

**GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS. THE HON. COURT OF APPEALS AND ZENAIDA MANERO, REPRESENTED BY HER ATTORNEY-IN-FACT, JOSE E. CASTAÑEDA, RESPONDENTS.**

*G.R. No. 56290. January 30, 1995*

Ponente: ROMERO, J.

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**ROMERO, J.:**

This is a petition for review on certiorari which seeks to reverse and set aside the decision [1] of the Court of Appeals dated November 28, 1980 affirming the decision [2] dated July 15, 1977 of the then Court of First Instance of Bataan, Branch 1, directing the cancellation of the annotation of adverse claim filed by oppositor GSIS on Transfer Certificate of Title No. 55932 in the name of Zenaida Manero.

The undisputed facts are as follows:

On February 7, 1975, Zenaida Manero purchased a parcel of land covered by TCT No. 33912 from Manolita G. Suntay. At the time of the sale, the certificate of title was free from encumbrances. The deed of sale was registered and the said certificate of title was cancelled and in lieu thereof TCT No. 55932 was issued in the name of Manero. Subsequently, however, the G.S.I.S. filed an affidavit of adverse claim which was annotated on Manero's title, on the basis of its interest as mortgagee of said property, which was offered as security to the still outstanding loan GSIS issued in favor of Suntay, from whom Manero purchased subject land.

Hence, on October 22, 1975, Zenaida Manero, represented by her attorney-in-fact, Atty. Jose E. Castañeda, filed with the then Court of First Instance of Bataan, Branch 1, a petition for cancellation of the GSIS's adverse claim annotated on Transfer Certificate of Title No. 55932. [3] Said petition stated among others that the adverse claim was improperly annotated on Manero's title because the GSIS mortgage lien as it appears on the face of TCT No. 33912 was already cancelled and that consequently, her purchase of the lot in question was done in good faith; that as a buyer in good faith and for value, there cannot exist any privity with GSIS and, therefore, its claim cannot be properly annotated on her title.

On December 15, 1975, the GSIS filed an opposition to the petition.

The petition was heard on both documentary and testimonial evidence. Atty. Jose Castañeda, as the attorney-in-fact of private respondent Manero, testified as the latter's sole witness stating that Manero came to know that the property of Suntay situated in Dinalupihan, Bataan was for sale; that Atty. Castañeda and Manero approached Suntay and in the course of their negotiation, Atty. Castañeda asked Suntay whether the property was still mortgaged to oppositor GSIS. Suntay assured them that she had paid her loan with oppositor GSIS as shown by the payments embodied in Receipt Nos. 799530 dated November 6, 1975 [4] and 799531 dated November 11, 1974. [5] The payments were supported by the marks of the validating machine [6] appearing on said receipts. After confirming that the property in question was free from any encumbrance, Atty. Castañeda agreed to purchase the land for Manero for the sum of P50,000.00.

On the other hand, oppositor GSIS presented Antonio Peralta of the Accounting Department; William Saulon of the Investments Department; Arsenio J. Magpale of the Department of Investigation; and Estelita Santiago Azores as Senior Document Examiner of the National Bureau of Investigation (NBI) to show that it has a genuine interest in the property and that the petition should not be granted.

GSIS narrated that after unearthing some anomalies in its office, it discovered that the titles of Suntay covering properties in Manila, Rizal, Tagaytay City and Bataan used as collaterals to secure a loan of P1,530,578.49 were missing from its storage room. Consequently, it filed a petition for the issuance of owner's duplicate copy of the certificate of title covering the property situated in Bataan. But upon being informed by the Office of the Register of Deeds of Bataan that the land covered by TCT No. 33912 in the name of Suntay was already transferred to Manero under TCT No. 55932, it withdrew its petition for issuance of another owner's duplicate copy and, instead, filed an affidavit of adverse claim with the Office of the Register of Deeds which affidavit was, subsequently, annotated on TCT No. 55932. In the course of the investigation of the anomalies by the GSIS, particularly referring to this disputed lot, investigator Arsenio Magpale found out that the partial release of mortgage was forged and the signatures of Armando Diaz, Agustin Sioting and William Saulon were falsified. It was also discovered during the investigation that even the number corresponding to this partial release of mortgage supposedly pertaining to the property of Suntay actually refers to another document releasing a mortgage in favor of one Rosario Vallejo and Vicente Aparato.

On July 15, 1977, the trial court found in favor of Zenaida Manero, rendering thus:

"WHEREFORE, the Register of Deeds of Bataan is hereby directed to cancel the annotation of the adverse claim filed by oppositor Government Service Insurance System on Transfer Certificate of Title No. 55932 in the name of Zenaida Manero.

SO ORDERED." [7]

GSIS moved for reconsideration, and questioned for the first time the power of the trial court then acting as a land registration court, with limited jurisdiction "to cancel an annotation of an adverse claim where there is a serious controversy between the parties and there is no unanimity between them." It maintained that the trial court acting as such is devoid of jurisdiction to order the cancellation of the annotation of adverse claim on TCT No. 55932.

On December 15, 1977, the motion was denied for lack of merit.

On appeal, the Court of Appeals, on November 28, 1980, affirmed the decision of the trial court, disposing as follows:

"WHEREFORE, there being no reversible error in the decision appealed from, the same is hereby affirmed in toto." [8]

The motion for reconsideration of GSIS was denied on February 6, 1981. [9]

Hence, this petition.

The issues raised and to be resolved are the following:

- "1. Whether or not the Court of First Instance sitting as a land registration court has jurisdiction to decide and rule on the substantive issues raised while conducting summary proceedings to cancel the annotation of adverse claim.
2. Whether or not Zenaida Manero was an innocent purchaser in good faith and for value.
3. Whether or not the mortgage lien of petitioner GSIS has already been satisfied."

## I

We resolve the first issue in the affirmative.

It is the position of the GSIS that the lower court sitting as a land registration court had no jurisdiction over the present controversy because the petition filed before it seeks the cancellation of its adverse claim on the title of Manero pursuant to Sections 110 and 112 of Act No. 496, as amended, which contemplates proceedings summary in character. Said proceedings, argued the GSIS, are inadequate for the litigation of the highly controversial issues presented by this case which could be properly threshed out only in an ordinary civil action filed before a court of general jurisdiction.

Section 110 of the Land Registration Act provides:

"Section 110. Whoever claims any right or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, if no other provision is made in this Act for registering the same, make a statement in writing setting forth fully his alleged right or interest and how or under whom acquired, and a reference to the volume and page of the certificate of title of the registered owner, and a description of the land in which the right or interest is claimed. The statement shall be signed and sworn to, and shall state the adverse claimant's residence and designate a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim, and the court upon a petition of any party in interest shall grant a speedy hearing upon the question of the validity of such adverse claim and shall enter such decree therein as justice and equity may require. If the claim is adjudged to be invalid, the registration shall be cancelled. If in any case the court after notice and hearing shall find that a claim thus registered was frivolous or vexatious, it may tax the adverse claimant double or treble costs in its discretion."

In the case of *Nicanor T. Santos v. Rose Ganayo*, [10] we have held that:

"Section 110 is divided into two parts. The first part refers to the procedure to be followed in registering an adverse claim in the Office of the Register of Deeds. The second part provides for the determination by a Court of the validity of an adverse claim upon petition and speedy hearing (*Gabriel vs. Register of Deeds of Rizal*, 118 Phil. 980 [1963]). Section 110 does not distinguish between a Court sitting as a land registration Court and a Court of general jurisdiction. We are of the considered opinion, therefore, that either Court may determine the validity of an adverse claim and if found to be invalid, order its cancellation. This conclusion found expression in *Paz Ty Sin Tei vs. Jose Lee Dy Piao*, 103 Phil. 858 (1958) which held:

"The action taken by the lower Court in ordering the cancellation of the adverse claim before its validity could be passed upon, is not sanctioned by law. x x x it may be cancelled only in one instance i.e. after the claim is adjudged invalid or unmeritorious by the Court, acting either as a land registration court or one of general jurisdiction while passing upon a case before it where the subject of the litigation is the same interest or right which is being secured by the adverse claim.'" (Underscoring supplied)

Furthermore, in the case of *Florentino v. Encarnacion, Sr.*, [11] we said that:

"x x x the otherwise rigid rule that the jurisdiction of the Land Registration Court, being special and limited in character and proceedings thereon summary in nature, does not extend to cases involving issues properly litigable in other independent suits or ordinary civil actions, has time and again been relaxed in special and exceptional circumstances. (See *Government of the Phil. Islands v. Serafica*, 61 Phil. 93 [1934]; *Caoibes v. Sison*, 102 Phil. 19 [1967]; *Luna v. Santos*, 102 Phil. 588 [1957]; *Cruz v. Tan*, 93 Phil. 348 [1953]; *Gurbax Singh Pabla & Co. v. Reyes*, 92 Phil. 177 [1952]. From these cases, it may be gleaned and gathered that the peculiarity of the exceptions is based not alone on the fact that Land Registration Courts are likewise the same Courts of First Instance, but also the following premises: (1) Mutual consent of the parties or their acquiescence in submitting the aforesaid issues for determination by the court in the registration proceedings; (2) Full opportunity given to the parties in the presentation of their respective sides of the issues and of the

evidence in support thereto; (3) Consideration by the court that the evidence already of record is sufficient and adequate for rendering a decision upon these issues.

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In the case at bench, furthermore, the Court of Appeals correctly observed that oppositor GSIS did not move for the dismissal of the petition before the lower court; rather it allowed the proceedings to continue taking on a character appropriate for an ordinary civil action by the presentation of evidence from both parties who mutually failed to raise timely objections thereto.

## II

With respect to the second issue as above-stated, again, we find the position of the GSIS unsustainable. It does not appear to be a real and genuine issue. GSIS accuses Manero of being a buyer in bad faith, being fully aware of the existing mortgage over the land in question executed in its favor by mortgagee Suntay.

A purchaser in good faith and for value is one who buys property of another, without notice that some other person has a right to or interest in such property and pays a full and fair price for the same, at the time of such purchase or before he has notice of the claims or interest of some other person in the property. [12]

Contrary to the allegations of the GSIS that Manero is not a purchaser in good faith and for value, it will be noted that when Manero bought the land in question from Suntay the annotation of mortgage lien in favor of GSIS at the back of Transfer Certificate of Title No. 33912 has already been cancelled by the deed of release of mortgage issued by petitioner GSIS and, therefore, the title is already free from all liens and encumbrances. The allegation of petitioner GSIS that the said deed of release of mortgage was fraudulent is untenable since there was no showing or proof that Manero had any knowledge thereof or was a party to the alleged forgery.

Even the fact that Manero and Suntay were friends and that the former was an employee of the latter are not sufficient to overthrow the presumption of good faith absent any clear and convincing proof that would show that Manero had knowledge of any flaw in the title of Suntay.

Under the established principles of land registration law, the person dealing with registered land may generally rely on the correctness of its certificate of title and the law will in no way oblige him to go beyond the certificate to determine the condition of the property. [13]

## III

As to the question of whether or not the mortgage lien of GSIS has already been satisfied, the same must be addressed to Manolita Suntay, the party who has privity with GSIS and not private respondent Manero. Moreover, the question should be resolved in a proper suit brought for that purpose in the proper forum.

WHEREFORE, the petition is hereby DENIED and the decision of respondent Court of Appeals dated November 28, 1980 is hereby AFFIRMED.

## SO ORDERED.

Feliciano, (Chairman), Melo, Vitug, and Francisco, JJ., concur.

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[1] In CA-G.R. No. 63582-R entitled "ZENAIDA MANERO, represented by her Attorney-in-Fact Atty. Jose E. Castañeda, petitioner-appellee versus GOVERNMENT SERVICE INSURANCE SYSTEM." Penned by Justice

Villasor and concurred in by Justices Escolin and Villaluz.

[2] Petition for Cancellation of Annotation of Adverse Claim, filed by Zenaida Manero, represented by her Attorney-in-fact Atty. Jose E. Castañeda, petitioner versus Government Service Insurance System. Penned by Judge Abraham P. Vera.

[3] Record on Appeal, p. 2.

[4] Exhibit "B".

[5] Exhibit "C".

[6] Exhibits "B-1" and "C-1".

[7] Record, p. 18.

[8] Rollo, p. 80.

[9] Rollo, p. 124.

[10] No. L-31854, September 9, 1982, 116 SCRA 442.

[11] G.R. No. L-27696, September 30, 1977, 79 SCRA 192.

[12] Santos v. Court of Appeals, et al., G.R. No. 90380, September 13, 1990, 189 SCRA 550.

[13] Gevero v. Intermediate Appellate Court, G.R. No. 77029, August 30, 1990, 189 SCRA 201; Lopez v. Court of Appeals, G.R. No. 49739, January 20, 1989, 169 SCRA 271.

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