

AGUSTINA DE LA CRUZ, ET AL., PETITIONERS, VS. LUCIA DE LA CRUZ, IGLESIA NI KRISTO (CHURCH OF CHRIST) AND HONORABLE COURT OF APPEALS, RESPONDENTS.

G.R. No. 61969. July 25, 1984

Ponente: GUERRERO, J.

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GUERRERO, J.:

The land subject of the instant petition for review on certiorari is known as Lot 671 of the Piedad Estate, GLRO Record No. 5975 with an area of 184,268 square meters more or less, situated in Barrio Culiati, Quezon City, adjacent to the main church of respondent Iglesia Ni Kristo. The Piedad Estate consists of a vast tract of land originally registered on March 12, 1912 under Original Certificate of Title No. 614 of the Register of Deeds of the Province of Rizal in the name of the Philippine Government.

The Piedad Estate was one of the so-called friar lands which were purchased by the government of the Philippines pursuant to the provisions of the Friar Lands Act, Public Act No. 1120 which was enacted on April 26, 1904. By way of historical background of the property in litigation, We quote hereunder the Preamble to the Act as follows:

"Whereas, pursuant to the provisions of sections sixty-three, sixty-four, and sixty-five of an Act of the Congress of the United States, entitled 'An Act temporarily to pro-vide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes,' approved July first, nineteen hundred and two, the Government of the Philippine Islands, on the twenty-second day of December, nineteen hundred and three, entered into contracts with the Philippine Sugar Estates Development Company, Limited, La Sociedad Agricola de Ultramar, the British-Manila Estate Company, Limited, and the Recoleta Order of the Philippine Islands, for the purchase of about one hundred and sixty-four thousand one hundred and twenty-seven hectares of land, situated in the Provinces of La Laguna, Bulacan, Cavite, Bataan, Cebu, Rizal, Isabela, and Mindoro, for the aggregate sum of seven million two hundred and thirty-nine thousand seven hundred and eighty-four dollars and sixty-six cents, money of the United States; and

Whereas in said contracts of purchase it was provided, among other things, that the Government of the Philippine Islands should have a period of six months from the date of said contracts within which to examine the titles to said lands and also within which to survey the same in order to ascertain whether there is the quantity of land specified in said contracts, and in the even there is not, that a proportionate reduction shall be made in the amounts agreed to be paid therefor; and it was further provided in said contracts that the said parties, agreeing to sell, obligated themselves to convey good and indefeasible titles to said lands by proper conveyances; and

Whereas by said section sixty-five of said Act of Congress the Government of the Philippine Islands is empowered to lease the said lands after their acquisition for a period not exceeding three years, and to sell the same on such terms and conditions as it may prescribe, subject to the limi-tations and conditions contained in said Act of Congress: Provided, That all deferred payments and the interest thereon shall be payable in the money prescribed for the payment of principal and interest of the bonds authorized to be issued and sold for the purpose of realizing the money necessary to pay for said lands by section sixty-four of said Act of

Congress, and that said deferred payments shall bear interest at the rate borne by said bonds: And provided further, That all moneys realized or received from the sales or other disposition of said lands, or by reason thereof, shall constitute a trust fund for the payment of principal and interest of said bonds, and also constitute a sinking fund for the payment of said bonds at their maturity; And provided further, That actual settlers and occupants at the time said lands are acquired by the Government shall have the preference over all others to lease, purchase, or acquire their holdings within such reasonable time as may be determined by said Government; and

Whereas the said lands are not 'public lands' in the sense in which those words are used in the Public Land Act, Numbered Nine hundred and twenty-six, and cannot be acquired or leased under the provisions thereof, and it is necessary to provide proper agencies for carrying out the terms of said contracts of purchase and the requirements of said Act of Congress with reference to the leasing and selling of said lands and the creation of a sinking fund to secure the payment of the bonds so issued."

As specifically stated above, the said lands are not "public lands" in the sense in which those words are used in the Public Land Act Numbered Nine hundred and twenty-six and cannot be acquired or leased under the provisions thereof. In the case of *Jacinto vs. Director of Lands* (1926) 49 Phil. 853, the Supreme Court held that the so-called friar lands, to which the government of the Philippines holds title, are not public lands but private or patrimonial property of the government.

Under Section 7 of PA 1120, upon the vesting of the titles to said lands in the government of the Philippine Islands by properties of conveyance, the Chief of the Bureau of Public Lands was directed to ascertain the names and residences of the actual, bona fide settlers and occupants then in possession of said lands or of any portion of them, together with the extent of their several holdings and the character and value thereof. He was also directed to ascertain from said occupants whether they desire to purchase their holdings upon the terms prescribed in the succeeding Section: Provided, That the failure on the part of the occupants to state their desire to lease or purchase said lands shall not be understood to mean that they do not desire to acquire them. In case of such failure it shall be the duty of the Director of Lands, or his agents, to enjoin such occupants to state their desire in writing within the period of eight days from the date of such injunction, and their failure to do so shall be understood to mean that such occupants do not desire either to lease or to purchase said lands. The Director of Lands shall neither lease nor sell the said lands to any other person until the foregoing requirements shall have been complied with, and any contracts of lease or of sale hereafter executed without them shall be null and void.

In case any occupant in possession does not desire to purchase his holding, but does desire to lease the same, then it shall be the duty of the Chief of the Bureau of Public Lands, after vesting of title, to see that such occupant attorns in due form to the Government and enters into a lease with the usual covenants and agrees to pay a reasonable rental for the use and occupation of his holding. Such rental shall be fixed by the Chief of the Bureau of Public Lands, but in no instance shall any lease be made for a longer term than three years. (Sec. 8, PA 1120). In *Zarraga vs. Sleeper*, (1913), 25 Phil. 650, the Supreme Court held that although occupants and lessees of portions of friar lands were authorized to continue in possession for a reasonable time and then to lease or purchase the property occupied, they were given no right, by this Act, to continue leasing the land after expiration of such time and of existing leases.

It is pertinent and material in the resolution of the case at bar to state that under Sec. 11 of PA 1120, should any person who is the actual and bona fide settler upon an occupant of any portion of said lands at the time the same is conveyed to the government of the Philippines desire to purchase the land so occupied by him, he shall be entitled to do so at the actual cost thereof to the government, and shall be granted 15 years from the date of the purchase in which to pay for the same in equal annual installments, should he so desire, paying interest at the rate of 4% per annum on all deferred payments. The actual value of the parcel of land held by each settler and occupant is

ascertained by the Chief of the Bureau of Public Lands, taking into consideration the location and quality of each holding of land, and any other circumstance giving it value. The basis of valuation is such that the aggregate of the values of all the holdings included in each particular tract shall be equal to the cost to the government of the entire tract, including the cost of surveys, administration, and interest upon the purchase money to the time of sale. When the cost thereof shall have been thus ascertained, the Chief of the Bureau of Public Lands shall give the said settler and occupant a certificate which shall set forth in detail that the government has agreed to sell to such settler and occupant the amount of land so held by him, at the price so fixed, and that upon the payment of the final installment together with all accrued interest the Government will convey to such settler and occupant the land so held by him by proper instrument of conveyance, which shall be issued and become effective in the manner provided in Sec. 122 of the Land Registration Act.

Under Sec. 15 of PA 1120, the government reserves the title to each and every parcel of land sold under the provisions of the Act until the full payment of all installments of purchase money and interest by the purchaser has been made, and any sale or incumbrance made by him shall be invalid as against the government of the Philippine Islands and shall be in all respects subordinate to its prior claim. The rights of possession and purchase acquired by certificates of sale signed by purchasers of friar lands, pending final payment and the issuance of title shall be considered as personal property for the purposes of serving as security for mortgages, and shall be considered as such in judicial proceedings relative to such security.

In the event of death of a holder of a certificate prior to the execution of a deed by the government to any purchaser, the interest of the holder of the certificate shall descend and deed shall issue to the persons who under the laws of the Philippine Islands would have taken had the title been perfected before the death of the holder of the certificate, upon proof of compliance with all the requirements of the certificate. In case the holder of the certificate shall have sold his interest in the land before having complied with all the conditions thereof, the purchaser shall have all the rights of the holder of the certificate. (Sec. 16, PA 1120).

As held in *Lorenzo vs. Nicolas*, No. L-4085, 30 July 1952, 91 Phil. 686, "from the provisions of sections 11, 12 and 16 of Act No. 1120, it is apparent that the pervading legislative intent is to sell the friar lands acquired by the Government to actual settlers and occupants of the same. In case of death of a holder of a certificate, which is only an agreement to sell, it is not the heirs but the widow who succeeds in the parcels of land to be sold by the Government. Only do the heirs succeed in the rights of the deceased holder of a certificate if no widow survives him." The widow of a purchaser of Friar Estates land is entitled to have patent issued to her for the lands purchased upon proper showing she has completed payment of the purchase price, the right to complete such a purchase being analogous to the homestead laws. The widow's rights are governed by the law in force at time of her husband's death, and are not affected by her remarriage (*Jocson vs. Soriano* (1923), 45 Phil. 375). Attempted legacies in violation of this section, which grants the widow of the purchaser the ownership of lands purchased and not transferred during the purchaser's life-time, were void. (*Arayata vs. Joya* (1928), 51 Phil. 654)

Later decisions of the Court have settled controversies involving the friar lands from which We can resolve the conflicting rights and interests of the parties in the present litigation, thus -

"One who acquires land under the Friar Lands Act (Act 1120), as well as his successors in interest may not claim successional rights to purchase by reason of occupation from time immemorial, as this contravenes the historical fact that friar lands were bought by the Government of the Philippine Islands, pursuant to an Act of Congress of the United States, approved on 1 July 1902, not from individual persons but from certain companies, a society and a religious order (12 PAL, 153-155).

"Under the Friar Lands Act, only 'actual settlers and occupants at the time said lands are acquired by the Government' were given preference to lease, purchase, or acquire their holdings, in disregard of the settlement

and occupation of persons before the government acquired the lands.

"Where MB bought on installment a tract of Friar land on 1 July 1920, while his wife AA was still living, to which a Sales Certificate stating the sale is effective 1 July 1920, the date it was issued; and after AA died on 23 September 1923, MB continued paying for the lot on installments until payment was completed 1 June 1931: it was held that MB acquired the beneficial and equitable title to the land on 1 July 1920, before completion of payment for the purchase price, the bare and naked title remaining in the Government, the reservation of title in the Government, pursuant to Section 15 of the Friar Lands Act (Act 1120), being merely for its protection.

"Comparing the first part of the original Section 16 (of the Friar Lands Act) and its amendment, it is seen that while under the original provision the interest of a deceased certificate holder passed to his widow (or widower), it is not so under the amendment which provides that his interest shall descend 'to the persons who under the laws of the Philippine Islands would have taken had the title been perfected before the death of the holder of the certificate, ***' and these persons are no other than his or her heirs under the Civil Code of 1889.

"Where MB executed 4 June 1931 a duly notarized deed of assignment of a parcel of Friar land for P300.00 in favor of his son, A.B., and the deed of conveyance by the Director of Lands was registered 28 September 1931 with the Cavite Register of Deeds, on which same date a Certificate of Title was issued in the name of AB, who has been in possession of the lot since 1927 or 1928; whereas the action to set the assignment aside was filed only in 1952, such action is barred by prescription, since the ten-year period within which to have filed the same started to run from the date of the issuance (on 28 September 1931) of the certificate of title." (Balicudiong vs. Balicudiong, L-29603, June 7, 1971, 39 SCRA 386 per Reyes, J.B.L., J.)

"Under section 15 of Act 1120, otherwise known as the Friar Lands Act, title to the land sold is reserved to the Government until the purchaser makes full payment of all the required installments and the interests thereon. This legal reservation refers 'to the bare, naked title.' The equitable and beneficial title really went to the purchaser the moment he paid the first installment and was given a certificate of sale. The reservation of the title in favor of the Government is made merely to protect the interest of the Government so as to preclude or prevent the purchaser from encumbering or disposing of the lot purchased before the payment in full of the purchase price. Outside of this protection the Government retains no right as owner." (Fabian vs. Fabian, L-20449, Jan. 29, 1968, 22 SCRA 231, Castro, J.)

Now to the antecedent facts.

On August 14, 1975, petitioners filed Civil Case No. 20942, Court of First Instance of Rizal, Quezon City Branch V, against respondents Lucia de la Cruz and Iglesia Ni Kristo for recovery of ownership and possession of land described in the complaint and praying for judgment in their favor as plaintiffs below and against the defendants (respondents herein) "A. Declaring the plaintiffs the legitimate owners pro indiviso of 122,845.32 square meters of land, part of Lot No. 671 of the Piedad Estate, Quezon City, previously covered by TCT No.168322 of the Registry of Deeds of Quezon City; B. Ordering the defendant Lucia de la Cruz to convey to the plaintiffs in the proportion fixed by the law of succession, 46,892 square meters of land, a portion of the land covered by TCT No. 168322, still remaining under her ownership; C. Ordering the defendant Iglesia ni Cristo to convey to the plaintiffs in the same proportion a pro indiviso area of 75,953.32 square meters of land, now covered by TCT No. 209554 of the Registry of Deeds of Quezon City; and further, damages in the amount of P1,858,850.00, attorney's fees of P200,000.00 and pay moral, nominal and exemplary damages in such sums as may be determined by the Honorable Court."

The decision of the trial court clearly and succinctly summarizes the complaint of petitioners as follows:

"x x x that plaintiffs and defendants are the compulsory heirs of Policarpio de la Cruz who left as his property a parcel of land situated in Quezon City, known as Lot 671 of the Piedad Estate, L.R.C. Record No. 5975 and

with an area of 184,268 square meters, more or less; that plaintiffs, as grandchildren and great grandchildren of Policarpio de la Cruz, own pro indiviso two-thirds (2/3) of said property or, more specifically, 122,845.32 square meters thereof, one-third (1/3) going to the 10 children of Maximo de la Cruz, share and share alike and one-third (1/3) going to the surviving children and grandchildren of Filomeno de la Cruz, the children participating per capita and the grandchildren participating per stirpes; that only the remaining one-third (1/3) of the property belongs to defendant Lucia de la Cruz; that plaintiffs knew that their fathers had left certain lands in co-ownership with their aunt who was administering the same; that when their fathers died, plaintiffs similarly entrusted the care of the properties due them to Lucia de la Cruz; that Lucia de la Cruz had been giving plaintiffs every now and then their shares of the produce and, from the quantity thereof, they thought all along that the landholdings left by their fathers did not amount to much; that upon information of someone close to defendant Lucia de la Cruz, plaintiff was recently led to investigate their inheritance from their fathers and they discovered that the property subject of the complaint was registered in the name of defendant Lucia de la Cruz in 1943 to the prejudice of their fathers; that in 1971, a reconstituted title, TCT No. RT-38 of the Registry of Deeds of Quezon City, was issued over the property in the name of Lucia de la Cruz alone upon her instance; that upon discovery in December 1974, plaintiffs immediately demanded from defendant Lucia de la Cruz their share but the latter glibly talked them into waiting on the pretext that she would do so later on; x x x that plaintiffs also came to learn that the ownership of the property was the subject of a controversy in Civil Case No. Q-16125, Court of First Instance of Rizal, Quezon City Branch XXXI, against the defendant Lucia de la Cruz, Juana de los Reyes, Basilisa T. Ramos and Maximino Argana, upon a complaint filed by Nieva Paz Eraña, et al., who held a title over 103,108 square meters of said land traceable to an invalidly reconstituted title in the names of Dorotea and Eugenia de la Paz in whose names the original certificate of title was issued in trust for Policarpio de la Cruz and who already transferred the property to Lucia de la Cruz prior to the reconstitution; that on March 21, 1975, plaintiffs, through their present counsel, appeared in a hearing of that case and manifested their intention to intervene; that before plaintiffs could intervene in Civil Case No. Q-16125, the parties in said case presented a compromise agreement dated July 17, 1975, whereby the parties admitted that the original owner of Lot No. 671, Piedad Estate, was Policarpio de la Cruz; that accordingly judgment was rendered approving the compromise agreement; that on July 17, 1975, plaintiffs in Civil Case No. Q-16125 executed a deed of assignment of rights over Lot 671-B with an area of 103,108 square meters for P250,000.00 in favor of defendant Lucia de la Cruz and the defendant Iglesia ni Kristo; that also on July 17, 1975, defendant Lucia de la Cruz executed a Deed of Absolute Sale of Segregated Portion of Registered Land, referring to Lot No. 671-B, with an area of 103,108 square meters, in favor of defendant Iglesia ni Kristo, for the total sum of P2,108,850.00; that the only remaining area not disposed of by Lucia de la Cruz and still in her name is a portion of her TCT No. 168322 with an area of 46,892 square meters; that both documents have already been registered with the Register of Deeds of Quezon City and, consequently, TCT No. 209554 dated July 19, 1975, had been issued in the name of defendant Iglesia ni Kristo; that the sale to Iglesia ni Kristo had been attended with fraud, bad faith and deceit because Lucia de la Cruz well knew that she did not own the entire property; that the two defendants connived with each other to deprive plaintiffs of their just shares because the stated purchase price of the sale is far below the current and fair market value of the property and more so because Iglesia ni Kristo well knew of the pending Civil Case No. Q-16125 because of the lis pendens annotated in the corresponding title and that on February 17, 1975, counsel for plaintiffs, then intended intervenors in that case, had written the Branch Clerk of Court of Branch XXXI of this Court wherein the case was pending inquiring about the status thereof; that defendant Iglesia ni Kristo should at the very least be charged with constructive, if not actual, knowledge of the proceedings in Civil Case No. Q-16125 and, consequently, of the claim of the plaintiffs; that the attendant haste in the purchase and sale immediately after the submission of the compromise agreement and in the registration of the sale shows the great desire of the defendants to jump the gun on the intended intervention of the plaintiffs; that neither Maximo de la Cruz nor Filomeno de la Cruz nor their children have inherited any piece of property from Policarpio de la Cruz except the property in question; that 75,953.32 square meters should be reconveyed by defendant Iglesia ni Kristo to plaintiffs; that plaintiffs engaged the services of their counsel for a fee of P200,000.00; that plaintiffs suffered mental anguish, serious anxiety, wounded feelings, moral shock and similar injury, entitling them to

moral damages; that because the rights of the plaintiffs had been invaded by defendants, the former are entitled to nominal damages; and, that by way of example or correction for the public good and to serve as a deterrent, plaintiffs should also be awarded exemplary damages." (R.A., pp. 246-251; Brief for Petitioners, pp. 6-9).

Respondent Lucia de la Cruz answered the complaint and quoting the decision of the trial court again, her answer is synthesized as follows:

"In her answer filed on April 13, 1976, defendant Lucia de la Cruz denied the material allegations of the complaint and alleged, by way of affirmative defenses, that the property in question was derived by Dorotea de la Cruz from the Government (of the Philippine Islands) whose title thereto is Original Certificate of Title No. 614 and, in turn, she acquired it from Dorotea de la Cruz and later from Nieva Paz Eraña, et al., and that it is not part of the estate of Policarpio de la Cruz; that plaintiffs' claim does not appear in the title; that the title to the property (OCT 614) was first issued in 1912 and it had become indefeasible after a year from issuance; that plaintiffs' claim is already barred by laches and the statute of limitations because since 1941 she had been asserting ownership over the land to the exclusion of all others, including the plaintiffs. Claiming that plaintiffs' action is malicious and frivolous, she set up a counterclaim for actual and moral damages in an amount to be established and attorney's fees in the amount of P50,000.00." (R.A., p. 251; Brief for Petitioners, pp. 9-10).

For respondent Iglesia ni Kristo, the trial court likewise condensed its answer in the following wise and manner:

"Defendant Iglesia ni Kristo in its answer filed on March 26, 1976 likewise denied the material allegations of the complaint except the fact of rendition of judgment on compromise agreement in Civil Case No. Q-16125, the execution of plaintiffs therein of a deed of assignment of rights over Lot 671-B with an area of 103,108 sq.m. in favor of Lucia de la Cruz and Iglesia ni Kristo, and the execution of a Deed of Absolute Sale of Segregated Portion of Registered Land (Lot 671-B) by Lucia de la Cruz in favor of Iglesia ni Kristo for the total sum of P2,108,850.00. By way of affirmative defenses, it alleges that it examined TCT No. 168322 in the name of Lucia de la Cruz and, after satisfying itself that it was free from any lien or incumbrances or claims of other persons, bought the land covered thereby; that the price thereof was the result of an honest-to-goodness negotiation, freely arrived at by the parties; that plaintiffs' claim is barred by res judicata, laches or prescription and, that plaintiffs have no legal capacity to sue the defendant corporation sole because there is no privity of contract between them. Alleging that plaintiffs' allegation of fraud and deceit and imputation of bad faith and connivance had exposed the defendant corporation sole to public ridicule and contempt, it set up a counterclaim of P1,000,000.00 representing damages to its good name and reputation and P250,000.00 for attorney's fees. In support of its cross-claim against defendant Lucia de la Cruz, the defendant Iglesia ni Kristo further alleged that it paid Lucia de la Cruz the amount of P2,108,850.00 and incurred expenses for the registration of the deed of sale; that Lucia de la Cruz agreed to answer for the eviction of defendant corporation sole from the land bought by it; and, that Lucia de la Cruz had also already executed a deed of sale of the remaining area covered by TCT 168322 in compliance with an agreement that all the land covered thereby be sold to it but the remaining portion would first be rid of squatters and occupants before payment. It prays that cross-defendant Lucia de la Cruz be ordered to pay whatever it may be ordered to pay plaintiffs in this case, and in the event the sale is declared invalid, to reimburse it of all the expenses it incurred by reason thereof." (R.A., pp. 252-253; Brief for Petitioners, pp. 10-11).

After trial, the defunct Court of First Instance, now Regional Trial Court, rendered judgment on October 24, 1977 in favor of the petitioners, annulling the title of the Iglesia ni Kristo which was found to be a purchaser in bad faith and awarding to the petitioners their aliquot inheritance shares in the estate of Policarpio de la Cruz equivalent to about 12 hectares of land. (R.A., pp. 244-302). The findings of fact made by the trial court state:

"From the evidence, testimonial and documentary, the following facts appear indubitably established:

The land in question is known as Lot No. 671 of the Piedad Estate, L.R.C. Record No. 5975 and contains an

area of 184,268 square meters, more or less. Although the entire Piedad Estate which covered a wide tract of land in Quezon City was titled in the name of the Government of the Philippines for as early as before 1920 under Original Certificate of Title No. 614, portions thereof were actually under claim of ownership by various persons who were in possession thereof Lot 671 was owned and possessed by the late Policarpio de la Cruz. Upon his death in 1920, the property passed to his three children - Maximo and Filomeno, the fathers or grand-fathers of the plaintiffs, and Lucia, one of the defendants. Plaintiffs Agustina de la Cruz and Cesaria de la Cruz, as do many of the plaintiffs, were born in the land in question. Defendant Lucia de la Cruz was widowed early and the brothers Maximo and Filomeno, feeling compassion for their only sister, left the administration and management of the only property left them by their father to her. Lucia gave to her brothers during their lifetime parts of the produce of the land consisting of rice and money forming part of the proceeds of other crops raised therefrom. Upon the return of the American armed forces during the war of liberation, the land in question was used as a depot by them and the De la Cruzes, Maximo, Filomeno and Lucia including their children were asked to vacate the area. Most of them transferred their small houses to the property of the Kalaws. Maximo died on January 15, 1968 and Filomeno died on March 14, 1971. Before their death, they called their respective children together and informed them that they (the children) will inherit a piece of land in Barrio Culiati, Quezon City. Both told their children that they inherited the property from their father Policarpio but that the same was being administered and managed by their (the children's) aunt Lucia, the defendant herein. Lucia continued to give the plaintiffs rice and money as their share. However, due to the meagerness of the quantity of rice which was a ganta or two and the amount of money which was only P10.00 given them now and then by their aunt Lucia, plaintiffs never realized the extent and value of the property left them as inheritance.

Practically all the plaintiffs were and still are wallowing in the quagmire of poverty. Never having gone beyond the first or second grade, they are almost illiterate and belong to the laboring class. Eleuterio de la Cruz, a son of the late Filomeno de la Cruz, and a mere employee still resides in Barrio Culiati of Quezon City. Now and then, he visits their aunt to ask almost in a begging manner for a share in the fruits of the land left by the father which come in trickles of a ganta or two of rice or a sum of P10.00. During one of these visits, Eleuterio asked Lucia as to when they will partition the land left by their father and Lucia answered 'after a month's time.' He once asked their aunt about the area of the land they are going to partition and she answered '18 hectares'.

Cesaria de la Cruz who is now married to Marcelo Baluyot resides in Abucay, Bataan where she works as a fish vendor. Just like her brothers and sisters, she too was informed by their late father Filomeno that they will inherit a piece of land which came from their grandfather Policarpio de la Cruz. Their father also told her that the land was being administered by their aunt Lucia and that the same should be left with her for administration for the meantime as she (Lucia) was already a widow and had many children. On the first anniversary of their father's death, her brothers and sisters gathered at the house of their brother Eleuterio in Barrio Culiati, Quezon City, for prayers and a little 'salo-salo'. Their aunt Lucia was also there. While in the kitchen cooking, her aunt Lucia went near her. She then asked her aunt for the partition of the land left them by their father. At this, her aunt Lucia got mad, and thrusting into her hand a fifty-peso bill, said: 'There is your share. You have no more share in the land. I will just feed your share to the dogs and pigs.'

Agustina de la Cruz and Pablo de la Cruz, two of the children of the late Maximo de la Cruz, reside in Balayan, Batangas. Agustina is a farmer, while Pablo is a fisherman. Before their father's death on January 15, 1968, Agustina like her cousins received now and then some shares from the proceeds of the land which their father told them they inherited. It was given by their aunt Lucia who was administering the property. After their father's death, Lucia stopped giving Agustina her share because she (Lucia) resented her accusation of them having poisoned her father, who three weeks after Lucia and her son Regino had fetched him from Batangas, died in Barangka, Marikina, Rizal in the house of Regino. At the first anniversary of their father's death celebrated in Balayan, Batangas, their aunt Lucia was present. Lucia informed the brothers and sisters that each will receive a

share of P5,000.00 from the inheritance left by their father. When they asked their aunt as to when they will get their share, defendant Lucia answered that it will be as soon as everything is fixed and told them not to be impatient. They waited but Lucia never called for them. One time, Pablo went to the house of his cousin Pepe at Culiati, Quezon City, where their aunt Lucia also resides. However, the wife of his cousin Pepe informed him that their aunt Lucia has no time to talk to him. He then came to the conclusion that their aunt Lucia does not anymore want to give their share of P5,000.00 each. Pablo then consulted and sought the help and advice of Sixto Calalo, a sales supervisor residing in Manila but whose area covers that of Balayan, Ba-tangas. That was in 1974." (R.A., pp. 254-258; Brief for Petitioners, pp.12-15).

Respondents Lucia de la Cruz and Iglesia ni Kristo filed separate appeals before the defunct Court of Appeals, now Intermediate Appellate Court, docketed under C.A.-G.R. No. 63244-R.

On February 26, 1982, the Court of Appeals promulgated its decision reversing the judgment of the trial court, including its findings of fact and dismissed petitioner's complaint on the ground that legally speaking, Policarpio de la Cruz never owned the property and therefore, the testimonial evidence of the petitioners could not be believed and sustained; that consequently, no co-ownership existed; that, even, if there was, no trust existed; that laches and prescription bar petitioners' claim of ownership; and that the Iglesia ni Kristo was an innocent purchaser in good faith.

According to the Court of Appeals, the undisputed facts are, and We quote:

"The undisputed facts indicate that the parcel of land in question is Lot No. 671 of the Piedad Estate, GLRO Rec. No. 5975, with an area of 184,268 square meters, more or less, situated in Barrio Culiati, Quezon City; that the totality of the Piedad Estate consists of a vast tract of land, registered on March 12, 1912, in the name of the Philippine Government, under Original Certificate of Title (OCT) No. 614 of the Register of Deeds of the Province of Rizal; that when the Piedad Estate was subdivided (with lot no. 671 as one of the resulting parcels) whoever was in possession of a particular lots was given priority and/or preference in the acquisition thereof pro-vided that the price and the cost of titling would be paid; that upon such payment, the government would issue the corresponding certificate of title; that Policarpio de la Cruz and his wife Luciana Rafael were ori-ginally in possession of the land; that they had three children, namely:

- (1) Maximo de la Cruz (married to Felisa Yabut);
- (2) Filomeno de la Cruz (married to Narcisa Santiago); and
- (3) defendant-appellant Lucia de la Cruz (a widow);

that the plaintiffs-appellees herein are the descendants of the two sons (Maximo and Filomeno) of Policarpio; that on April 25, 1940, Lot no. 671 was segregated from the totality of the Piedad Estate, covered by OCT No. 614 and a separate title was issued in the name of

'Eugenia de la Paz, soltera' and 'Dorotea de la Cruz, viuda'

(this was Transfer Certificate of Title (TCT) No. 40355 of the Register of Deeds for the Province of Rizal); that on November 29, 1941, a deed of sale over Lot No. 671 was executed by Eugenia de la Paz and Dorotea de la Cruz (the registered owners) in favor of defendant-appellant Lucia de la Cruz; that said deed of sale was registered with the office of the Register of Deeds on July 17, 1943 and the corresponding certificate of title was issued to Lucia de la Cruz; that in 1971, Lucia de la Cruz obtained from the land registration court a reconstituted title (TCT No. RT-59 over Lot No. 671), the transfer certificate of title previously issued to her in 1943 having been lost; that subsequently, Lot No. 671 (this time, already covered by TCT No. RT-58) was subdivided into three (3) lots, each of which was issued a separate title, as follows:

'(a) Lot no. 671-A containing an area of 30,000 square meters and covered by TCT No. 168320;

(b) Lot No. 671-B, containing an area of 4,268 square meters and covered by TCT No. 168321; and

(c) Lot No. 671-C, containing an area of 150,000 square meters and covered by TCT No. 168322';

that meanwhile TCT No. 40355 (already previously issued to and in the names of Eugenia de la Paz and Dorotea de la Cruz) continued to exist; that when the title was transferred from the Rizal Registry to the Quezon City Registry, the latter Registry assigned to this TCT a new number, RT-52; that this same lot (No. 671) was later sub-divided into two lots, each with a title:

(a) Lot No. 671-A (TCT No. 16212)

(b) Lot No. 671-B (TCT No. 16213)

both in the names of Eugenia de la Paz and Dorotea de la Cruz; that the second lot (lot No. 671-B, with an area of 103,108 square meters) was sold on December 17, 1952 to one Narcisa Vda. de Leon (to whom TCT No. 2009 was later issued); that on May 6, 1964, Narcisa Vda. de Leon transferred the same lot 671-B to Nieves Paz Eraña (who was later issued in her own name TCT No. 79971).

The undisputed facts further show that in 1971, Nieves Paz Erana filed before the Court of First Instance of Quezon City Civil Case No. Q-16125 for 'quieting of title' against Lucia de la Cruz, et al., praying that TCT No. RT-58; (the reconstituted title of Lucia de la Cruz), as well as all titles derived therefrom, be declared null and void; that the case ended with the parties submitting a compromise agreement, with Lucia de la Cruz, among other things, paying plaintiff Eraña the amount of P250,000.00 to cover the acquisitive cost of the 103,108 square meters of land included in the certificate of title of defendant Lucia de la Cruz; that on July 17, 1975, Lucia de la Cruz sold a portion of Lot No. 671-C (one of the three portions to which the lot included in RT-58 had been subdivided, and which portion was covered by TCT No. 168322), consisting of 103,108 square meters to defendant-appellant Iglesia Ni Cristo, for the amount of P2,108,850.00; that this sale was later registered in the Registry of Deeds of Quezon City, with a new title, TCT No. 209554 being issued in the name of the Iglesia ni Cristo; that another deed of absolute sale was executed for the remaining 84,356 square meters in favor also of the Iglesia and said sale was annotated on TCT No. 168322. In view of said sales and the fact that registration of the involved parcels is now in the name (separately) of Lucia de la Cruz and the Iglesia Ni Cristo, the present action for reconveyance with damages was instituted." (CA Decision, pp. 6-8).

In resolving the case, the Court of Appeals ruled that:

"After a study of the case We have come to the conclusion that the facts mentioned by the appellants Lucia de la Cruz and the Iglesia ni Cristo are the true facts, accordingly, We adopt the same as Our own. We likewise believe that there is substantial solidity in their legal conclusions.

The assigned errors deal with co-ownership, trust, prescription, laches, and bad faith. We plan to discuss them successively.

Anent the alleged co-ownership of the lot among the heirs (or descendants) of Policarpio de la Cruz, We say that definitely there was none. Indeed it was impossible, factually and legally, for Policarpio to be the owner for the entire Piedad Estate (of which lot no. 671 was then a part) had been since March 12, 1912 registered in the name of the Philippine Government. How then could anyone hold legitimate title adverse to that of the State? It is true that on certain occasions, Lucia referred to the ownership of the lot by her parents, but it is evident (from the State's ownership of the same) that Lucia must have meant 'possession' as contra-distinguished from 'co-ownership'. Lucia cannot be regarded in estoppel for estoppel can only apply to one with capacity (such as one

who is given authority to make a pronouncement). One who because of sheer ignorance does not know what she is talking about can never be in estoppel, particularly when a legal conclusion is involved. And while it is true that the two brothers lacked rudimentary education (alluded to by the trial court in its attempt to excuse their ostensible negligence in delaying their legal claims to the lot involved) it is also true that Lucia likewise was sadly wanting insofar as education was concerned. And precisely because there never was a co-ownership, there never also was a trust, whether express or implied. How could the brothers entrust to Lucia something they never owned (whether by themselves, or together with Lucia)? The testimonies of certain of the appellees to the effect that Lucia had from time to time doled out to them their shares in the produce of the 'co-ownership' and had in fact promised them their distributive shares in the form of P5,000.00 each are rather difficult to believe. As has already been said, there were no shares or produce to be distributed, there being neither a co-ownership or a trust. The testimonies in open court of plaintiffs Cesaria de la Cruz and Eleuterio de la Cruz that their fathers had told them they were going to inherit property from grandfather Policarpio are pure hearsay and consequently inadmissible in evidence (See *tsn*, p. 11, Sept. 9, 1976; *tsn* pp. 5-10, Aug. 28, 1976). Be it noted that these witnesses never knew Policarpio, who had died way back in 1920. Then again there is no evidence whatsoever on how Policarpio ever acquired ownership over the land. No document of any kind was presented, no testimony at all that Policarpio had ever purchased or applied with the Government (the registered owner of the Piedad Estate) for the purchase of Lot no. 671. Truth to tell, even mere tax declarations or receipts of tax payments in the name of Policarpio were not presented. How then can one sincerely and logically include that Lot No. 671 was owned by Policarpio and inherited by his three children on his death in 1920 when in fact such lot No. 671 had not even been segregated as yet from the Piedad Estate?

Additionally We take note of the fact that plaintiff Florentino de la Cruz admitted that he had once been the overseer of one Narcisa Vda. de Leon over the very same parcel of land now in dispute. If indeed he, together with his relatives, regarded the property as theirs, why did he allow himself to become a mere overseer? Since his relatives (most of the plaintiffs) resided nearby (Culiat, Quezon City), and knew that Florentino was a mere overseer, it is significant that said relatives (plaintiffs) did not question Narcisa Vda. de Leon's claim of ownership over a large portion of the land subject matter of the instant suit. If they were positive of their right to the parcel (as their inheritance from their grandfather Policarpio) why did they not even press for an opportunity to occupy on the vast tract of land several square meters upon which they could erect their respective houses? From all these it is evident that together with Lucia, they had always believed that their grandfather's 'ownership' was actually a case of mere 'possession'. It is evident their eyes opened wide only when they heard of the negotiations leading to and the eventual sale of the lot by Lucia to her co-appellant, the Iglesia ni Cristo, the transaction involving as it did millions of pesos. Again let it be observed that they did not concern themselves with transactions involving other parts of the estate (such as the sale of lot no. 671-A to Juana de los Reyes, Basilisa T. Ramos and Maximo A. Argana).

Appellees' assertion that they had been receiving certain distributive shares from Lucia defies belief. They have not shown who actually tenanted the property or were responsible for the products thereof. They have failed to point out the extent to the land under actual cultivation, the value of the harvest, the sharing agreed upon, if any. Their claim that from time to time they had received a ganta or two of rice plus ten pesos (P10.00) as their distributive co-owners' shares bogs the imagination. Assuming that said amounts had actually been given them, it is easy to believe they were mere doleouts from a better-situated relative to less fortunate ones, perhaps a token of sympathy and assistance to needy kins rather than an acknowledgment of their right to share in the property as co-owners.

As already intimated, since there never was any co-ownership, there also never existed a trust (whether express or implied) on the property.

Assuming without admitting that Lucia and her two brothers co-owned Lot No. 671, what would be the effect of having the same registered in Lucia's name alone on July 17, 1943 (See Entry no. 258, p. 7, Vol. 7, of the Primary Entry Book of the Registry of Property)? We say that no express trust was created, for an express trust concerning an immovable or any interest therein cannot be proved by parol evidence. Nor did an implied resulting trust arise (for there never was any intent to create a trust or to grant legal title to Lucia, at most she was given mere administration). What could have taken place was an implied constructive trust (one that is created by law when property is acquired by mistake or fraud, the objective of the law being to prevent unjust enrichment). It is now firmly entrenched in Our jurisprudence that an implied constructive trust prescribes in ten (10) years (*Bacay et al. v. Court of Appeals, et al.*, L-37504, Dec. 18, 1974, 61 SCRA 369; *Ramos v. Ramos*, No. L-19872, Dec. 3, 1972; *Nacalaban v. CA*, 80 SCRA 428) counted from the registration of the adverse title.

The registration of an instrument in the Office of the Register of Deeds constitutes constructive notice to the whole world and therefore discovery of the fraud is deemed to have taken place at the time of registration (*Carantes v. Court of Appeals*, 76 SCRA 514)

x x x x x x x x

The issuance of Transfer Certificate of Title No. 7501 in 1931 to Mariano Duque commenced the effective assertion of adverse title for the purpose of the statute of limitations (*Duque v. Domingo*, No. L-32762, 80 SCRA 695, 664).

That the registration in Lucia's name was clearly adverse to her brothers and the latter's descendants is evident from Our discussion of Lucia's CONTINUED NON-RECOGNITION of her relatives' shares in the lot or in the proceeds/produce thereof. Hence the trial court was in complete error in saying there was a continuing and subsisting trust.

It is obvious from the foregoing that if at all an implied constructive trust existed previously, prescription has long barred the appellees' recovery of their alleged shares. This must have been why neither brother nor their relatives caused the annotation of an adverse claim on Lucia's property.

And even assuming in gratia argumenti that prescription has not yet set in, appellees are most certainly guilty of laches (and laches can apply in the two kinds of implied trusts, that is both the resulting trust and the constructive trust) (*Ramos v. Ramos*, 61 SCRA 300). There is no denying the fact that in the present case, the appellees delayed too long in the assertion of their alleged rights. The property was registered in Lucia's name on July 17, 1943 and it was only on March 21 1975 when appellees appeared in a hearing of Civil Case No. Q-16125, CFI, Quezon City (*Erana et al. v. dela Cruz, et al.*) and manifested an intent to intervene therein, and it was only on August 14, 1975 that they filed the instant case (more than 32 years later) asserting their claims over Lot 671. Their claim can thus hardly evoke any judicial compassion. *Vigilantibus it non dormientibus jure subveniunt*. If eternal vigilance is the price of liberty, one cannot sleep on one's right for more than thirty (30) years and still expect it to be preserved in its pristine purity.

Even if We were to hold Lucia still liable and that neither prescription or laches would enable her to escape from the appellees' demands, the fact is that the Iglesia ni Cristo is an innocent purchaser for value, and should not therefore be prejudiced. Good faith is always presumed, and upon him who alleges bad faith on the part of a possessor rests the burden of proof. At the time the Iglesia purchased the property from Lucia, the same was registered under the Torrens System in her name, with the title showing no adverse claims, liens, burdens or encumbrances. One who buys from the registered owner –

'is not bound to go behind the certificate and inquire into transactions the existence of which is not there intimated. x x x he is only charged with the notice of the burdens on the property which are noted on the face

of the register or on the certificate of title.

'If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens System seeks to ensure would entirely be futile and nugatory.'

The assertion of the trial court that the Iglesia was a buyer in bad faith because it had 'constructive if not actual knowledge of the claim of the plaintiffs' is not borne by the facts because there is nothing in the records of this case to indicate that the various claimants referred to by Judge Herminio Mariano in his court testimony (as witness for the Iglesia) are the very plaintiffs-appellees in this case. There were thirteen occupants of the property titled in Erana's name (five of whom were her overseers, the other eight being squatters). Be it remembered that the witness was not cross-examined on this matter, evidently because everybody knew that when witness referred to 'claimants' he was not referring to the plaintiffs-appellees (See *tsn*, pp. 7-9, 18-19, 63, Feb. 16, 1977). The trial court likewise faulted the Iglesia for having purchased the property at only P25.00 per square meter when allegedly in 1975 the ongoing price in the vicinity was P100.00. Again the latter price is not borne out by the facts. Besides, the total area involved was so big that only very few could have been in a position to buy even if they had been interested. The Iglesia cannot also be blamed for registering the same the same day it was effected. This is a normal pre-rogative given to every purchaser.

Finally, whether the Iglesia was in good faith or in bad faith is really of no significance, for after all, the appellees as al-ready extensively dismissed are not entitled to any proprietary interest in the lot.

PREMISES CONSIDERED, the applied decision is hereby SET ASIDE and REVERSED, and a new one is hereby rendered, dismissing the complaint, with costs against the plaintiffs-appellees.

SO ORDERED."

Petitioners' motion for reconsideration having been filed March 27, 1982 and denied for lack of merit in the Court of Appeals' resolution of September 7, 1982, petitioners now come to Us in the instant petition for review, praying that the decision of the Court of Appeals as well as the resolution denying reconsideration be reversed and set aside, and that a new decision be promulgated, reinstating and affirming the judgment of the Court of First Instance of Rizal, Quezon City.

The petition for review before Us sets forth the following assignments of error:

I. The Court of Appeals grievously erred in not declaring that, on their face, the reconstituted titles of both respondent Lucia de la Cruz and her alleged predecessors-in-interest, Dorotea de la Cruz and Eugenia de la Paz, are absolutely null and void and without legal force and effect.

II. The Court of Appeals grievously erred in holding that respondent Iglesia ni Kristo was an innocent purchaser for value and in good faith under the established circumstances, particularly in the face of two different titles of two different owners over the same property; and in not holding that, in any event, respondent Iglesia ni Kristo purchased nothing.

III. The Court of Appeals grievously erred (A) in not recognizing the legal ownership of Policarpio de la Cruz expressly recognized by the government and judicially admitted by respondent Lucia de la Cruz binding on her successor-in-interest, respondent Iglesia ni Kristo; and (B) in not upholding the existence of a co-ownership between the petitioners and respondent Lucia de la Cruz.

IV. The Court of Appeals grievously erred in holding that petitioners' case is barred by both prescription and laches.

V. The Court of Appeals grievously erred in not affirming the judgment of the Court of First Instance in toto, including its award for moral and exemplary damages as well as attorney's fees.

The principal issue in controversy is the question of ownership of Lot 671, admittedly an original part and parcel of the Piedad Estate. For its resolution, the basic and fundamental precept to be followed, in Our view, is the rule and doctrine laid down by the Supreme Court in *Jacinto vs. Director of Lands* (1926), 49 Phil. 853 that the so-called friar lands, to which the Government of the Philippines holds title, are not public lands but private or patrimonial property of the government. The Piedad Estate was among the friar lands which the government of the Philippines purchased from the Philippine Sugar Estates Development Company, Limited, La Sociedad Agricola de Ultramar, the British-Manila Estate Company, Limited, and the Recoleta Order of the Philippine Islands for the sum of \$7,239,784.66 on December 23, 1903, as indicated in the Preamble to the Friar Lands Act, Public Act No. 1120 enacted on April 26, 1904, hereinbefore quoted in this decision. These properties consisted of about 164,127 hectares of land situated in the provinces of Laguna, Bulacan, Cavite, Bataan, Cebu, Rizal, Isabela and Mindoro. These lands are not public lands in the sense in which these words are used in the Public Lands Act, numbered nine hundred and, twenty six and cannot be acquired or leased under the provisions thereof. (See last paragraph, Preamble to PA 1120).

And prescinding from this ruling or doctrine in the *Jacinto* case, the Supreme Court in the case of *Balicudiong vs. Balicudiong*, 39 SCRA 386, held that one who acquires land under the Friar Lands Act (Act 1120) as well as his successor-in-interest, may not claim successional rights to purchase by reason of occupation from time immemorial; that under the Friar Lands Act, only "actual settlers and occupants at the time said lands are acquired by the government" were given preference to lease, purchase, or acquire their holdings, in disregard of the settlement and occupation of persons before the government acquired the lands.

The ruling of the appellate court that definitely there was no co-ownership of Lot 671 among the heirs (or descendants) of Policarpio de la Cruz because it was impossible, factually and legally, for Policarpio to be the owner, for the entire Piedad Estate (of which Lot No. 671 was then a part) had been since March 12, 1912, registered in the name of the Philippine Government, is correct, and We affirm the same, considering the provisions of the Friar Lands Act and the doctrine laid down by this Court that said Friar lands are the private and patrimonial property of the Philippine Government. And there being no evidence as to how Policarpio acquired ownership over the land, no document of any kind presented, and no testimony or proof whatsoever that Policarpio had ever purchased or applied with the government for the purchase of Lot No. 671, We reject petitioners' repeated pretensions that Policarpio de la Cruz was the owner of Lot 671. He may have been an actual settler or occupant in the land at the time said lands were acquired by the government and was given the preference to lease, purchase or acquire his holding, which preference, however, is in disregard of the settlement and occupation of persons before the government acquired the land but absent any showing, proof or evidence that he applied to purchase or acquire the holding, Policarpio de la Cruz acquired no title, right or interest whatsoever which he could have transmitted by succession to his children and heirs.

The admission by respondent Lucia de la Cruz that she inherited the property from her father, Policarpio de la Cruz; that Policarpio's possession from time immemorial was in concept of owner; the allegation of the parties that the government has expressly recognized the right of Policarpio to the land in litigation and that even the trial and appellate courts' decisions assume such express recognition by the government to Policarpio's claim to the property—all these are unavailing and of no effect in the face of the precedent-setting doctrine of this Court that the land is private and patrimonial property of the government and the specific provision of the Friar Lands Act that the actual and bonafide settler should he desire to purchase the land occupied by him shall pay to the government the actual cost thereof, granting to him 15 years from the date of the purchase in which to pay the same in equal annual installments, should he so desire, paying interest at the rate of 4% per annum on all deferred payments. When the cost thereof shall have been ascertained which included the cost of surveys, administration and interest upon the purchase money, the Chief of the Bureau of Public Lands then gives the said settler and occupant a

certificate setting forth in detail that the government has agreed to sell such settler and occupant the amount of land so held by him, at the price so fixed, and that upon the payment of the final installment together with all accrued interest, the government will convey to such settler and occupant the land so held by him by proper instrument of conveyance which is then issued and become effective in the manner provided in Section 122 of the Land Registration Act.

We have searched the entire records of this case and there is absolutely no showing, proof or evidence whatsoever, documentary or testimonial, that Policarpio de la Cruz purchased or attempted to purchase, in cash or by installment, Lot 671 of the Piedad Estate. Petitioners' submission that "the dominical rights of petitioners over 2/3 of the property, as marked out by intestate succession, are still preserved" (Brief of Petitioners, p. 67) is without merit. It is repugnant and inconsistent with the Jacinto doctrine, and there is no factual basis of compliance with the requirements of Section 11, PA 1120.

More than that, the Government of the Philippines is not a party to this proceedings and it cannot be bound by any act, allegation, declaration, or admission by either or both parties relating to the disposition and ownership of the private and patrimonial property of the government such as the Friar land herein involved. Even the assumption of both courts, the trial and appellate court, that the government has expressly recognized Policarpio's claim to the property in question, is erroneous.

Now, to the other issues:

1. Petitioners' contention that a trust was created over the land in their favor as beneficiaries when Lucia de la Cruz took over the administration, possession and occupancy of the property, being the eldest daughter of Policarpio and has recognized the share of petitioners by supposedly giving them P10.00 and a few gantas of rice produced from the land, is without merit. As the appellate court held, Policarpio never had title to the land and legally speaking, he had no right to transmit to his daughter Lucia, and his sons Maximo and Filomeno, much less to the petitioners as the successors-in-interest of the deceased brothers Maximo and Filomeno. We have affirmed the appellate court's ruling that Policarpio had no title to the land, and the legal consequence thereof is that no trust relationship existed over the land in favor of the petitioners as beneficiaries and the respondent Lucia de la Cruz as the supposed trustee. This is so because in the first place, the land is the private and patrimonial property of the government and in the second place, it has not been shown or established that the land had been sold by the government to Policarpio de la Cruz. If he had the preference to purchase the land but he failed to exercise said preference or avail the benefits thereof, the same must have been abandoned or had lapsed through inaction, neglect or omission up to the time of his death in 1920.

2. The mother title of Lot 671 is OCT No. 614 of the Register of Deeds of the Province of Rizal registered on March 12, 1912 in the name of the Philippine Government. When Lot 671 was segregated, the original title was partially cancelled and TCT 40355, T-201 was issued to Eugenia de la Paz and Dorotea de la Cruz by virtue of Entry No. 3241 which reads:

"Vendido a Eugenia de la Paz y Dorotea de la Cruz el Lote No. 671 del terreno en este certificado de titulo, mediante escritura ratificada al 27 de Julio de 1931 en Manila, ante Vicente Garcia, Notario Publico; se cancela parcialmente al presente certificado de titulo, en cuanto al lote mencionado y se expide otro a nombre de las compradoras con el No. 40355, folio 5, Tomo T-201 del libro de transferencias; archi-vandose la escritura de que se ha hecho referencia en el Legajo T-No. 40355."

TCT No. 40355, T-201 in the name of "Eugenia Paz, soltera y Dorotea de la Cruz, viuda" was cancelled by virtue of Entry No. 258, page 7, Vol. 7, Primary Entry Book of the Registry of Deeds of Manila. Said entry reads as follows:

"1. Number of Entry 258

2. Date of filing:

Month, day & year July 17, 1943

Hour and Minute 10:15 A.M.

3. Nature of Contract Sale

4. Executed by Doroteo (sic) de la Cruz, et al.

5. In favor of Lucia de la Cruz

6. Date of Instrument 11-29-41

7. Relative to:

Certificate of Title No. 40355

Book T-201

8. Papers presented by:

Name Regino Cleofas

Address Pasong Tamo, Quezon City

9. Contract Value P2,500.00

(Exh. P)

10. Remark Caloocan"

In due course of official business and duty, a new Transfer Certificate of Title must have been issued to the new owner, Lucia de la Cruz. The entire records do not disclose the number of the new Transfer Certificate of Title (TCT) in the name of Lucia de la Cruz. When in 1971, Lucia de la Cruz petitioned for the reconstitution of her title in the Court of First Instance of Manila, she alleged her title as No. (N.A.). The Court granted the petition and the Register of Deeds of Manila issued to her TCT No. RT-58, thereby cancelling TCT-40355, T-201.

Petitioners now claim that the reconstituted title TCT No. RT-58 is null and void and without legal force and effect, petitioners' counsel having failed after a "recent wide hunt" to locate the existence of TCT No. 40355, T-201 in the Registries of Deeds of Manila, Quezon City and Pasig and the resulting "nil" investigation to locate Primary Entry No. 258.

But these are factual issues to which We may not properly address Ourselves in the instant petition for certiorari. Moreover, the petition for reconstitution was duly published and proper notices posted in accordance with law, and after due hearing, was granted by the court in the exercise of its authority and jurisdiction. It must be assumed that official duty was likewise duly and properly exercised in the premises. Hence, We reject petitioners' assignment of error that the Court of Appeals erred in not declaring that the reconstituted title of Lucia de la Cruz is absolutely null and void.

3. With respect to the reconstituted title of Dorotea de la Cruz which was granted by the Court of First Instance of Rizal on December 14, 1945 and TCT 5284 of the Register of Deeds of Quezon City was issued in substitution and/or reconstitution of TCT 40355 of the Register of Deeds of Rizal by virtue of the following inscription on TCT 40355, to wit:

"Se expide otra copia para el dueño del presente certificado de titulo en sustitucion del duplicado que se alega

haberse quemado, en virtud de una orden del juzgado de Primera Instancia de Rizal dictada el 14 de Diciembre, 1945, en Expediente G.L.R.O. Rec. No. 5975, y en donde se declara nulo y ninguna valor dicho duplicado quemado.

MAMERTO TINGKUNGKO

Register of Deeds Interino"

it may be true that the order granting reconstitution was null and void by reason of the failure to cause the necessary publication of the petition, and, therefore, the reconstituted title was ineffective. More than that, it is established that Dorotea de la Cruz and Eugenia de la Paz had previously sold the land to Lucia de la Cruz executed on November 29, 1941 as indicated in Entry No. 258 so that Dorotea de la Cruz was no longer the owner at the time she petitioned for reconstitution. Nonetheless, it is not disputed that Dorotea de la Cruz together with Eugenia de la Paz were the registered owners of Lot 671 under TCT 40355, T-201 of the Register of Deeds of Rizal, and they could legally transfer the same to Lucia de la Cruz who thereafter sold in favor of respondent Iglesia ni Kristo.

4. Petitioners argue that "Now, therefore, with the undisputed family tree and with the absence of any other property of Policarpio de la Cruz aside from the property in litigation, the conclusion should be ineluctable that co-ownership exist between the petitioners and respondent de la Cruz" (Brief of Petitioners, p. 66). The argument is supported by the allegation that "Policarpio owned no other property is a fact established by a Lucia witness no less, one Restituto Gomez in the reconstitution case who was asked the question as to 'whether Mr. Policarpio de la Cruz has any other property,' and his answer was: 'That same property, Policarpio de la Cruz was actually staying on that land.'" (Brief of Petitioners, p. 67).

The argument lacks factual basis. Analyzing the answer of the witness, it is self-evident that it is not responsive to the question. It is hazy, ambiguous, and not categorical. The testimony does not prove that Policarpio de la Cruz had no other property aside from Lot 671. And while petitioners bank on the circumstance that the witness Gomez was a Lucia witness no less and quotes testimony given in the reconstitution case, petitioners conveniently ignore documentary exhibit presented by them showing that Policarpio de la Cruz had owned 65 hectares of land. Petitioners presented as their exhibit Exhibit "D-2", the Counter-Affidavit of Lucia de la Cruz, paragraph 1 of which reads:

"1. It is not true as complainants state in their affidavit that when our father, Policarpio Cruz, died sometime in the year 1920 that Lot No. 671 of the Piedad Estate was his only property, the truth is that during his lifetime he owned approximately sixty five (65) hectares as shown in the Official Gazette of 1911 when the Piedad Estate was published under G.L.R.O. 5975, the boundary of the land of Policarpio Cruz to the South is the Culiati Creek, and complainants are aware of this fact."

Indeed, the most telling and revealing piece of documentary evidence among the voluminous records of this case is the copy of the Official Gazette of 1911 when the registration of the Piedad Estate was published as mentioned in paragraph 1 above. The copy of the Official Gazette of 1911 is marked Exhibit "N-1-A", Exhibit "3-Cruz" being pp. 152, 153 and 154 of the Gazette. Excerpts from this Exhibit show the following:

"Court of Land Registration
(Registration of title - G.L.R.O. No. 5976)

The Agent of the Compania Agricola de Ultramar and the Procurator of the PP. Agustino Calsados, these two c/o Convent of San Agustin, Calle Palacio; and Pelagia Teotimo, Calle Esculdo No. 65, District of Quiapo; Augusto Tuazon, Agent of the Heirs of Jose Rivero Tuazon x x x x x, Policarpio Cruz, Gregorio Sevilla, Juan Francisco, x x x;

Whereas, an application has been presented to this Court by the Government of the Philippine Islands, through Director of Lands, of Manila, P.I. to register and confirm its title to the following described land, to wit:

A piece of land known as Piedad Estate situated to the Municipalities of San Mateo and Caloocan, Province of Rizal, P.I., more particularly bounded and described as follows:

(The technical description of the land follows.)

The partial description is stated as follows:

"Bounded on the N. by the Tala Estate separated by the Tuliajan River; NE by the Tala and Payatan Estates separated by the Tuliajan and Lipjo Rivers; N. by the Patayas Estate; S. by the Santa Mesa-Diliman Estate separated by the Culiati River by properties of Hugo Lingat, Tomas Mandaba, Gregorio Eugenio, Mamerto Cruz, Jacinto Diaz, Policarpio Cruz, Gregorio Sevilla, and Juan Francisco, and by the Marikina Estate and by the Maynito Estate x x x."

(The above notice is dated 10th day of January in the year 1910.)

Petitioners contend that the above notice of entry is an express recognition by the government of the ownership of Policarpio de la Cruz. Even the trial and appellate courts assume in their respective decisions that the government has expressly recognized the ownership and title of Policarpio de la Cruz. Petitioners' contention and the courts' assumption are not correct.

Properly understood, the above notice in the Official Gazette clearly indicate that the properties of the Piedad Estate which include Lot 671 subject of the application of the government and which eventually were registered under OCT No. 604 in the name of the Government, were out-side, in fact separated from other lands occupied by Hugo Lingat, Tomas Mandaba, Gregorio Eugenio, Mamerto Cruz, Jacinto Diaz, Policarpio Cruz and others. In other words, Policarpio Cruz was one of the adjoining owners on the South separated by the Culiati River. It further indicates that Policarpio de la Cruz had lands other than the property in litigation which is Lot 671. In passing, We note from the notice that Mamerto Cruz was also an adjoining owner.

The fact that Mamerto Cruz, one of the two sons of Policarpio de la Cruz and brother of the respondent Lucia de la Cruz, appears as an adjoining boundary owner to the Piedad Estate, gives support to the claim of Lucia de la Cruz that their father, Policarpio, had other lands aside from the property in litigation. And further credence is established in the testimony of Leoncio Cruz, the son of Mamerto Cruz, who testified in the reconstitution case that he (Leoncio) is the owner of property adjacent to Lot 671, which he inherited from his father, Mamerto (Exhibit "H", p. 32 thereof).

5. With respect to the alleged error of the Court of Appeals in holding that respondent Iglesia ni Kristo was an innocent purchaser for value and in good faith, We hold and rule that under the law and jurisprudence and in view of the historical facts recited earlier, respondent Iglesia ni Kristo cannot be faulted in taking care to protect its interests in acquiring Lot 671, confronted as the Iglesia was by the conflicting titles of Lucia de la Cruz and Dorotea de la Cruz over the same land. By procuring and effecting the settlement of the case for Quieting of title filed by Nieves Paz Eraña before the Court of First Instance of Quezon City, Civil Case No. Q-16125 under a compromise agreement and executing the Deed of Absolute Sale of Segregated Portion of Registered Land and the Deed of Assignment made by the Erañas in favor of both Lucia de la Cruz and Iglesia ni Kristo, respondent Iglesia did what a prudent, careful and cautious vendee would do under the circumstances, considering the purchase price paid and invested and the vast area of the property acquired. For while indeed, two (2) titles crop up under different names for the same land, the purchaser is not necessarily obliged to be so naive and innocent and require the title holder to clear their rights first before buying the property he is interested in acquiring.

True it is that a would-be purchaser of property known to have two titles would certainly have the duty to inquire about the validity of those two titles against each other, which would necessarily involve examining their validity per se against any other title. (Brief of Petitioners, p. 61). But the better part of prudence, caution and wisdom would be to satisfy and pacify both title-holders together with their assignees or transferees. This is what respondent Iglesia did to clear and quiet its own acquisition of the property under litigation. And assuming that there were adverse claimants such as petitioners herein, respondent Iglesia was not duty-bound as purchaser for value to respect their claims and interests for after all, the same have been found and ruled to be false and frivolous.

There is justification in the appellate court's observation that petitioners moved no finger when Lucia disposed smaller portions of the lot to Juana de los Reyes, Basilisa T. Ramos and Maximo A. Argana and "their eyes opened wide only when they heard of the negotiations leading to and the eventual sale of the lot by Lucia to her co-appellant, the Iglesia ni Kristo, the transaction involving as it did millions of pesos". It took them 32 years to assert their claim to Lot 671 when they filed the case for reconveyance on August 14, 1975, which is a clear case of inaction and neglect, thereby converting whatever interest petitioners had into a stale demand. (Mejia vs. Gamponia, 100 Phil. 277; Miguel vs. Catalino, L-23072, 26 SCRA 234). Otherwise, there is no meaning to the maxim *Vigilantibus et non dormientibus jura subveniunt* (The laws serve the vigilant, not those who sleep.)

With Our affirmance of the Court of Appeals' holding that no trust (whether express or implied) existed on the property between Lucia de la Cruz and petitioners, the legal provision that is inescapable and applicable is Section 38 of the Land Registration Act whereby the registered title of Lucia de la Cruz reconstituted as TCT No. RT-58 in 1971 became indefeasible and incontrovertible one year from its issuance. As registered owner, Lucia de la Cruz had the perfect and legal right to sell, assign, and convey the property to respondent Iglesia ni Kristo who as purchaser for value in good faith holds the same free from all incumbrances except those noted in said certificate of title. (Section 39, Land Registration Act). The Iglesia may then safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property. (Director of Lands vs. Abache, et al., 73 Phil. 606). Where there was nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore farther than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens system seeks to insure would entirely be futile and nugatory. (Reynes vs. Barrera, 68 Phil. 656; De Lara and De Guzman vs. Ayroso, 50 O.G. No. 10, 4838, cited in Fule vs. De Legare, 7 SCRA 351).

Thus, the indefeasibility and imprescriptibility of a Torrens title is preserved and maintained and the purposes of the Torrens System of land registration achieved which is to insure stability by quieting titled lands and put to a stop forever any question of the legality of the registration, in the certificate, or which may arise subsequent thereto. And once the title was registered, the owner might rest secure, without the necessity of waiting in the portals of the court, or sitting in the "mirador de su casa" to avoid the possibility of losing his land in the classic pronouncement of this Court in Legarda vs. Saleeby, 31 Phil. 590, reiterated in Salao vs. Salao, 70 SCRA 65, 84, and Director of Lands vs. Court of Appeals, 102 SCRA 370, 451.

WHEREFORE, IN VIEW OF ALL THE FOREGOING, the decision of the respondent Court of Appeals (now Intermediate Appellate Court) in CA-G.R. No. 63244-R is hereby **AFFIRMED** in toto. Costs against petitioners.

Petition denied.

SO ORDERED.

Makasiar, (Chairman), Concepcion, Jr., and Escolin, JJ., concur.

Aquino, J., in the result.

Abad Santos and Cuevas, JJ., no part.

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