

**SPOUSES VALENTIN SOLIVEL AND PETRA MENTE, PETITIONERS, VS.
THE HONORABLE MARCELINO M. FRANCISCO, PRESIDING JUDGE,
COURT OF FIRST INSTANCE OF DAVAO DEL SUR, BRANCH VI, AND
PAULIN...**

G.R. No. 51450. February 10, 1989

Ponente: NARVASA, J.

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NARVASA, J.:

At issue in this appeal by certiorari from an amended decision by the then Court of First Instance of Davao del Sur in its Civil Case No. 824 is whether or not title to real property is passed to an innocent purchaser by a deed of sale in his favor executed in the name of the owners by one falsely claiming to be said owners' duly appointed and authorized attorney-in-fact.

The petitioners and the private respondent are substantially in agreement concerning the facts as found by the Trial Court.

Petitioners, the spouses Valentin Solivel and Petra Mente (hereinafter called the Solivels), are an old couple residing in Davao City. They are the registered owners, under Transfer Certificates of Title Nos. T-10985 and T-10986 of the Registry of Deeds of Davao del Sur, of two parcels of land located in the Municipality of Digos in said Province with a combined area of twenty seven (27) hectares, more or less. The portion covered by Transfer Certificate of Title No. T-10985 is the subject of this case.[1]

On or about May 25, 1972, following a number of previous visits to said owners, Federico Tompong, a practicing lawyer, and Isaías Ngoho obtained the former's agreement to sell their property to a certain Espinosa of Masbate for P60,000.00. Giving the Solivels a partial payment of P10,000.00 allegedly coming from Espinosa, Tompong and Ngoho persuaded the Solivels to give them the certificates of title to the property, for which they issued a receipt, and promised that the sale would be consummated and the balance of P50,000.00 paid within six (6) months, failing which the partial payment would be forfeited in the Solivels' favor and their certificates of title returned to them.

Tompong and Ngoho never returned to make good their promise. They could not in fact be located until some months later when they were arrested by the Philippine Constabulary on complaint of a certain Atty. Hilario Mapayo to whom, it appeared, they had sold a portion of the Solivels' property.[2]

Following their arrest, Tompong and Ngoho were confronted by Valentin Solivel and his son, Rafael, at the PC Headquarters in Davao City. That confrontation brought to light the existence of the following documents purportedly executed by either or both of the Solivels.

- 1) a deed of sale dated May 24, 1972 ratified by Tompong as notary public selling a 40,000 square-meter portion of the Solivels' property to Atty. Hilario Mapayo for the price of P30,000.00 (Exhibit I);

2) a power of attorney dated May 24, 1972, ratified also by Tompong as notary public, constituting Isaias Ngoho the attorney-in-fact of Valentin Solivel to receive from Atty. Hilario Mapayo partial payment of P15,000.00 in two installments (Exhibit H);

3)

a power of attorney dated September 7, 1972 ratified also by Tompong as notary public, authorizing Isaias Ngoho to sell the Solivels' property in question as said owners' attorney-in-fact (Exhibit C);

The confrontation also uncovered the existence of other documents relating to the Solivels' property. One was a deed dated September 8, 1972 acknowledged before Atty. Peregrino Andres of Davao City, with Tompong as one of the instrumental witnesses, whereby Isaias Ngoho, as alleged attorney-in-fact of the Solivels, sold the property in question to Paul no Cagas for the price of P19,000.00 (Exhibit C). Two others were receipts (Exhibits K and J) evidencing payment of the sums of P9,000.00 and P2,000.00 made by Atty. Mapayo to Ngoho in the presence of Tompong. A fourth document was an affidavit of non-tenancy executed by Ngoho and sworn to before Atty. Peregrino Andres (Exhibit D).[3]

Disclosed, too, was the fact that on the basis of the deed of sale executed in favor of Paulino Cagas by Ngoho as supposed attorney-in-fact of the Solivels, said Cagas had obtained cancellation of Transfer Certificate of Title No. T-10985 of Davao del Sur in the name of the Solivels and the issuance, in lieu thereof, of Transfer Certificate of Title No. T-6064 in his name.[4]

Never having in fact executed the alleged sale of May 24, 1972 (Exhibit I), the power-of-attorney of the same date (Exhibit H), as well as the power-of-attorney of September 7, 1972 (Exhibit C) on the strength of which Ngoho had sold their property to Cagas, the Solivels procured inscription of an adverse claim on Cagas' Title No. 6064. They also filed criminal cases for falsification of public documents against Tompong and Ngoho in the City Court of Davao City and the Court of First Instance of Davao del Sur, as well as disbarment proceedings against Tompong in this Court. Finally, they instituted the case subject of the present appeal for annulment of contract and damages against Tompong, Ngoho and Cagas.[5]

Cagas and Tompong answered the Solivels' complaint; Ngoho did not.[6] Only Cagas, however, presented evidence in his defense, and on his counterclaim for damages and attorney's fees. Cagas' evidence, to which the Trial Court accorded credence and which, it appears, the Solivels do not contradict, is to the effect that he came to know about the property when a certain Mrs. Dumaquing called upon him with a photocopy of its certificate of title and asked him if he was interested in buying it; that after visiting the property and having seen its boundaries, he went to the Registry of Deeds of Davao del Sur and ascertained that it was unencumbered; that later he met Tompong and Ngoho in the office of Atty. Peregrino Andres where the two showed him the owner's copy of the certificate of title and the power of attorney authorizing Ngoho to sell the property; that after some haggling about the price, he agreed to and did pay Ngoho P19,000.00 for the property and Ngoho signed together with Tompong (the latter as instrumental witness) a deed of sale prepared by Atty. Andres; that he was able to register the deed of sale and obtain a certificate of title in his name after securing the approval of the Secretary of Agriculture and Natural Resources; and that he never knew that the power-of-attorney exhibited to him was forged and had relied on the assurance of Atty. Andres that said document legally empowered Ngoho to execute the sale in his favor.[7]

The Trial Court found that the power-of-attorney (Exhibit C) ostensibly empowering Ngoho to sell the Solivels' property as said owners' attorney-in-fact was a forgery -- and thus, albeit not expressly but by necessary implication, that the deed of sale executed by Ngoho in favor of Cagas on the strength of said instrument was also falsified -- and that the Solivels' claims against Tompong and Ngoho had been sufficiently established.[8]

However, said Court also held that Cagas was an innocent purchaser for value, decided that he had acquired valid title to the property in question by virtue of the sale, Exhibit C, and was entitled to its possession and enjoyment, and gave the Solivels only the sop of an award against the elusive defendants Tompong and Ngoho of the price paid by Cagas for the property (P19,000.00) plus interests, and of damages, including attorney's fees, in the amount of P8,500.00.[9]

As was to be expected, said judgment did not satisfy the Solivels, who how claim that it was legal error for the Trial Court to uphold the validity of Cagas' title as against theirs, the former being founded upon forged documents.

The Trial Court anchors its questioned ruling on the first proviso of the second paragraph of Section 55, Act No. 496, reproduced almost verbatim in Section 53 of Presidential Decree No. 1529 (The Property Registration Decree), which recognizes and protects the rights of an innocent holder for value of a certificate of title in cases of registration procured by fraud, and on this Court's ruling in *Blondeau vs. Nano*.^[10] In *Blondeau*, the principle underlying the proviso -- that a forged transfer may become the root of a valid title in a bona fide purchaser -- was invoked to sustain foreclosure of a real estate mortgage under a deed which, though allegedly forged, had nonetheless been duly registered because one of two joint owners had given the other, supposedly the author of the forgery, not only his power-of-attorney but also possession of the title papers. Said the Court in that case:

"The Torrens system is intended for the registration of title, rather than the muniments of title. It represents a departure from the orthodox principles of property law. Under the common law, if the pretended signature of the mortgagor is a forgery, the instrument is invalid for every purpose and will pass no title or rights to anyone, unless the spurious document is ratified and accepted by the mortgagor. The Torrens Act on the contrary permits a forged transfer, when duly entered in the registry, to become the root of a valid title in a bona fide purchaser. The act erects a safeguard against a forged transfer being registered, by the requirement that no transfer shall be registered unless the owner's certificate was produced along with the instrument of transfer. An executed transfer of registered lands placed by the registered owner thereof in the hands of another operates as a representation to a third party that the holder of the transfer is authorized to deal with the lands (53 C.J. 1141, 1142; Act No. 496, as amended, secs. 47, 51, 55).

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"* * * in its final analysis, this is a case of a mortgagee relying upon a Torrens Title, and loaning money in all good faith on the basis of the title standing in the name of the mortgagors only thereafter to discover one defendant to be an alleged forger and the other defendant, if not a party to the conspiracy, at least having by his negligence or acquiescence made it possible for the fraud to transpire. Giving to the facts the most favorable interpretation for Vallejo, yet, as announced by the United States Supreme Court, the maxim is, as between two innocent persons, in this case, Angela Blondeau and Jose Vallejo, the one who made it possible by his act of confidence must bear the loss, in this case Jose Vallejo. ***." ^[11]

The Trial Court professes to see *Blondeau* as "very much in point in the determination of this suit." It does not so appear to this Court. In the first place, as correctly stated in the later case of *De Lara vs. Ayroso*,^[12] it was found as a fact in *Blondeau* that the mortgage in question had not been forged, and this in addition to the circumstance that the registered owner had by his negligence or acquiescence, if not actual connivance, made possible the commission of the fraud. Thus, in *Ayroso*, this Court annulled a mortgage executed by an impostor who had unauthorizedly gained possession of the certificate of title thru the owner's daughter and forged said owner's name to the deed of mortgage which was subsequently registered. In so doing, the Court found more applicable the case of *Ch. Veloso vs. La Urbana and Del Mar*,^[13] which also voided a mortgage of real property owned by plaintiff Veloso constituted by her brother-in-law, the defendant Del Mar, using two powers-of-attorney to which he had forged the signatures of said plaintiff and her husband, and which mortgage was later registered with the aid of the

certificate of title that had come into Del Mar's possession by unknown means. In Ayroso the Court also rejected the defendants' contention that the La Urbana doctrine had been overruled by *Blondeau*,^[14] pointing out that the former was still good precedent, having been quoted with approval in *Lopez vs. Seva*^[15] which was decided after *Blondeau*.

Even more in point and decisive of the issue here raised, however, is the much later case of *Joaquin vs. Madrid*,^[16] where the spouses Abundio Madrid and Rosalinda Yu, owners of a residential lot in Makati, seeking a building construction loan from the then Rehabilitation Finance Corporation, entrusted their certificate of title for surrender to the RFC to Rosalinda's godmother, a certain Carmencita de Jesus, who had offered to expedite the approval of the loan. Later having obtained a loan from another source, the spouses decided to withdraw the application they had filed with the RFC and asked Carmencita to retrieve their title and return it to them. Carmencita failed to do so, giving the excuse that the employee in charge of keeping the title was on leave. It turned out, however, that through the machinations of Carmencita, the property had been mortgaged to Constancio Joaquin in a deed signed by two persons posing as the owners, and that after said deed had been registered, the amount for which the mortgage was constituted had been given to the person who had passed herself off as Rosalinda Yu. Constancio Joaquin admitted that the spouses Madrid and Yu were in fact not the persons who had signed the deed of mortgage. Based on these facts, the Court issued the following ruling, which definitively deals with the question at issue here in all its aspects:

"In the first assignment of error, it is argued that since par. 2 of Sec. 55 of the Land Registration Act expressly provided that 'in all cases of registration by fraud the owner may pursue all his legal and equitable remedies against the parties to the fraud, without prejudice to the rights of any innocent holder for value of a certificate of title', the second proviso in the same section that a registration procured by the presentation of a forged deed shall be null and void' should be overlooked. There is no merit in this argument, which would have the effect of deleting the last proviso. This last proviso is a limitation of the first part of par. 2 in the sense that in order that the holder of a certificate for value issued by virtue of the registration of a voluntary instrument may be considered a holder in good faith for value, the instrument registered should not be forged. When the instrument presented is forged, even if accompanied by the owner's duplicate certificate of title, the registered owner does not thereby lose his title, and neither does the assignee in the forged deed acquire any right or title to the property.

"In the second assignment of error, it is further argued that as the petitioner is an innocent purchaser for value, he should be protected as against the registered owner because the latter can secure reparation from the assurance fund. The fact is, however, that petitioner herein is not the innocent purchaser for value protected by law. The innocent purchaser for value protected by law is one who purchases a titled land by virtue of a deed executed by the registered owner himself, not by a forged deed, as the law expressly states. Such is not the situation of the petitioner, who has been the victim of impostors pretending to be the registered owners but who are not said owners.

"The next assignment of error is predicated on the assumption that both the petitioner and the respondents are guilty of negligence. The giving of the certificate of title to Carmencita de Jesus is in itself no act of negligence on the part of respondents; it was perfectly a legitimate act. Delay in demanding the certificate of title is no act of neglect either, as respondents have not executed any deed or document authorizing Carmencita de Jesus to execute deeds for and on their behalf. It was petitioner who was negligent, as he did not take enough care to see to it that the persons who executed the deed of mortgage are the real registered owners of the property. The argument raised by petitioner's counsel that in case of negligence on the part of both the one who committed a breach of faith is responsible, is not applicable. Petitioner alone is guilty of neglect, so he must suffer from it."^[17]

The doctrine, it may be added, finds affirmation in the fairly recent case of *Duran vs. Intermediate Appellate*

Court,[18] which rests on the same principles but reached a different result because of a crucial difference in the factual situation. In that case, a mother allegedly forged her daughter's signature to a deed of sale in her (the mother's) favor of the former's properties, obtained registered titles in her name, and thereafter mortgaged the properties to the private respondents. Upon her failure to redeem the mortgage, the mortgagees foreclosed and purchased the properties at the ensuing sheriff's auction sale. This Court ruled that the mortgage was valid with respect to the mortgagees because at the time of its constitution title to the property was already in the name of the party who had executed the mortgage (the mother):

"* * * But even if the signatures (of the petitioner to the deed of sale in favor of her mother) were a forgery, and the sale would be regarded as void, still it is Our opinion that the Deed of Mortgage is VALID, with respect to the mortgagees, the defendants-appellants. While it is true that under Art. 2085 of the Civil Code, it is essential that the mortgagor be the absolute owner of the property mortgaged, and while as between the daughter and the mother, it was the daughter who still owned the lots, STILL insofar as innocent third persons are concerned, the owner was already the mother (Fe S. Duran) inasmuch as she had already become the registered owner (Transfer Certificates of Title Nos. 2418 and 2419). The mortgagee had the right to rely upon what appeared in the certificate of title, and did not have to inquire, further. If the rule were otherwise, the efficacy and conclusiveness of Torrens Certificate of Titles would be futile and nugatory. Thus the rule is simple: the fraudulent and forged document of sale may become the root of a valid title if the certificate has already been transferred from the name of the true owner to the name indicated by the forger (See *De la Cruz v. Fabie*, 35 Phil. 144; *Blondeau, et al. v. Nano et al.*, 61 Phil. 625; *Fule et al. v. Legare et al.*, 7 SCRA 351; see also Sec. 55 of Act No. 496, the Land Registration Act). The fact that at the time of the foreclosure sale proceedings (1970-1972) the mortgagees may have already known of the plaintiffs' claim is immaterial. What is important is that at the time the mortgage was executed, the mortgagees in good faith actually believed Fe S. Duran to be the owner, as evidenced by the registration of the property in the name of said Fe S. Duran (pp. 146-147, Rollo)."[19]

It is obvious that the last-cited case was decided differently only because unlike *Joaquin vs. Madrid* and the other cases earlier referred to, it involved a situation where title to the property had already been registered in favor of a person other than the true owner before being conveyed or mortgaged to the party claiming the rights of an innocent transferee.

WHEREFORE, finding merit in the appeal, the Court REVERSES and VACATES the Amended Decision of the Trial Court insofar as it divests the petitioners Valentin Solivel and Petra Mente of the ownership of the property in question and MODIFIES it insofar as it orders the defendants Federico Tompong and Isaias Ngoho to pay said petitioners P19,000.00, plus interests from August 13, 1974, said defendants being ordered to pay such amount instead to private respondent Paulino Cagas. The deed of sale of September 8, 1972 executed by Isaias Ngoho as purported attorney-in-fact of the petitioners in favor of Paulino Cagas is declared null and void, and Transfer Certificate of Title No. T-6064 of the Registry of Deeds of Davao del Sur in the name of Cagas by virtue of said deed is cancelled. Paulino Cagas is ordered to reconvey to the petitioners by registrable deed the property covered by said certificate of title. The reckless and bare-faced deceits practiced by defendants Federico Tompong and Isaias Ngoho on the petitioners and the private respondent are clearly evincive of extreme bad faith, intent to defraud and criminal propensities which, in the mind of the Court, the Trial Court's award of damages is inadequate either to punish or to discourage. Accordingly, the Amended Decision is further MODIFIED as to said award by sentencing defendants Federico Tompong and Isaias Ngoho jointly and severally to pay: (a) the petitioners P10,000.00 as moral damages, P10,000.00 as exemplary damages and P10,000.00 as attorney's fees; (b) respondent Paulino Cagas the further sum of P10,000.00 as exemplary damages; and (c) the costs.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino and Medialdea, JJ., concur.

- [1] Amended Decision, p. 6; Rollo, p. 44
- [2] Rollo, pp. 44, 45
- [3] Rollo, pp. 45-46
- [4] Id., p. 46
- [5] Rollo, p. 47
- [6] Id., pp. 40-42
- [7] Rollo, pp. 47-48
- [8] Id., pp. 48-49
- [9] Rollo, pp. 49, 52
- [10] 61 Phil. 625
- [11] Id. at pp. 628, 631-632
- [12] 95 Phil. 125
- [13] 58 Phil. 681
- [14] Decided July 26, 1935
- [15] 69 Phil. 311; decided January 15, 1940
- [16] 106 Phil. 1060
- [17] Id. at pp. 1063-1064

[18] 138 SCRA 489

- [19] Id. at p. 493

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