may direct petitioners to pay additional docket fees if their earlier payment is deficient.

Threshold Issues

- Did petitioners avail of the proper remedy when they filed the present Petition for Review on Certiorari with the Supreme Court?
- Has petitioners' cause of action already prescribed?
- Was petitioners' alleged failure to pay the correct docket fees fatal to their case?

Discussion

Petitioners availed of the proper remedy

In assailing the trial court's dispositions, petitioners availed of a Petition for Review on Certiorari under Rule 45 of the Rules of Court. Section 1 of the Rule allows such recourse to be filed with the Supreme Court, provided that purely legal questions are raised, viz:

Section 1. Filing of petition with Supreme Court. — A party desiring to appeal by certiorari from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition shall raise only questions of law which must be distinctly set forth. (emphases added)

As held in the landmark case of *Gios-Samar, Inc. v. Department of Transportation and Communication*,^[42] direct recourse to this Court is allowed only to resolve questions of law. Otherwise, the doctrine of hierarchy of courts should strictly be observed. The doctrine is not mere policy, rather, it is a constitutional filtering mechanism designed to enable the Court to focus on the more fundamental and essential tasks assigned to it by the highest law of the land.

Respondent, nevertheless, claims that the proper remedy for petitioners was a Petition for Certiorari under Rule 65 based on Section 1, Rule 41 of the Rules of Court, viz:

Section 1. Subject of appeal. — xxx

No appeal may be taken from:

xxxx

(h) An order dismissing an action without prejudice.

In all the above instances where the judgment or final order is not appealable, the aggrieved party may file an appropriate special civil action under Rule 65.

Too, petitioners allegedly violated Section 1, Rule 45 of the Rules of Court when they purportedly raised questions of fact in their petition, i.e. whether the trial court read into the Complaint a cause of action which petitioners did not allege, and whether the trial court erred in dismissing the complaint.

I disagree.

For one, respondent misleads the Court in claiming that the trial court's dismissal was without prejudice. Although the order of dismissal did not expressly bar petitioners from refileing the case, it is deemed written since the ground for dismissal was prescription. Sections 1 and 5, Rule 16 of the Rules of Court read:

Section 1. Grounds. — Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds:

xxxx

(f) That the cause of action is barred by a prior judgment or by the statute of limitations;

xxxx

Section 5. Effect of dismissal. — Subject to the right of appeal, an order granting a motion to dismiss based on paragraphs (f), (h) and (i) of section 1 hereof shall bar the refileing of the same action or claim. (emphases added)

Hence, the dismissal of petitioners' complaint below was not "without prejudice." Consequently, the prohibition

against the filing of appeal under Section 1, Rule 41 of the Rules of Court does not apply, and a Petition for Certiorari under Rule 65 becomes unavailable.

For another, respondent is mistaken in claiming that the present petition raises questions of fact, not pure questions of law. *Tongonan Holdings and Development Corporation v. Escaño, Jr.*[43] distinguished the two concepts, thus:

xxx A question of law arises when there is doubt as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. For a question to be one of law, the same must not involve an examination of the probative value of the evidence presented by the litigants or any of them. The resolution of the issue must rest solely on what the law provides on the given set of circumstances. Once it is clear that the issue invites a review of the evidence presented, the question posed is one of fact. Thus, the test of whether a question is one of law or of fact is not the appellation given to such question by the party raising the same; rather, it is whether the appellate court can determine the issue raised without reviewing or evaluating the evidence, in which case, it is a question of law; otherwise it is a question of fact. (emphases added)

Here, respondent invoked the affirmative defenses of prescription and lack of jurisdiction in seeking the immediate dismissal of the Complaint. Under Section 6, Rule 16 of the Rules of Court,[44] invoking these affirmative defenses is akin to filing a Motion to Dismiss wherein the movant hypothetically admits the truth of the material facts alleged and pleaded in the complaint.[45]

True to form, respondent, as in a motion to dismiss, hypothetically admitted the allegations in petitioners' Complaint but countered that their cause of action had prescribed ten (10) years after the issuance of Certificate of Title No. T-97059 in favor of DAA Realty in 1996. Petitioners, for their part, also admitted that more than ten (10) years had elapsed from the issuance of Certificate of Title No. T-97059 but nevertheless argue that their cause of action is imprescriptible.

Too, petitioners never denied failing to allege the assessed value of the property involved when they filed the Complaint. They claim, however, that such failure is immaterial since their cause of action is incapable of pecuniary estimation. The assessed value of the property, therefore, is not jurisdictional and should not be used as basis for computing the docket fees they had to pay.

By virtue of these admissions from the parties themselves, both express and implied, hypothetical and otherwise, no factual issue remains insofar as prescription and non-payment of the proper docket fees are concerned. Whether petitioners' cause of action had already prescribed and whether the Complaint required an allegation on the assessed value of the property -- are pure legal questions which the Court may resolve on the basis of the allegations in the Complaint. Nothing more.

Petitioners' action for reconveyance of property on ground of fraud had already prescribed

Petitioners essentially alleged three (3) causes of action in their Complaint, viz:

- i. Reconveyance of property based on bad faith;[46]
- ii. Reconveyance of property based on nullity of contract;[47] and
- iii. Quieting of title[48]

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. 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.[49]

The relief prayed for may be granted on the basis of intrinsic fraud - fraud committed on the true owner.[50] In such a case, an implied trust is constituted in favor of the offended party,[51] and the action for reconveyance and cancellation of title prescribes in ten (10) years from issuance of the Torrens title to the property in favor of the trustee.[52]

By way of exception, the Court has permitted the filing of an action for reconveyance of property despite the lapse of more than ten (10) years from issuance of title where plaintiff is in possession of the disputed property, converting the action from reconveyance of property into one for quieting of title. These cases are imprescriptible since the plaintiff has the right to wait until his possession is disturbed or his title is questioned before initiating an action to vindicate his right.[53]

The action for reconveyance, however, may also be premised on a void or inexistent contract. Being an absolute nullity, the transfer instrument is subject to attack anytime, in accordance with Article 1410 of the Civil Code.[54] In other words, an action for reconveyance based on a void contract is imprescriptible. So long as the land wrongfully registered under the Torrens system is still in the name of the person who caused such registration, an action in personam will lie to compel him to reconvey the property to the real owner.[55]

Whether an action for reconveyance prescribes, therefore, depends on two (2) criteria:

First. Whether it is founded on a claim of fraud resulting in an implied or constructive trust, or one based on a void or inexistent contract;[56] and

Second. Whether plaintiff is in possession of the disputed property.

Petitioners' allegation of three (3) alternative causes of action notwithstanding, I agree with the trial court's finding that petitioners' main thrust is to recover the property which respondent allegedly acquired through fraud.

The allegations in the complaint, including the character of the relief sought, determines its cause of action.[57] Here, the Complaint essentially alleged that respondent, DAA Realty and Spouses Garcias conspired and schemed to methodically defraud and deprive petitioners of the property they bought. Despite actual knowledge of such prior sale to petitioners, respondent et al. made it appear that respondent had purchased the property in good faith from DAA Realty. Subsequently, they fraudulently secured and smoothly obtained a bogus and void TCT No. T-97059 in its name from the RD Albay, and applied for a new tax declaration instead of deriving one from the Tax Declaration No. 55 under the name of Spouses Garcias. Meanwhile, the other circumstances mentioned pertain to whether respondent was a purchaser in good faith.

As for the remedies prayed for in the Complaint, petitioners sought to be declared the true and rightful owner of the property and to have a new title issued in their favor, subject to the submission of the required registration documents. Notably, although they also sought to cancel DAA Realty and respondent's titles, this relief was merely incidental to their main cause. As held in *Heirs of Spouses Ramiro and Llamada v. Spouses Bacaron*, thus:[58]

The ultimate relief sought by respondents is for the recovery of the property through the enforcement of its sale in their favor by the late spouses Ramiro. Their other causes of action for the cancellation of the original title and the issuance of a new one in their name, as well as for injunction and damages, are merely incidental to the recovery of the property. Before any of the other reliefs respondents prayed for in their complaint can be granted, the issue of who between them and petitioners has the valid title to the lot must first be determined.

On this score, the trial court correctly ruled that petitioners' cause of action is actually for reconveyance of

property on ground of fraud.

This brings to fore the second criterion. Indeed, whether petitioners are in possession of the disputed land determines whether their cause of action for reconveyance is converted to an action for quieting of title which is imprescriptible. As it was, however, the Complaint here did not bear any allegation that petitioners have been in possession of the property for the purpose of excluding the case from the ten (10) year prescriptive period. In fact, the Complaint itself contained petitioners' admission that they filed it on December 10, 2014, more than ten (10) years from the time TCT No. T-97509 was issued in favor of DAA Realty in 1996. Consequently, the trial court did not err in dismissing petitioners' Complaint on ground of prescription.

Petitioners do not bear the requisite legal
or equitable title to or interest in the
property to sustain an action for quieting
of title

Indeed, petitioners' cause of action could not have been one for quieting of title which requires the following elements: (1) the plaintiff or complainant has legal or equitable title to or interest in the real property subject of the action; and (2) the deed, claim, encumbrance, or proceeding claimed to be casting cloud on his title must be shown to be in fact invalid or inoperative despite its prima facie appearance of validity or legal efficacy.[59]

The first element is sorely missing in this case. For although petitioners claim that Spouses Cidra and Oscar Garcia sold them the disputed property through a Deed of Absolute Sale dated December 9, 1991,[60] this is belied by evidence that petitioners themselves submitted to this Court.

Attached to petitioners' Complaint is copy of TCT T-77703[61] covering the disputed property. The title bears the name of the registered owner as "Cidra Garcia married to Oscar Garcia". Curiously, though, the Deed of Absolute Sale dated December 9, 1991 was executed by Oscar Garcia only.

Under the Family Code, the consent of both spouses is indispensable for purposes of disposing either conjugal or community property, viz:

Art. 96. The administration and enjoyment of the community property shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy, which must be availed of within five years from the date of the contract implementing such decision.

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the common properties, the other spouse may assume sole powers of administration. These powers do not include disposition or encumbrance without authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors. (206a)

xxx xxx xxx

Art. 124. The administration and enjoyment of the conjugal partnership shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy, which must be availed of within five years from the date of the contract implementing such decision.

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the

conjugal properties, the other spouse may assume sole powers of administration. These powers do not include disposition or encumbrance without authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors. (emphases added)

Here, it does not appear that Cidra consented to the sale of the disputed property in favor of petitioners. The Deed of Absolute Sale dated December 9, 1991 bears no indication whatsoever regarding Oscar's authority to sign the deed of conveyance in her behalf. Hence, the sale of the property in favor of petitioners is void. Petitioners never acquired ownership over the disputed property. Their complaint, therefore, failed to sustain a valid cause of action for quieting of title, let alone one that has yet to prescribe.

TCT No. 97059 cannot be subject to
collateral attack; DAA Realty is an
indispensable party in assailing its validity

Neither could petitioners' complaint sustain a cause of action for reconveyance of property against respondent based on the alleged nullity of the Deed of Absolute Sale dated February 21, 1996 and TCT No. 97059. Said deed was executed by both Cidra and Oscar Garcia in favor of DAA Realty, not respondent. Thus, if petitioners wish to challenge the validity of the conveyance and the consequent title, they should have impleaded DAA Realty in the present petition, being an indispensable party to the case.

Section 3, Rule 7 of the Rules of Court defines an "indispensable party" thus:

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.

Cagatao v. Almonte elucidates:[62]

The validity of TCT No. 12159-A
cannot be attacked collaterally;
Carlos is an indispensable party

From the arguments of Cagatao, it is clear that he is assailing the validity of the title of Carlos over the land in question. Section 48 of P.D. No. 1529 clearly states that "a certificate of title shall not be subject to collateral attack. It cannot be altered, modified, or cancelled except in a direct proceeding in accordance with law." An attack on the validity of the title is considered to be a collateral attack when, in an action to obtain a different relief and as an incident of the said action, an attack is made against the judgment granting the title. Cagatao's original complaint before the RTC was for the cancellation of TCT No. T-249437 in the name of the Fernandez Siblings and the nullification of the deeds of sale between the Fernandez Siblings and Spouses Fernandez, and the earlier one between the latter and Almonte and Aguilar. Nowhere in his complaint did Cagatao mention that he sought to invalidate TCT No. 12159-A. It was only during the course of the proceedings, when Spouses Fernandez disclosed that they had purchased the property from Carlos, that Cagatao thought of questioning the validity of TCT No. 12159-A.

xxx

Moreover, Carlos, as the registered owner of the lot whose title Cagatao seeks to nullify, should have been impleaded as an indispensable party. Section 7, Rule 3 of the 1997 Rules of Civil Procedure defines indispensable parties to be "parties in interest without whom no final determination can be had of an action." It is clear in this case that Cagatao failed to include Carlos in his action for the annulment of TCT No. 12159-A. Basic is the rule in procedural law that no man can be affected by any proceeding to which he is a stranger and

strangers to a case cannot be bound by a judgment rendered by the court. It would be the height of injustice to entertain an action for the annulment of Carlos' title without giving her the opportunity to present evidence to support her claim of ownership through title. In addition, it is without question a violation of the constitutional guarantee that no person shall be deprived of property without due process of law.

Thus, should Cagatao wish to question the ownership of the subject lot of Carlos and Spouses Fernandez, he should institute a direct action before the proper courts for the cancellation or modification of the titles in the name of the latter two. He cannot do so now because it is tantamount to a collateral attack on Carlos' title, which is expressly prohibited by law and jurisprudence.

Here, petitioners impleaded respondent Misibis Land, DAA Realty, Philippine National Bank, Spouses Oscar and Cidra Garcia, Hector Cledera in his capacity as Registrar of Deeds of Albay, and John and Jane Does as party-respondents in their complaint below. Subsequently, the trial court dismissed the complaint through its assailed Order dated October 22, 2015. But for reasons known only to petitioners, they appealed the order of dismissal against respondent Misibis Land alone. This allowed the dismissal of the Complaint against DAA Realty et al. to lapse into finality. Unfortunately, Misibis Land is not the proper party against whom the complaint for nullifying the Deed of Absolute Sale dated February 21, 1996 ought to proceed. It was not privy to the contract of sale and is therefore in no position to defend its validity.

In view of the finality of the dismissal of the complaint as against DAA Realty, petitioners can no longer assail the validity of Deed of Absolute Sale dated February 21, 1996 and TCT No. 97059. Consequently, TCT No. 138212 which resulted from respondent's purchase of the property from DAA Realty may no longer be challenged based on the latter's purported null title. Otherwise, the case would be nothing more than a collateral attack on respondent's title which violates Section 48 of Presidential Decree (PD) 1529, viz:

Section 48. Certificate not subject to collateral attack. A certificate of title shall not be subject to collateral attack. It cannot be altered, modified, or canceled except in a direct proceeding in accordance with law.

In the same vein, the alleged violation of Section 53, PD 1529[63] - for failure to surrender Spouses Garcia's duplicate owner's copy of TCT No. T-77703 - cannot be raised against Misibis Land. For it was DAA Realty, not respondent Misibis Land which was required to surrender TCT No. T-77703 when it registered the Deed of Absolute Sale dated February 21, 1996 in its favor. When respondent registered the Deed of Absolute Sale dated April 21, 2005, it was only required to present TCT No. 97059 under the name of DAA Realty.

Petitioners failed to pay the correct docket fees

Under Section 7(a), Rule 141, the docket fees in cases involving real property such as an action for reconveyance based on fraud, depend on the assessed value of the subject property at the time the complaint was filed. The higher the assessed value, the higher the docket fees.

Here, respondent has never refuted that petitioners paid docket fees based on the assessed value of the property under DAA Realty's Tax Declaration No. 0059 dated 1998, albeit the case was filed in 2014 when the assessed value of the property had definitely increased.

In the landmark case of *Sun Insurance Office, Ltd. v. Asuncion*,^[64] the Court held that although belated payment of docket fees may still be allowed within a reasonable time, it cannot be extended beyond the applicable prescriptive or reglementary period. Thus, contrary to petitioners' claim, their failure to pay the correct docket fees here can no longer be cured. Ordering them to pay any deficiency will simply serve no purpose since their cause of action had already prescribed.

ACCORDINGLY, I vote to DENY the present appeal and AFFIRM the Orders dated October 22, 2015 and

December 28, 2015 of the Regional Trial Court – Branch 15, Tabaco City, Albay in Civil Case No. T-2820.

[1] Penned by Judge Alben Casimiro Rabe; rollo, p. 7.

[2] Rollo, p. 15.

[3] Id. at 72.

[4] Id. at 73-78.

[5] Id. at 79-81.

[6] Id. at 82-83.

[7] Id. at 83-84.

[8] Id. at 85-88.

[9] Id. at 145.

[10] Id. at 145-153.

[11] 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.

[12] Rollo, p. 160.

[13] Id. at 163.

[14] Id. at 163-164.

[15] Id. at 165-166.

[16] Id. at 168.

[17] Id. at 169.

[18] Id. at 175.

[19] Id. at 176-177.

[20] Id. at 178.

[21] Id. at 195-196.

[22] Article 1410. The action or defense for the declaration of the inexistence of a contract does not prescribe.

[23] Rollo, pp. 186-191.

[24] Id. at 191-193.

[25] Id. at 194.

[26] Id. at 201.

[27] Id. at 209.

[28] Id. at 217 and 229.

[29] Id. at 7.

[30] Id. at 15.

[31] Id. at 37.

[32] Id. at 45.

[33] Id. at 100.

[34] Citing Section 1, Rule 41 of the Rules of Court; rollo, p. 401.

[35] Rollo, p. 402.

[36] Id. at 402-403.

[37] Id. at 403.

[38] Id. at 404.

[39] Id. at 406.

[40] Id. at 409-410.

[41] Id. at 417.

[42] G.R. No. 217158, March 12, 2019.

[43] 672 Phil. 747, 756 (2011).

[44] Section 6. Pleading grounds as affirmative defenses. — If no motion to dismiss has been filed, any of the grounds for dismissal provided for in this Rule may be pleaded as an affirmative defense in the answer and, in the discretion of the court, a preliminary hearing may be had thereon as if a motion to dismiss had been filed. (5a)

The dismissal of the complaint under this section shall be without prejudice to the prosecution in the same or separate action of a counterclaim pleaded in the answer. (n)

[45] Aquino v. Quiazon, 755 Phil. 793, 808-809 (2015).

[46] Rollo, pp. 79-81.

[47] Id. at 82-83.

[48] Id. at 83-84.

[49] Sps. Aboitiz and Cabarrus v. Sps. Po, 810 Phil. 123, 137 (2017).

[50] Id.

[51] Art. 1456, New Civil Code:

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.

[52] Article 1144, New Civil Code: 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.

[53] *Ocampo v. Ocampo, Sr.*, 813 Phil. 390, 401 (2017).

[54] Article 1410. The action or defense for the declaration of the inexistence of a contract does not prescribe.

[55] *Uy v. Court of Appeals*, 769 Phil. 705, 722 (2015).

[56] *Id.*

[57] *Sps. Pajares v. Remarkable Laundry and Dry Cleaning*, 806 Phil. 39, 45 (2017).

[58] G.R. No. 196874, February 6, 2019.

[59] *Residents of Lower Atab & Teachers' Village, Sto. Tomas Proper Barangay, Baguio City v. Sta. Monica Industrial & Development Corporation*, 745 Phil. 554, 563 (2014).

[60] *Rollo*, p. 90.

[61] *Id.* at 93.

[62] 719 Phil. 241, 252-254 (2013).

[63] Section 53. Presentation of owner's duplicate upon entry of new certificate. No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown. The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith.

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.

[64] 252 Phil. 280 (1989).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.